

ORIGINAL

Decision No. 68074

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AVILA WATER COMPANY,)
INC., a corporation, under Section)
454 of the Public Utilities Code for)
authority to increase its public)
utility water rates, and also under)
Sections 817 and 818 of said Code)
for authority to issue a note or)
notes (amended title).)

Application No. 45013
(Filed December 7, 1962;
Amended February 20, 1964)

Knapp, Gill, Hibbert & Stevens, by Wyman C. Knapp, W. L. Arnold, for applicant.
Marshall C. Ellis, for Avila Beach Civic Association, for protestant.
Chester O. Newman and Raymond E. Heytens, for the Commission staff.

O P I N I O N

This application was heard July 8 and July 9, 1964, before Examiner Thompson at Avila and was submitted. Notices of the hearing were served and published in accordance with the Commission's procedural rules.

Applicant is a water corporation, as defined in Section 241 of the Public Utilities Code, operating a water system in and about the unincorporated town of Avila, San Luis Obispo County, California. By this amended application, it seeks authority to (1) increase rates; (2) issue a note in the amount of \$50,000; (3) depart from the requirements of General Order No. 103 in the installation of a water line; and (4) comply with the terms of a certain contract entered into with Standard Oil Company of California regarding the lease of a well and certain well sites. All of said issues are related and result from the circumstance that the depletion of fresh water in the water basin at applicant's

present well site has resulted in the intrusion of salt water and an increase in the amount of total dissolved solids in the water. The amounts of chlorides and total dissolved solids in the water exceed the amounts prescribed by the Department of Public Health for potable water. Applicant has requested that the Commission grant the various authorities specified above so that it may install and finance facilities and appurtenances necessary for a new source of water supply.

Avila Beach Civic Association, sometimes hereinafter called Association, protests the water system that applicant proposes to install. It contends that such system will result in applicant furnishing Avila Beach with water inferior to that which it will furnish other customers at the same increased rates.

A comparison of applicant's present and proposed rates for the several services it renders (except for public fire hydrant service wherein no change in rate is sought) is set out below:

General Metered Service

Per Meter Per Month
Present Proposed

Quantity Rates:

First 500 cu.ft. or less	\$ 3.00	\$ 4.50
Next 500 cu.ft., per 100 cu.ft.45	.70
Over 1,000 cu.ft., per 100 cu.ft.40	.65

Minimum Charge:

For 5/8 x 3/4-inch meter	3.00	4.50
For 3/4-inch meter	4.25	6.00
For 1-inch meter	6.60	8.50
For 1 1/2-inch meter	14.25	18.00
For 2-inch meter	18.75	25.00
For 3-inch meter	35.00	45.00
For 4-inch meter	57.00	70.00

Per Service Connection
Per Month

General Flat Rate Service

Present Proposed

Rate:

For each 3/4-inch service connection	\$ 4.00	\$ 5.00
For each 1-inch service connection	6.00	8.00
For each 1 1/2-inch service connection	10.00	15.00

Limited Industrial and Fire Protection Metered Service

Per Meter Per Month
Present Proposed

Union Oil Company Service Rate:

Quantity Rate:		
Per 100 cu.ft.	\$.40	\$.65
Minimum Charge:		
Fire Protection and Pier Washing	65.00	65.00
Pumping Plant and Fire Protection	250.00	250.00

Limited Industrial and Fire Protection Flat Rate Service

Per Service Connection
Per Month
Present Proposed

Port San Luis Transportation Pier Service:

Rates:		
For Fire Protection Service Connection	\$40.00	\$60.00
For Boat Lift Service Connection	10.00	15.00

Description of Applicant's Present System

Avila Water Company, Inc., is a corporation whose stock is owned by the Doty family. The Doty family also own Oceano Water Company, Inc., a public utility water corporation located approximately ten miles away. Both of these utilities are

operated by Doty Brothers, a firm of two members of the Doty family, who also are pipeline contractors and manufacturers of tools used in pipeline construction.

Applicant serves the coastal area in San Luis Obispo County in and about the town of Avila. That area extends generally from Port San Luis Obispo easterly along the foot of the hills to the west of San Luis Obispo Creek to See Canyon, thence easterly along a county road in See Canyon to U. S. Highway 101, southerly along said highway to the easterly boundary of Sunset Palisades Subdivision and thence along said boundary to San Luis Obispo Bay. In the center of this area, which is roughly triangular, and touching the shoreline, are some hills that rise to an elevation of about 700 feet. Those hills separate the town of Avila from Sunset Palisades Subdivision and are between those communities and See Canyon.

Applicant's only source of water is a 12-inch well (designated Well No. 2) located in See Canyon at an elevation above sea level of 17 feet. This well is equipped with a 40-hp electric motor driven deep-well turbine pump and delivers 150 gallons of water per minute. At the well site the water is treated with chlorine for bacteriological control and with Calgon, a commercial product, to control the iron and manganese constituents. Water is pumped through a steel transmission line over the hills (elevation 610 feet) to a series of storage tanks having a combined capacity of 439,000 gallons. Water is supplied to the 224 customers served by applicant by gravity from those storage tanks. The distribution system for supplying Avila is distinct from that serving Sunset Palisades. The issues in this application require a description of those systems. The water from the well is pumped

over the hills through the steel transmission line directly to Tank No. 2 (elevation 285 feet) and when that tank is filled, to Tanks Nos. 3 and 6 (elevation 365 feet) which are easterly of Tank No. 2 and are the highest points of water storage on the system. Tanks Nos. 3 and 6 are approximately midway between Avila and Sunset Palisades. There are no service connections between Tank No. 2 and Tank No. 6.

Avila is served by water flowing from Tank No. 2, and Tanks Nos. 3 and 6 when required, to other storage tanks (Nos. 4 and 5) located at lower elevations. On December 31, 1963, there were 140 metered connections in Avila and six flat rate customers served by this portion of the distribution system. The 140 metered connections include a number of large commercial and industrial establishments. During 1963 the average monthly water use of the metered connections exclusive of the commercial and industrial customers on that system amounted to 899 cubic feet per customer.

The water serving Sunset Palisades flows from Tank No. 6 and the adjacent tank (Tank No. 3) to Tank No. 7 (elevation 237 feet) which supplies the Palisades portion of the distribution system. There are no service connections between Tanks Nos. 3 and 6 and Tank No. 7. Sunset Palisades is a residential area which had 77 metered connections on December 31, 1963. During 1963 the average monthly water use per connection was about 1,054 cubic feet.

Quality of the water from Well No. 2 has deteriorated rapidly in the past several years. In 1959, and prior thereto, the chloride content was 54 parts per million. Since then it has risen, with seasonal variations, to over 800 ppm in August 1963. Total dissolved solids are 2,000 ppm. The deterioration of the

quality of the water is attributed to the intrusion of salt water into the well basin. Applicant is the only one extracting water from that basin. Assertedly, the combination of an increase in water consumption and a series of dry seasons has resulted in the water extracted by far exceeding the replenishment of the basin from rainfall and fresh ground water.

Proposed System

Applicant intends that the Lopez Reservoir Water Project ultimately be its source of water supply. The plans for this project of the San Luis Obispo County Flood Control and Water Conservation District have been formulated. The District plans to hold a bond election in 1965 and, if the project is approved by the electorate, to begin construction in 1966. The District estimates that, depending upon rainfall conditions, it will commence to deliver water between 1975 and 1980.

As a temporary measure, until it can receive water from the Lopez Reservoir Water Project, applicant proposes to obtain water from a source in Gregg Canyon. Subject to the approval of the Commission, it will acquire by lease from Standard Oil Company of California an existing well and two well sites in Gregg Canyon. The existing well and the well sites are located east of U. S. Highway 101 outside of applicant's service area. Tests were made of the existing well and indicate a water of satisfactory quality with 75 ppm chloride and 175 ppm total hardness. The only troublesome element is iron in the amount of 0.89 ppm. Tests made of the well for output and water level indicate that it has a safe yield of from 70 to 75 gallons per minute.

Applicant proposes to clean out the existing well to a depth of 400 feet, install a six-inch perforated casing and pack the space outside the casing with gravel. It will install a new deep-well pump and at the well site will erect a structure which will contain facilities for treating the water with chlorine and Calgon.^{1/} The water will be pumped from the well, through the treatment plant and thence transmitted by a six-inch steel pipe to the boundary of applicant's service area at U. S. Highway 101. From that point the main, a six-inch asbestos-cement pipe, will parallel an existing four-inch distribution line in El Portal Drive (Sunset Palisades) to the site of Tank No. 7. Tank No. 7 (67,000-gallon redwood reservoir) will be replaced by a new 200,000-gallon steel reservoir to be known as Tank No. 8. Sunset Palisades would be served from Tank No. 8 in the same manner as it is now served from Tank No. 7. A booster pump will be installed at Tank No. 8 to pump water to Tanks Nos. 3 and 6. Water from Tanks Nos. 3 and 6 will flow by gravity to Tank No. 2 and to the distribution tanks serving the town of Avila. When water is received from Lopez Reservoir Water Project it will enter applicant's service area at Sunset Palisades and will be transmitted to Tank No. 8. The proposed six-inch asbestos-cement line will be substituted for the four-inch distribution line on El Portal Drive. The six-inch steel line outside of the service area and the facilities at the well in Gregg Canyon will be removed or abandoned.

A consulting engineer engaged by applicant testified that the well in Gregg Canyon can be safely pumped at least 20 hours a day at a yield of 70 to 75 gallons per minute without endangering the water basin. He estimated that during seven

^{1/} Calgon will be used to sequester the iron constituents.

months of the year the water from that well will satisfy the demand. During the period June through October, the well will not produce sufficient water to meet the peak requirements of the system. He estimated, for example, that during an average August month the system will require supplementation of 675,000 gallons of water. He proposed that during the peak months the system be supplemented by water from Well No. 2. He stated that if no water is removed from Well No. 2 until June, 1965, the water basin should be replenished from winter rains sufficiently to cause the salt water that has intruded into the basin to recede. If the basin is sufficiently replenished with fresh water and none is extracted until June, he said that the quality of the water should be restored to at least that existing in 1959. He admitted, however, that the amount of replenishment of fresh water in the basin will depend largely upon the amount of rainfall this coming winter.

The consulting engineer also testified that applicant could blend the water from Well No. 2 with the water from Gregg Canyon, thereby diluting the undesirable elements in the water from Well No. 2. He further stated that if, after a test period, it is found that the quality of the water from Well No. 2 blended with the Gregg Canyon water is not potable, applicant will drill another well at one of the sites in Gregg Canyon so as to obtain sufficient water from that source to meet the peak requirements. An officer of applicant confirmed that commitment.

It is in connection with this proposal that Association made its protest. It pointed out that the commercial establishments at Avila Beach do most of their business during the summer months and under applicant's proposal Avila Beach would receive inferior water during that time. The Association further pointed

out that during the period of peak requirements Avila Beach will receive a blend of waters from Well No. 2 and Gregg Canyon and that Sunset Palisades will receive unblended water from Gregg Canyon so that the consumers at Avila will receive all of the supplemental water from Well No. 2. Under that proposal, therefore, Avila Beach will receive a product inferior to that furnished Sunset Palisades at the same increased rates. It was asserted that all of the customers served by applicant will pay higher rates so that only one third, namely those in Sunset Palisades, can be provided with water of good quality. Association requests that applicant be required either (1) to drill sufficient wells at Gregg Canyon to provide the entire service area from that source and to abandon Well No. 2, or (2) to reroute the transmission line from Gregg Canyon to Well No. 2 so that the waters can be blended at that point and thereby result in the customers at Avila and at Sunset Palisades being provided with the same quality water.

Applicant estimated that an additional capital expenditure of \$18,695 would be required to obtain water from a second well in Gregg Canyon. It did not show the amount of additional cost to route the transmission line from Gregg Canyon to Well No. 2. The evidence indicates that such installation would require the laying of approximately 1½ miles of six-inch steel pipe in addition to the proposed installation. Using the unit costs presented by the consulting engineer it would appear that such rerouting would require an additional investment of \$10,000.

The Lease and Agreement

The terms of the proposed lease and agreement between applicant and Standard Oil Company of California provide substantially as follows:

1. Standard shall lease one existing well and an additional well site in Gregg Canyon and shall permit applicant to encroach upon its property to provide the facilities and pipelines necessary to transmit the water to applicant's system.

2. Applicant shall install and maintain all of the improvements necessary to obtain water and to deliver it to its system in a manner satisfactory to Standard.

3. Applicant shall install meters at the well heads and pay Standard \$10.00 per acre foot of water extracted.

4. Applicant shall provide Standard without charge at a point within the leased premises and at gravity flow up to but not exceeding 5,000 cubic feet of water per month.

5. The lease and agreement is for a period of ten years subject to certain provisions for cancellation and renewal, said provisions being favorable to applicant.

The Proposed Note

Applicant proposes to borrow \$50,000 at 6½ percent interest for a term of six years on a note or notes payable to the Farmers and Merchants Bank of Long Beach, California. The notes will be guaranteed by Doty Brothers. The proceeds from the note will be used to finance the following:

- \$25,937 - Temporary Improvements on Standard Oil Property to bring water from Gregg Canyon to applicant's system
- 21,023 - Permanent Improvements within applicant's service area necessary to distribute water from Gregg Canyon
- 9,102 - Routine permanent additions and improvements to existing plant
- \$56,062 - Total Capital Expenditures

At present applicant has no long-term debt and its capital structure consists entirely of equity. On December 31, 1962 and 1963, the equity was composed of the following:

	<u>1962</u>	<u>1963</u>
Common Stock	\$20,000	\$20,000
Capital Surplus	27,346	27,346
Earned Surplus	<u>10,685</u>	<u>9,850</u>
Total	\$58,031	\$57,196

The reduction in earned surplus is wholly attributable to an operating loss of \$835 for 1963. Under the proposed financing applicant's debt ratio will be less than 47 percent.

An analysis of applicant's financial condition and its cash flow requirements for financing and operating the proposed water system was made by the Commission staff. The analysis shows that the cash flow that will be generated by the operation under the proposed rates will not be sufficient to provide funds for full repayment of the \$50,000 loan at the end of six years. It appears that from \$17,000 to \$20,000 will require refinancing. Applicant is aware of this circumstance. One of the stockholders, who is also a partner in Doty Brothers, stated that the refinancing of the unpaid balance will pose no problem to Doty Brothers.

Results of Operation of Proposed System

Applicant had a loss of \$835 from operations conducted in 1963. The evidence shows that losses will be incurred from

continued operation of the present plant at the present rates and from operation of the proposed water system at the present rates.

Applicant and the Commission staff presented estimates of the results of operation of the proposed water system at the proposed rates. The estimated results are overstated in both cases because applicant and the staff, acting upon information they believed to be reliable at the time that a subdivider intended to develop a tract of homes in the area, forecast substantial increases in the number of metered customers. The testimony of the subdivider revealed that he does not intend to construct homes in the area and there is very little probability that the area involved will provide applicant with additional service connections during the coming year. Under the circumstances there is no useful purpose in summarizing the forecasts made by applicant and by the staff.

For the purpose of determining a reasonable forecast of operating revenues for a future rate year, we estimate that there will be 229 metered customers, 5 unmetered customers and 23 fire hydrants. Under normal climatic conditions and normal water usage the estimated revenues to be derived from operations are shown in Table I below:

Table I

	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenues:		
Metered Service	\$21,140	\$30,590
Unmetered Sales	760	1,080
Public Fire Hydrants	280	280
Other Water Revenues	<u>50</u>	<u>50</u>
	\$22,230	\$32,000
Percent Increase:	43.9	

With respect to operating expenses, the estimates made by applicant and by the staff were close, although they disagreed concerning several items. Only one of those items is sufficiently important to discuss in detail because it also involves a recommendation made by the staff concerning accounting procedure.

Applicant has no employees and therefore does not have a payroll. Employees of Oceano Water Company, Inc., perform all of the work and supervision in the operation of applicant's water system. Applicant pays Oceano the wage rates per hour plus ten percent for the hours worked on its system. The staff concluded that the ten percent is for reimbursement for payroll taxes and therefore it eliminated the ten percent, which amounts to \$600, from operating expenses and computed the payroll taxes that would be due on the wages paid, which amount to \$380. The latter figure was included in expenses under the heading "Taxes other than Income." The staff suggests that applicant be directed to revise its book-keeping and allocation procedures accordingly. Applicant objects to that procedure. The employees receive paid vacations from Oceano. Oceano is subject to the following taxes on its payroll: 3.625 percent on taxable wages up to \$4,800, 3.0 percent on taxable wages up to \$3,800, and 0.7 percent on taxable wages up to \$3,000. Applicant pays Oceano only for the hours worked on its system and there is no allowance or allocation of hours for which the employees are not actively engaged in productive work for applicant or Oceano but for which they are paid. The amount of paid nonproductive time will vary among employers; however, in every company there is an amount of time for which employees are paid which does not involve the use of their skills or crafts, such as making out of time cards and work reports, arranging work orders and awaiting instructions

or assignments. It is apparent that the allocation made by the staff, if actually paid by applicant to Oceano, would not compensate Oceano for its services. The compensation actually paid by applicant to Oceano, if the latter were a corporation not connected in any way with applicant or its management or stockholders, cannot be considered to be unreasonably high for the services performed.

In the circumstances, the amount paid by applicant to Oceano for labor and supervision is reasonable and the actual expense thus incurred will be considered for rate-making purposes.

With respect to the staff's proposal that applicant revise its accounting procedures to show payroll taxes on its books, this company does not have any employees and therefore does not pay any such taxes directly. Such procedure would have no useful purpose.

With respect to other operating expenses, the only disagreement between applicant and the staff that involves any substantial amount of expense is in connection with water treatment expenses. The difference between those estimates for water treatment chemicals amounted to \$880. Because the principal source of water supply will be a new one, the amount of chemical treatment that will be required for that water is conjectural. The evidence shows that applicant's system will be required to have supplemental water from Well No. 2. The amount of chemicals that will be required for treatment of water extracted from Well No. 2 will depend first of all upon the amount of water extracted from Well No. 2 and secondarily upon the quality of the water from that well at the time it is extracted. Those circumstances are also conjectural.

We are of the opinion that the staff's estimate is very conservative and that it is probable that the amount of chemical expense that actually will be incurred by applicant will be greater than that estimated by the staff, but any attempt to estimate how much more that expense will be would be merely conjectural. We will adopt the staff's estimate knowing that it is conservative and will give that fact consideration in determining the reasonableness of the operating results as a whole. Table II sets forth our forecast of the results of operation by applicant of the proposed water system for a future rate year.

Table II

Forecast of Operating Results of
Avila Water Company

	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$22,230	\$32,000
Deductions:		
Operating Expense	17,400	17,400
Taxes other than Income	850	850
Depreciation Expense	6,250	6,250
Taxes on Income	100	910
	24,600	25,410
Net Revenues	\$(2,370)	\$ 6,590
Average Rate Base	96,180	96,180
Rate of Return () - Loss	-	6.9%

The interest on the \$50,000 loan at 6½ percent will amount to \$3,250. The amount of earnings available to equity capital will therefore be \$3,340. Said amount will represent a return on equity capital of about 6 percent.

Findings

We find that:

1. Because the amount of water extracted from Well No. 2 has greatly exceeded the replenishment of the well basin by fresh ground water, salt water has intruded into the well basin thereby providing applicant with water of very inferior quality.

2. If applicant continues to meet its water requirements from Well No. 2 there is reasonable expectation that the water will further decrease in quality.

3. There is no source of water of reasonable quality within applicant's service area.

4. The only reasonable expectation of a source of potable water for applicant's system from a public or quasi public agency is from the Lopez Reservoir Water Project.

5. It is reasonably probable that applicant will be able to receive water from the Lopez Reservoir Water Project in ten years.

6. The closest source of water of reasonable quality presently available to applicant is from a well or wells in Gregg Canyon on property owned by Standard Oil Company of California.

7. The proposed additions at the well sites in Gregg Canyon and between the well sites and the point where El Portal Drive meets U. S. Highway 101 are necessary and are reasonably adequate to provide water to applicant's water system until applicant can receive water from the Lopez Reservoir Water Project.

8. Said facilities, installed as proposed, will not be used or useful to applicant's water system when applicant receives water from Lopez Reservoir Water Project.

9. Said proposed installation, and more particularly the six-inch steel transmission line, will not fully comply with the standards and requirements of General Order No. 103.

10. The facilities proposed to be installed within applicant's service area meet the standards and requirements of General Order No. 103.

11. Said facilities will be used and useful in applicant's water system when water is received from the Lopez Reservoir Water Project.

12. The proposed installation, as a whole, will provide water of reasonable quality to applicant's system at the lowest investment and at a reasonable cost.

13. The construction of a water transmission line from Gregg Canyon to Well No. 2 would result in an additional investment of at least \$10,000 and said line would have a useful life of only about ten years in that it would no longer be used or useful when applicant receives water from the Lopez Reservoir Water Project.

14. Any increased benefit to the ratepayers at Avila from having the water from Gregg Canyon routed via Well No. 2 is conjectural and the installation of a transmission main over such route would result in additional annual operating expenses of over \$1,000 which would have to be considered in the fixing of reasonable rates.

15. There is a reasonable possibility that the water that may be required to be extracted from Well No. 2 for supplemental purposes during periods of peak demand may be of such small amount or of such improved quality that there will be no significant deterioration of the quality of water served during such peak periods.

16. The drilling of an additional well at Gregg Canyon will require a capital expenditure of at least \$18,700 and such installation would be used or useful only until water is received from Lopez Reservoir Water Project, an estimated period of ten years.

17. Any increased benefit to the ratepayers at Avila from having applicant drill a second well at Gregg Canyon is conjectural at this time and the installations necessary to obtain water from such source would result in additional annual operating expense of over \$1,870 which would have to be considered in the fixing of reasonable rates.

18. Under normal climatic conditions, applicant will not be required to supplement the Gregg Canyon source of water supply with water from Well No. 2 until June, 1965.

19. Applicant has the facilities and is able to make tests of the quality of water in Well No. 2 periodically, from which tests the quality of water in June, 1965 from Well No. 2 can reasonably be forecast.

20. The terms of the lease and agreement with Standard Oil Company of California, Exhibit No. 3 herein, under which applicant will acquire water from Gregg Canyon are not adverse to the public interest.

21. By the furnishing of water up to 5,000 cubic feet per month at the well sites at gravity flow to Standard Oil Company of California free of charge as provided for in the lease and agreement, applicant will charge or receive a different compensation for water than the rates and charges provided in its present schedule and proposed schedule of rates.

22. Under the lease and agreement the water to be provided Standard Oil Company of California will be delivered at the well sites which are not within the area in which applicant has dedicated its service as a public utility.

23. Standard Oil Company of California has extracted water from the existing well in Gregg Canyon for its own use and will require water from that source in the future.

24. The note or notes to be issued by applicant for the loan of \$50,000 at $6\frac{1}{2}$ percent interest for a term of six years are for the construction and improvement of water system facilities.

25. The \$50,000 to be procured from the issuance of a note is reasonably required for the purposes stated above and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

26. The estimates of operating revenues, expenses, including taxes and depreciation, and rate base set forth in Table II hereinabove, are reasonable for the purpose of prescribing rates herein.

27. A rate of return of 6.9 percent on an average depreciated rate base of \$96,180 is reasonable for the operation by applicant of the proposed water system.

28. 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 herein prescribed, are and for the future will be unjust and unreasonable.

29. Applicant should be required to make application to the appropriate health authority for a water supply permit covering the supplemental source of water supply to be obtained from Gregg Canyon.

Based upon the foregoing findings the Commission concludes that the application should be granted as set forth in the following order.

The authorization to issue the note or notes is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Avila Water Company, Inc., is authorized to install the additions and improvements to its water system described in Exhibits Nos. 8 and 9 in this proceeding and in making such installation east of El Portal Drive may depart from the requirements and standards prescribed in General Order No. 103.
2. Applicant may enter into the lease and agreement set forth in Exhibit No. 3 with Standard Oil Company of California and pursuant thereto in furnishing up to but not in excess of 5,000 cubic feet of water per month to Standard Oil Company of California within the leased premises and at gravity flow without charge is exempted from the prohibitions of Section 532 of the Public Utilities Code.
3. On or after the effective date hereof and on or before December 31, 1964, for the purposes specified herein, applicant may issue a note or notes in the aggregate sum of not to exceed \$50,000 plus 6½ percent interest as specified in the amended application herein.
4. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.
5. After the effective date of this order, applicant shall notify the Commission, in writing, when its system has been connected to the Gregg Canyon source of water supply; concurrently

therewith, applicant is authorized to file with this Commission, in conformity with General Order No. 96-A, the schedules of rates attached to this order as Appendix A, and to make such rates effective for service rendered on and after the fourth day following the date of filing.

6. Within forty-five days after the effective date of this order, applicant shall file with the Commission, in conformity with General Order No. 96-A, revised rules governing service to customers, a revised tariff service area map and copies of printed forms normally used in connection with customers' services. 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.

7. 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 location of the various water system properties of applicant.

8. Beginning with the year 1964, 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 3-A of Exhibit No. 14 of the instant proceeding. 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.

9. Applicant shall, until November 1, 1965, make tests of the quality of the water in its water system at the points and at the times hereinafter specified and shall file with the Commission within fifteen days after the making of such tests reports showing an analysis of the water with respect to chloride content, total dissolved solids and bacteriological content:

(a) At Well No. 2: Between the first day and the fifteenth day of each month commencing in March, 1965 and through October, 1965;

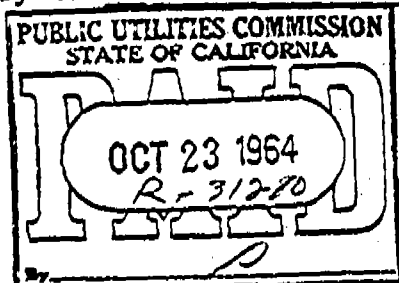
(b) At a point near Avila Beach Community Recreation Building:

Commencing at such time that water from Well No. 2 is placed into its water system and at intervals of not less than seven days until the water system is no longer supplemented with water from Well No. 2.

10. Within ten days after applicant has connected its system to the Gregg Canyon source of water supply, applicant shall apply to the appropriate health authority for a water supply permit and shall concurrently so inform the Commission, in writing.

11. The authority herein granted to issue a note will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$50. In other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 20th day of OCTOBER, 1964.



Handwritten signatures of Pauline B. Hallock (President), George J. Crover, and another Commissioner.

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service, except service to Union Oil Company under Schedule No. 9LIM.

TERRITORY

Avila and vicinity, San Luis Obispo County. (T)

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 500 cu.ft. or less	\$ 4.50	(I)
Next 500 cu.ft., per 100 cu.ft.70	
Over 1,000 cu.ft., per 100 cu.ft.65	
 Minimum Charge:		
For 5/8 x 3/4-inch meter	4.50	(I)
For 3/4-inch meter	6.00	
For 1-inch meter	8.50	
For 1 1/2-inch meter	18.00	
For 2-inch meter	25.00	
For 3-inch meter	45.00	
For 4-inch meter	70.00	

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

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Schedule No. 2
GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

Avila and vicinity, San Luis Obispo County. (T)

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For each 3/4-inch service connection ...	\$ 5.00	(I)
For each 1-inch service connection ...	8.00	(I)
For each 1 1/2-inch service connection ...	15.00	(I)

SPECIAL CONDITIONS

1. All service not covered by the above service connection sizes will be furnished only on a metered basis.
2. A meter may be installed at option of utility or customer for above service connection sizes in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 9LIM

LIMITED INDUSTRIAL AND FIRE PROTECTION METERED SERVICE

APPLICABILITY

Applicable to industrial and fire protection metered water service furnished to Union Oil Company.

TERRITORY

Avila and vicinity, San Luis Obispo County (T)

RATE

	<u>Per Meter Per Month</u>
Quantity Rate:	
Per 100 cu.ft.	\$ 0.65 (I)
Minimum Charge:	
Fire protection and pier washing	65.00
Pumping plant and fire protection	250.00

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

Schedule No. 9LIF

LIMITED INDUSTRIAL AND FIRE PROTECTION FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished on the Port San Luis Transportation Pier on a flat rate basis.

TERRITORY

Avila and vicinity, San Luis Obispo County. (T)

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For the fire protection service connection .	\$60.00	(I)
For the boat life service connection	15.00	(I)