

ORIGINALDecision No. 67107

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of LAWRENCE R. VANONI, dba "Coast)
Springs Water Company" for authority)
to increase rates and charges for)
water service in the Community of)
Dillon Beach and Adjacent Territory)
in Marin County.)

Application No. 45916
(Filed October 29, 1963)

Bacigalupi, Elkus & Salinger, by
William G. Fleckles, for applicant.
Joel W. Hedgcoth, for University of
Pacific, interested party.
John J. Gibbons, for the Commission
staff.

O P I N I O N

By this application, Lawrence R. Vanoni, an individual doing business as Coast Springs Water Company, seeks authority to increase his rates for water service.

This application was heard before Examiner Catey at Dillon Beach on March 9, 1964, and at San Francisco on March 10, 1964, on which latter date it was submitted. Copies of the application and notice of hearing had been served in accordance with this Commission's rules of procedure. Testimony on behalf of applicant was presented by both applicant and his consulting engineer; the Commission staff presentation was made by an accountant and an engineer; and two customers testified regarding a potential subdivision development and suggested changes in applicant's water sampling technique.

Service Area and Water System

Applicant's service area as shown on the map, Exhibit No. 1, consists of some 50 acres at Dillon Beach in Marin County, most of which has been subdivided into residential lots. The service area includes property on which is located a hotel and appurtenant resort structures and also includes the property of the Marine Station of the University of the Pacific.

Applicant's water system consists primarily of four wells, an infiltration gallery, pumping, purification and storage facilities, transmission and distribution mains, fire hydrants, service pipes and meters. The system and its operation are described in detail in the application.

Rates and Rules

Applicant requests that the meter rates and public fire hydrant rates, established in 1959, be revised to produce about a 64 percent increase in revenue. The rates authorized herein will result in approximately 50 percent increase over present gross revenues. The following table summarizes the various rates:

Table IComparison of Rates

<u>Item</u>	<u>Present</u>	<u>Requested</u>	<u>Authorized</u>
<u>Annual Service Charge</u>			
5/8 x 3/4-inch meter	\$36.00	\$59.00	\$54.00
<u>Monthly Quantity Rates</u>			
First 5,000 cu.ft., per 100 cu.ft.	.40	.65	0.60
Over 5,000 cu.ft., per 100 cu.ft.	.30	.50	0.45

The requested rates also provide for increases in service charges for larger than 5/8 x 3/4-inch meters, and for an increase to \$2.00 in the monthly rate per hydrant for public fire hydrant service,

from the present \$0.50 rate. The authorized rates provide for a charge of \$1.00 per month per hydrant.

The Commission staff engineer testified that applicant's bill form incorporated in his filed tariffs is in conflict with the wording required by his Rule No. 5. The order herein will require applicant to revise the bill form.

Customer Complaints and Service Improvements

In 1962, at the time of applicant's last rate proceeding the customers were receiving water which at times carried an offensive odor and was darkly clouded with sediment. The turbidity of the water frequently made it unusable for cooking and drinking purposes. Decision No. 64008, dated July 24, 1962, in that proceeding denied any rate increase and ordered applicant to undertake an investigation to determine the cause, source and method of alleviation of the problem.

Even prior to his receipt of Decision No. 64008, applicant proceeded to investigate means of improving the water quality. With the assistance of a consulting engineer, he determined that the unacceptable quality of the water was due to precipitation of oxides of iron and manganese which were formed upon chlorination of the water. Water treatment facilities were then installed to remove the offensive minerals by more complete precipitation and filtration. The efficacy of the treatment is evidenced by the samples of clear water which applicant brought to the hearing. Also, the staff report, Exhibit No. 2, states that many customers advised the staff that the quality of the water had improved considerably since the new water treatment units were placed in operation. The staff recommends, however, that applicant institute a program for periodic water quality tests to avoid recurrence of the problem.

Results of Operation

Summarized in Table II, from Exhibit No. 3 and Exhibit "F" to the application, are the staff's and applicant's estimates of operating results for 1964 under the present rates and under those proposed in the application. Estimated results under the rates authorized herein are also shown, using income tax levels which will become effective for the year 1965.

Table IIResults of Operation

<u>Item</u>	<u>Present Rates</u>		<u>Proposed Rates</u>		<u>Authorized Rates</u>
	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>	
Operating Revenues	\$ 7,030	\$ 7,031	\$11,650	\$11,566	\$10,600
Operating Expenses	6,460	7,435	7,370	8,296	7,560
Net Revenues	570	(404)	4,280	3,270	3,040
Rate Base	44,100	44,230	44,100	44,230	45,300
Rate of Return	1.3%	Loss	9.7%	7.4%	6-3/4%

(Red Figure)

The principal differences between the estimates of the staff and those of applicant result from (1) a smaller salary allowance by the staff for the owner and his wife, (2) a lower staff estimate of average annual regulatory expense, and (3) staff recognition of federal income tax reductions resulting from the investment tax credit and from recent changes in income tax rates.

A system with less than 140 customers, many of whom are week-end or seasonal occupants, cannot economically justify a very high salary allowance for the owner. However, the record in this proceeding shows that applicant is quite versatile; he and his wife perform virtually all of the duties required to maintain and operate the system without hiring outside help; he is conscientious in

fulfilling his public utility obligations and is readily available on short notice at his nearby home. Under these circumstances, a total monthly salary midway between the \$250 suggested by applicant and the \$200 suggested by the staff is adopted herein for operating expense purposes. Applicant receives additional compensation in the form of capitalized labor allowances of \$4.00 per hour when he installs or replaces items of plant.

In view of the relatively large amount of capital improvements made to the system in recent years, it is anticipated that the rate of return on applicant's investment will improve somewhat from year to year as depreciation accruals reduce the investment in plant. The less frequent rate proceedings and resulting lower average annual regulatory expense estimated by the staff appear reasonable and are adopted for the purposes of this proceeding. The staff basis for computing income taxes is also adopted.

At the hearing, testimony was elicited which shows that service to the hotel and to the university is provided through banks of small meters, each bank being properly considered as a single large meter rather than multiple meters, for billing purposes. Also, an unanticipated further expenditure of about \$1,200 will be required in 1964 for supplementary purification equipment. Applicant also presented more recent information as to additional cost of purification materials. The staff estimates have been adopted with appropriate modifications to reflect the more recent information developed at the hearing.

In Exhibit No. 2, the staff recommends that a rate of return of 6.75 percent on a rate base of \$44,100 for the test year 1964 be considered reasonable, requiring an increase of 42 percent in annual revenue. With the probable future upward trend

in rate of return shown by Exhibit No. 2, the recommended rate of return for 1964 is reasonable. Because of the modifications of the staff estimates as adopted herein, a total increase of about 50 percent in annual revenue will be required to produce that rate of return.

Findings and Conclusions

The Commission finds that:

1. Applicant is in need of increased revenues but the rates he proposes are excessive.

2. The estimates of operating revenues, expenses including taxes and depreciation, depreciation rate and rate base, as submitted by the staff for the year 1964, after modification as discussed herein, reasonably represent the results of applicant's operation for the near future, and a rate of return of 6-3/4 percent on said rate base for the test year 1964 is reasonable for the purposes of this proceeding.

3. The increases in rates and charges authorized herein are justified, the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

The Commission concludes that the application should be granted to the extent set forth in the ensuing order.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant Lawrence R. Vanoni, doing business as Coast Springs Water Company, is authorized to file the revised schedules of rates set forth in Appendix A to this order. Such filing shall comply with General

Order No. 96-A. The revised rate schedules shall become effective for service rendered on and after June 1, 1964, or on and after the fourth day following the date of filing, whichever is later.

2. Within ninety days after the effective date of this order, applicant shall file with this Commission a revised "Bill for Service" form, conforming with his filed Rule No. 5. Such filing shall comply with General Order No. 96-A. The revised tariff sheet shall become effective on the fourth day following the date of filing.

3. Within sixty days after the effective date of this order, applicant shall file with this 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 location of the various water system properties of applicant.

4. Beginning with the year 1964, applicant shall determine depreciation accruals by multiplying the original cost of depreciable utility plant by a rate of 3.1 percent. This rate shall be used until review indicates it should be revised. Applicant shall review the depreciation rate, using the straight-line remaining life method, whenever major changes in depreciable utility plant composition occur and at intervals of not more than five years, shall revise the depreciation rate in accordance with such reviews, and upon completion of each review shall submit promptly to this Commission the results thereof.

5. Within thirty days after the effective date of this order, applicant shall institute a program for the periodic testing of water quality. Within ten days after the program is initiated,

applicant shall file written notification in this proceeding,
providing the details of the program.

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

Dated at San Francisco, California, this 21st
day of APRIL, 1964.

William L. Berndt
President
John E. Mitchell
Crell W. George
George H. Trover
Friedrich B. Holbluff
Commissioners

APPENDIX A
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Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Dillon Beach and vicinity, located approximately 4 miles west of Tomales, Marin County.

RATES

	<u>Per Meter Per Month</u>	
Quantity Rates:		
First 5,000 cu.ft., per 100 cu.ft.	\$ 0.60	(I)
Over 5,000 cu.ft., per 100 cu.ft.	0.45	
	<u>Per Meter Per Year</u>	
Annual Service Charge:		
For 5/8 x 3/4-inch meter	\$ 54.00	(I)
For 3/4-inch meter	75.00	
For 1-inch meter	100.00	
For 1 1/2-inch meter	150.00	
For 2-inch meter	225.00	

The Annual Service Charge is a readiness-to-serve charge to which is added the monthly charge computed at the Monthly Quantity Rates.

(Continued)

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month 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 service charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

(N)

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service 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)

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the State.

TERRITORY

Dillon Beach and vicinity, located approximately 4 miles west of Tomales, Marin County.

RATE

	<u>Per Month</u>	
For each hydrant	\$1.00	(I)

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates under Schedule No. 1A, Annual General Metered Service.

2. The cost of installation and maintenance of hydrants shall be borne by the utility. (N)

3. Relocation of any hydrant shall be at the expense of the party requesting relocation.

4. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the ownership, type and the size of hydrant and the specific location at which each is to be installed. (N)

5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.