

ORIGINAL

Decision No. 66846

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 ARCHER C. AMBLER and BESSIE G. AMBLER,
 individuals, doing business as the
 AMBLER PARK WATER UTILITY, for an order
 authorizing an increase in rates.

)
 Application No. 45648
 (Filed August 7, 1963)

Jack D. Swaner, for applicants.

Edmund J. Leach, Jr., for protesting customers.

Eugene J. Miller, protestant.

Edmund J. Teixeira, for the Commission staff.

O P I N I O N

After due notice, public hearing in this matter was held before Examiner Emerson on December 10, 1963, at Salinas. Approximately 40 persons attended the hearing. The matter is submitted and is ready for decision.

This utility system furnishes water service to approximately 142 residential customers in an area generally known as Ambler Park Subdivision, located about 9 miles southwest of the City of Salinas. A comparison of applicants' present rates with those which they seek to make effective, is as follows:

<u>Quantity</u>	<u>Per Meter Per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
First 600 cu.ft. or less	\$2.75	\$6.00
Next 1,800 cu.ft., per 100 cu.ft. ..	.40	.70
Next 2,600 cu.ft., per 100 cu.ft. ..	.30	.55
Over 5,000 cu.ft., per 100 cu.ft. ..	.20	.45

Water usage on this system averages 1,570 cubic feet per month per customer. For such usage, the charge at present rates is \$6.63 and the charge under applicants' proposed rates would be \$12.79, an increase of 93 percent. Using the estimated year 1964 as a test

year, applicants estimate that their proposed water rates would produce an annual revenue increase of \$7,567.45 and provide a gross revenue of \$18,000. They claim that such amounts are necessary in order to meet operating and maintenance expenses, provide for taxes and depreciation charges and allow a reasonable return on their investment. They aver that necessary improvements to the water system cannot be undertaken until such time as increased revenues are available.

The evidence is clear, and applicants admit, that the water system has been and is beset with difficult service problems. Although three wells, at various times, have been or are used to supply the system, the overall supply of water is deficient. One well produces about 16 gallons per minute but cannot sustain even such a minor flow under usable pressures; a relatively new well produces about 80 gallons per minute, but the quality of water is very poor; and the primary well, which can supply about 160 gallons per minute, has had the lower 30 feet of the well collapse and has had serious pump troubles. Each of these present sources of supply delivers water which has a heavy iron content, with attendant unpalatable taste and disagreeable odor, and places sediment and sand in the distribution system. The original mains used in the system were "invasion" pipe; generally speaking, the only pipe available at the time the system was constructed following World War II. Its useful life has passed and applicants have recently had to replace practically all of it, using 4-inch cement-asbestos pipe. The system has insufficient storage. During the summer of 1963 frequent shortages of water occurred and some consumers were without water for extended periods of time. Customers are uniformly opposed to increased rates for service and any continuation of present utility deficiencies and unpalatable water.

The utility operations are carried on by a manager, who receives \$100 per month, and by a maintenance man who, on the average, is paid \$85 per month. The operating expenses recorded for the year 1962 totaled \$8,685.31 while revenues of \$11,175.89 were recorded, leaving \$2,490.58 as net income. During this same year, applicants expended \$10,903.78 in system replacements and betterments such as the main replacement program and the new well installation. Because of pump-motor repairs and other expense items of an emergency nature during the summer of 1963, expenses for the year 1963 exceeded revenues.

A new deep well is needed, the mains need a thorough cleaning and perhaps a reboring. Additional storage is essential. The capital costs and associated expenses of these necessary items are estimated to total approximately \$30,000 for the year in which they are undertaken.

The evidence respecting prospective earnings during the test-year 1964 is summarized as follows:

<u>Item</u>	<u>Applicants</u>	<u>CPUC Staff</u>
Under Existing Rates:		
Operating Revenues	\$10,432	\$11,125
Operating Expenses	9,547	8,585
Net Revenue	885	2,540
Rate Base (depreciated)	54,734	60,900
Rate of Return	1.6%	4.2%
Under Proposed Rates:		
Operating Revenues	18,000	21,650
Operating Expenses	14,000	11,550
Net Revenue	4,000	10,100
Rate Base (depreciated)	54,734	60,900
Rate of Return	7.3%	16.6%

The staff-derived rate base of \$60,900 shown in the above tabulation recognizes the capital costs of needed improvements and in view of the evidence the Commission finds such rate base to be fair and reasonable for the rate-making purposes of this proceeding. With

respect to revenues, applicants used bill collections as the basis of their estimates, while the staff estimates were based on actual billings and on water-use tabulation data. The staff method appears to be the more accurate and the Commission finds the revenue estimates of the staff to be fair and reasonable. Applicants' estimates of operating expenses are in error insofar as depreciation expense is concerned (depreciation of plant was based upon the term of a loan rather than on the life of the plant) but in other respects appear to be reasonable. With correction for depreciation, they are adopted as reasonable for the purposes of this proceeding. Such adopted operating expenses total \$11,777, under prescribed rates.

In the light of the evidence and the foregoing findings, it is clear that applicants are in need of and entitled to increased revenues. The Commission finds that, based upon the test-year 1964, a rate of return of approximately 7.5 percent on a rate base of \$60,900 is fair and reasonable and that water rates should be authorized so as to produce such a return.

The evidence shows that applicants have a cash flow need of approximately \$14,750 in order to meet payments of loan principal and interest for new plant and to meet cash expenses. When an amount of \$1,730 for depreciation expense, which we find to be reasonable, is added thereto, a gross revenue requirement of \$16,480 is indicated. Such gross revenue will produce a net revenue of approximately \$4,600 which amount, in turn, approximately equals the rate of return hereinabove found to be reasonable. Accordingly, the water rates authorized herein should produce gross annual revenues of \$16,480, an increase of \$5,355 or 48 percent. The Commission finds that the increases in rates authorized herein are justified and that existing rates, insofar as they differ from those herein authorized, are for the future unjust and unreasonable.

Applicants will be required to undertake correction of existing system deficiencies and to make system improvements and are placed on notice that anything less than a satisfactory performance with respect thereto may engender a reopening of this proceeding and the rescinding of any or all of the revenue increases authorized herein. In view of the evidence respecting inadequacy of supply, applicants will be prohibited from serving any additional customers until such time as an adequate supply of potable water is available to serve present and prospective customers.

O R D E R

IT IS ORDERED that Archer C. Ambler and Bessie G. Ambler (Ambler Park Water Utility):

1. Are authorized to file with this Commission, on or after the effective date of this order and in conformity 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 the public and to this Commission, to make said schedule effective for water service rendered on and after ^{April 1,} ~~March 16,~~ 1964. *WUBT 7/2/64*

2. Shall, by not later than July 31, 1964, install and place in operation a new deep well capable of providing not less than 300 gallons per minute, through suitable pumping facilities, to the distribution system. Coincidentally therewith, applicants shall install not less than 20,000 gallons of suitable additional storage capacity at or near the far end of the distribution system. Applicants shall notify the Commission, in writing, of the completion of each of said installations within ten days thereafter.

3. Within thirty days following completion of the new well installation, shall submit to this Commission, in writing, a report on the quality of water delivered to customers and if iron-free water is not then being delivered shall include a report prepared by a registered engineer setting forth the feasibility (engineering and economic) of so treating the water supply as to remove therefrom the iron content and any unpalatable tastes or odors.

4. Shall not, pending further order of this Commission, establish any new water service connection to any premises to which a water service connection has not actually been established on or before the effective date of this order.

5. Shall, by not later than August 15, 1964, file with this Commission:

(a) Rules and forms governing service to customers revised to reflect present-day utility practices, such filing to comply with General Order No. 95-A and to become effective on the fourth day following the date of filing, and

(b) 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 location of the various water system properties of applicants.

6. Shall, within thirty days after the effective date of this order, submit to the Commission, in writing, a program for the cleaning and treating of the distribution mains over a four-year

period. Annual progress reports of such program shall be submitted to the Commission by March 31 of the years 1965, 1966, 1967 and 1968.

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

Dated at San Francisco, California, this 25th day of FEBRUARY, 1964.

William W. Brundage
 President

George E. ...

Robert ...

Fredrick B. Halaloff
 Commissioners

I concur in the order.
George H. Trover

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Ambler Park Subdivision, and vicinity, located (T)
 9 miles southwest of Salinas, Monterey County. (T)

RATES

	<u>Per Meter</u>	
	<u>Per Month</u>	
Quantity Rates:		
First 600 cu.ft. or less	\$ 4.00	(I)
Next 1,800 cu.ft., per 100 cu.ft.60	
Next 2,600 cu.ft., per 100 cu.ft.45	
Over 5,000 cu.ft., per 100 cu.ft.30	
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 4.00	
For 3/4-inch meter	6.00	
For 1-inch meter	10.00	
For 1 1/2-inch meter	18.00	
For 2-inch meter	27.00	

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.