

ORIGINAL

Decision No. 65777

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of CLEAR LAKE PARK WATER COMPANY, )  
a corporation, for an order author- )  
izing an increase in rates for ) Application No. 44644  
water service in and adjoining ) (Filed July 17, 1962)  
the unincorporated communities )  
of Clearlake Park and Austins )  
in Lake County, California, and )  
for relief pending full hearing. )

Wm. Stava, for Clear Lake Park Water Co.,  
applicant.  
Edson Abel, for Clear Lake Water District,  
King Crosno, for Clear Lake Plaza Associates,  
and Robert Memory, for Safeway Stores, Inc.,  
protestants;  
John D. Reader, for the Commission's staff.

O P I N I O N

Applicant, Clear Lake Park Water Company, seeks herein authority to increase its rates for water service.

A duly noticed public hearing was held in this matter before Examiner Jarvis at Clear Lake Highlands on December 5, 1962. The matter was submitted subject to the filing of a late-filed exhibit which has been received.

Applicant's service area is located approximately six miles northwest of Lower Lake in Lake County. It supplies its customers with water which is pumped from Clear Lake at two locations. Both pump stations are operated in a similar manner. Water is pumped from the lake into an aeration tank. The water is then boosted through filters into a second tank, and it is finally pumped into the distribution system and reservoirs. The water is chlorinated during the aforesaid process.

Applicant serves 713 customers in its certificated area. The service to each customer is metered. In addition, applicant serves water for resale to a privately owned water company and two mutual water companies. These three companies furnish water to 132 customers. Applicant also serves an undetermined number of fire hydrants which are alleged to have been installed and to be maintained by the local volunteer fire department. Applicant does not receive any compensation for water service provided to these hydrants.

Applicant alleges that its present rates became effective on January 1, 1956; that its rate of return upon its average depreciated rate base for 1960 and 1961 was, respectively, 3.12 percent and 2.74 percent; that in 1961 its realized utility operating income was less than the interest upon its indebtedness for the year; and that it should be authorized to increase its rates. Applicant seeks authority for the following rate increases:

## Schedule No. 1

## GENERAL METERED SERVICE

Item	Per Meter			
	Present Rates	Proposed Rates	Increase Amount	Increase Per Cent
<b>Monthly Quantity Rates:</b>				
First 400 cu. ft. or less	\$ 3.00	\$ 6.00	\$ 3.00	100%
Next 1,600 cu.ft., per 100 cu.ft.	.40	.75	.35	88
Next 3,000 cu.ft., per 100 cu.ft.	.30	.50	.20	67
Over 5,000 cu.ft., per 100 cu.ft.	.20	.40	.20	100
<b>Annual Minimum Charge:</b>				
For 5/8 x 3/4-inch meter	36.00	72.00	36.00	100
For 3/4-inch meter	54.00	108.00	54.00	100
For 1-inch meter	108.00	168.00	60.00	56
For 1½-inch meter	180.00	240.00	60.00	33
For 2-inch meter	264.00	360.00	96.00	36
For 3-inch meter	336.00	480.00	144.00	43
For 4-inch meter	420.00	720.00	300.00	71

Among the data presented by applicant in support of its request were earning results for the year 1961 and estimated earning results for the year 1962. The Commission staff presented a study which made certain adjustments in the earning results for 1961. The staff presented data showing earning results for 1961, as adjusted, and estimated 1962 results under present rates and those proposed by applicant. In addition, the staff recommended that certain additions and modifications be made to the system, which will be hereinafter considered, and presented earning results for 1961 and 1962 estimates based upon adjustments made for the suggested additions and modifications. These results of operations are compared in the following tabulation:

	Oper. Rev.	Total Deductions	Net Revenues	Av. Depr. Rate Base	Rate of Return
<u>Applicant 1961</u>					
Pres. Rates	\$33,747	\$31,201	\$2,546	\$92,516	2.75%
Pro. Rates	(1)	(1)	(1)	(1)	(1)
<u>Applicant 1962</u>					
Estimated					
Pres. Rates	(2)	(2)	(2)	(2)	(2)
Pro. Rates	70,810	62,136	8,674	105,194	8.25% <sup>(3)</sup>
<u>CPUC Staff 1961</u>					
Adjusted without Improvements					
Pres. Rates	34,065	27,820	6,245	85,650	7.29%
Pro. Rates	66,695	41,245	25,450	85,650	29.71%
<u>CPUC Staff 1961</u>					
Adjusted with Improvements					
Pres. Rates	34,065	28,930	5,135	108,000	4.75%
Pro. Rates	66,695	42,005	24,690	108,000	22.86%
<u>CPUC Staff 1962</u>					
Estimated without Improvements					
Pres. Rates	36,500	29,765	6,735	91,500	7.36%
Pro. Rates	71,505	44,660	26,845	91,500	29.34%
<u>CPUC Staff 1962</u>					
Estimated with Improvements					
Pres. Rates	36,500	30,875	5,625	113,150	4.97%
Pro. Rates	71,505	45,420	26,085	113,150	23.05%

(1) No estimate submitted

(2) No estimate submitted. Applicant contends results would be similar to those of 1961

(3) Applicant presented figures which allege that the rate of return would drop to 6.71% in 1963 and 5.81% in 1964

Approximately 100 of applicant's customers were in attendance at the hearing. Fourteen of the customers presented sworn statements which, generally, complained about the service rendered by applicant and opposed the requested rate increase.

The staff presented evidence which indicates that applicant normally operates its system as two separate pressure systems; that each pressure system obtains water from one of the two sources of supply; that in the southern area normal operating pressures range from 4 pounds per square inch at the highest elevations to 125 pounds per square inch at the pumping station; that in the northern area the normal operating pressures range from 25 pounds per square inch at the highest elevations to 150 pounds per square inch at the pumping station; that virtually all of applicant's mains are undersized, which causes recurring water outages for many customers at various locations, and that the small main sizes are the primary cause for the high pressures at the pumping stations. The staff recommended that to partially alleviate the foregoing problems, applicant should be required to install three 50,000-gallon redwood water storage tanks at specified locations. The president of the Pine Dell Mutual Water Company, who made a sworn statement, agreed with the staff recommendation for additional storage facilities but disagreed on the location of one of the storage tanks. It was his contention that the proposed tank in question would not be at a high enough elevation to give adequate pressure to the water which applicant furnishes to the mutual, and that under the terms of a contract entered into between applicant and the mutual, which was authorized by the Commission in Resolution No. W-711 dated June 28, 1960, applicant is required to furnish water within the range of pressures established in General Order No. 103. In addition, the mutual's president stated that as part of a transaction in which he purchased

certain non-operating utility property, he transferred to applicant a parcel of land, approximately 60 feet by 130 feet, which was to be used for a high elevation storage facility to insure a proper water supply for the Pine Dell mutual system. While the evidence indicates that applicant should be ordered to establish additional storage facilities, in the circumstances, the locations of the facilities should be left to applicant so as not to encumber it with prospective legal proceedings.

The staff report indicates that during 1956 applicant installed a bank of two sand filters at each of its sources of supply, and that, at one time, one of applicant's employees installed too fine a grade of sand, which resulted in the transmission of the sand into the distribution system. Several of the customers who gave sworn statements mentioned this situation while enumerating their service complaints. It appears, however, that this situation has been corrected and that no action need be taken by the Commission on this point.

The staff report discloses that applicant's water is potable but not palatable. Applicant has gravity aerators at each of its two intakes, but they were not adequately aerating the water at the time of the staff's investigation. The taste and odor problems relating to the water which applicant furnishes its customers are caused by excessive amounts of algae in Clear Lake, applicant's source of water supply. The staff recommended that applicant install and place in operation an activated carbon feeder and necessary appurtenances at each of its two sources of water supply. A representative of the State Department of Public Health testified that the proposed carbon feeders would help to alleviate the taste and odor problems.

The record also indicates that Rule No. 7 in applicant's tariff, among other things, requires a new customer to advance \$15 to applicant to partially pay for the purchase of a meter. Applicant subsequently refunds the advance by way of a credit on the customer's monthly bill at the rate of 20 percent per each bill. This portion of the rule is a deviation from the rules generally filed by water utilities throughout the state. Applicant indicated that it had no objection to having this portion of the rule eliminated from its tariff.

The Commission makes the following findings of fact and conclusions of law based upon the evidence of record in this matter:

Findings of Fact

1. Applicant's water system has recurring outages of water for many customers at various locations. Various portions of the system have low operating pressures. Said conditions can be alleviated by the installation and use of three additional 50,000-gallon water storage tanks at appropriate locations and elevations within applicant's service area.
2. The water furnished by applicant to its customers has an offensive taste and odor. The taste and odor problem can be substantially alleviated by the installation of activated carbon feeders and necessary appurtenances at each source of applicant's water supply.
3. Applicant's Tariff Rule No. 7 contains a deviation from the rules generally filed by public utility water companies throughout the state, and elimination of such deviation would be in the public interest.
4. Table 5-A of Exhibit No. 1 sets forth the depreciation rates which should be used by applicant until further order of the Commission.

5. Applicant is in need of increased revenues.

6. Applicant's estimated average depreciated rate base for purposes of this decision reasonably is \$113,150.

7. A fair and reasonable amount for applicant's estimated yearly operating expenses excluding taxes and depreciation, for purposes of this decision is \$21,705.

8. A rate of return of 7.5 percent upon said estimated average depreciated rate base of \$113,150 is reasonable.

9. A rate schedule authorizing rates to yield applicant a rate of return of 7.5 percent, taking into consideration taxes, depreciation and said operating expenses is reasonable.

10. The increases in rates and charges authorized by this decision are justified, the rates and charges set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

#### Conclusions of Law

1. Applicant should be ordered to install and utilize three additional 50,000-gallon water storage tanks at appropriate locations and elevations within its service area.

2. Applicant should be ordered to install at each source of its water supply activated carbon feeders and all necessary appurtenances.

3. Applicant should be ordered to delete from its tariff the portion of its presently filed Rule No. 7 pertaining to refundable meter deposits.

4. Applicant should be ordered to use the rates for depreciation set forth in Table 5-A of Exhibit No. 1 until review indicates that they should be revised.



5. Applicant should be authorized a rate of return of 7.5 percent upon an average estimated rate base of \$113,150, and that a rate schedule should be established taking into consideration taxes, depreciation and estimated operating expenses of \$21,705.

O R D E R

IT IS ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96-A, the schedule of rates attached to this order as Appendix A, and on not less than five days' notice to this Commission and to the public, to make such rates effective for all service rendered on and after September 1, 1963.

2. Within forty-five days after the effective date of this order in this proceeding, applicant shall file with the Commission, in conformity with General Order No. 96-A, and in a manner acceptable to the Commission, revised rules governing service to customers, a revised tariff service area map, and copies of printed forms normally used in connection with customers' service. The revised rules shall explicitly omit the special provision included in the presently effective Rule No. 7 which is entitled "E. Refundable meter deposit." Such rules, tariff service area map and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Within sixty days after the effective date of this order, applicant shall file with the Commission four copies of a comprehensive map drawn to an indicated scale of not more than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage, and distribution facilities; and the locations of the various water system properties of applicant.

4. Beginning with the year 1963, applicant shall base the accruals to the depreciation reserve upon spreading the original cost of the plant, less estimated future net salvage and depreciation reserve, over the remaining life of the plant, and shall use the depreciation rates shown in Table 5-A of Exhibit No. 1. These rates shall be used until a review indicates that they should be revised. Applicant shall review the depreciation rates when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

5. Applicant shall discontinue the practice of determining accruals to depreciation on the basis of end-of-year utility plant balances and shall use either beginning-of-year or average utility plant balances.

6. On or before June 1, 1964, applicant shall install and place in operation an activated carbon feeder and necessary appurtenances at each of the two sources of supply and shall so notify the Commission in writing within ten days thereafter.

7. On or before January 1, 1964, applicant shall install and place in operation three additional 50,000-gallon water storage tanks at appropriate elevations and locations within its service area and shall so notify the Commission in writing within ten days thereafter.

8. Applicant shall forthwith make application to have inserted, in the next publication of the local telephone directory, a listing

under the name "Clear Lake Park Water Company" by which an employee of the utility may be reached, and shall so notify the Commission in writing within ten days thereafter.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 30<sup>th</sup> day of JULY, 1963.

William W. Bennett  
President

George A. Trover

Fredrick B. Holcomb  
Commissioners

I dissent  
Paul E. Mitchell

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Clear Lake Park, Austins, Pine Dell and vicinity, located on the southeasterly shore of Clear Lake, Lake County.

RATES

Monthly Quantity Rates:

	<u>Per Meter Per Month</u>
First 400 cu.ft. or less .....	\$ 3-30
Next 1,600 cu.ft., per 100 cu.ft. ....	.44
Next 3,000 cu.ft., per 100 cu.ft. ....	.33
Over 5,000 cu.ft., per 100 cu.ft. ....	.22

Annual Minimum Charge

	<u>Per Meter Per Year</u>
For 5/8 x 3/4-inch meter .....	\$39.60
For 3/4-inch meter .....	54.00
For 1-inch meter .....	108.00
For 1 1/2-inch meter .....	180.00
For 2-inch meter .....	264.00
For 3-inch meter .....	336.00
For 4-inch meter .....	420.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

(Continued)

APPENDIX A  
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Schedule No. 1A

ANNUAL GENERAL METERED SERVICE  
(Conditions)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month(T) period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis. (T)

2. The opening bill for metered service, except upon conversion (N) from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer. (N)

(D)