

Decision No. 75835**ORIGINAL**

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

In the Matter of the Application  
 of V. L. AND ELIZABETH BRESSIE,  
 doing business as the JENNER WATER  
 WORKS, under Section 454 of the  
 Public Utilities Code for authority  
 to increase rates for water service.

Application No. 50752  
 (Filed December 17, 1968)

V. L. Bressie, for applicants.  
Lucile Cuthill, in propria persona,  
Patrick H. McGlynn, in propria  
 persona and for 9 customers, George  
Vellutini, in propria persona.  
J. E. Johnson, for the Commission staff.

O P I N I O N

V. L. and Elizabeth Bressie, doing business as Jenner Water Works, seek authority to increase their rates for water service.

Public hearing was held before Examiner Gillanders in Jenner on April 29 and 30, 1969 and the matter was submitted on the latter date. Copies of the application had been served and notice of hearing had been mailed to customers, published, and posted in accordance with this Commission's rules of procedure.

Testimony on behalf of applicants was presented by Mr. Bressie. The Commission staff presentation was made by an accountant and an engineer. Twenty-seven customers were present. Three customers presented testimony.

Service Area and Water System

Applicants serve 101 flat rate customers in the unincorporated community of Jenner, Sonoma County.

The primary source of supply is a perennial stream known as Jenner Creek. The secondary source is a series of springs which have been developed by the utility below the main diversion structure. The utility's right to divert water from Jenner Creek dates back to 1914. The minimum flow in the creek, as measured by the State Water Rights Board in 1964, was approximately 30 gpm.

Springs are the secondary source of supply and the water is collected by a series of plastic pipes which discharge into a 500-gallon wood tank. From the tank, the water is pumped by a 3-hp centrifugal pump directly into the system. The intended function of this secondary source is to supplement the water available from the creek and storage during periods of peak use and also to provide a source of clear, drinkable water during rainy periods when the water in the creek becomes turbid and undrinkable. The facilities have successfully supplemented peak hour demands when required during the summer but have been ineffective in supplying drinkable water during the rainy season because of repeated pump failures and landslides.

The peak hour demand of this system is approximately 80 gpm. During the period of minimum flow the creek contributes 30 gpm and the remaining 50 gpm is supplied from storage. The effective storage facilities consist of two 10,000-gallon redwood tanks which are filled by a 2-inch gravity line from the creek. It is the staff's testimony that the primary source of supply is just barely adequate to meet the needs of the present consumers and has very little reserve for expansion, if any.

Much of the distribution system is very old and deteriorated and requires continuous maintenance. The system is estimated to consist of 23,000 feet of galvanized and plastic pipe of 2 inches and smaller and 1,000 feet of 4- to 6-inch welded steel. The Jenner Creek diversion supplies the system by gravity. The static pressures range from 25 to 125 psi but pressures during peak hour demand were not determined.

As of February, 1969, the utility had 95 residential and 6 nonresidential customers. The utility will lose one nonresidential customer this year, the school. Of the 100 customers, 37 are permanent residents and 63 are part-time residents who occupy their houses or cabins on weekends or during vacations. Four of the nonresidential customers are being charged flat rates which exceed the applicable tariff schedule. The size of most service lines is 3/4-inch, with the remaining services being 1-inch.

Historically, the number of customers has increased by approximately two per year from 1944 to 1964. However, since 1964 the number of customers has remained the same and no significant change is anticipated due to the fact that most of the good building sites within the service area have been built upon. Many of the remaining building sites are in areas where the soil is considered unstable for building and unsatisfactory for disposal and leaching of domestic sewerage. The development of these areas is expected to be very slow.

In 1965 a considerable portion of the service area was subdivided. Unimproved roads were constructed and water lines and services valued at \$11,712 were installed in conformance with Section C.1.c, Rule No. 15 of the tariff schedule. Costs of the

water facilities are subject to refund in conformance with Sections C.2.a and C.2.b of Rule No. 15. One speculative house has been built in the general area but not sold and no refunds have been made by the utility to date.

Rates

Applicants' present rates became effective by Decision No. 20315, dated October 11, 1928 in Application No. 14793. The rates proposed by applicants would increase the flat rate charge by 313 percent and the meter rate charge by approximately 400 percent. Applicants also propose to simplify the flat rate tariff by eliminating certain charge categories not billed. The company's distribution system is inadequate to provide fire protection service in conformance with the county requirements and it has no fire protection service schedules on file. Applicants propose to install meters for all nonresidential customers upon conclusion of this rate proceeding.

Service

A review of the Commission's records from 1963 to the present time did not reveal any informal or formal complaints against the company.

The staff engineer testified that all of the customers he contacted during his field investigation complained about muddy water in the winter time and a few complained about having no water at all when the distribution lines in certain areas were broken by slides. He further testified that most customers were

eager to point out that they have received better service from the present owners than from prior owners and the quality of water, though still not good in the rainy seasons, is much better than provided by prior owners; and that many customers commended the present owners for prompt action in repairing breaks in lines and correcting other operational failures during inclement weather and under adverse conditions.

The Sonoma County Health Department maintains surveillance over this utility to try to insure that the water served meets the prescribed drinking water standards. In 1951 the County Health Department issued a water supply permit to a Mr. Mecum who owned the system at that time. However, the present owners have not been able to obtain a permit. A registered sanitarian from the Sonoma County Public Health Department testified that Mr. Bressie had a verbal agreement that he would sample the water every three months and furnish the Health Department with a copy of the analysis of the water. Records of the Health Department show that such copies have not been provided. Representatives of the Health Department have taken samples during the past three or four years and every one of these samples has come back marked "heavily contaminated". The water does not meet the Public Health standards for drinking water. The sanitarian suggested that the existing chlorinator be repaired and that the owners chlorinate the system. The staff engineer recommended that the existing chlorinator be replaced with one of adequate capacity to

control the bacteria and maintain a chlorine residual in the system at all times.

Mr. Bressie testified that his customers have some very strong objections to chlorine in the water. He presented Exhibit No. 3 which consists of five different "Bacteriological Examination of Water" reports taken by the County of Sonoma. Two of the reports, taken at different locations, on August 3, 1964, show no contamination. One report was taken on January 23, 1967, one on January 25, 1968, and one on February 8, 1968. These reports show "Zeavily Contaminated". He also presented Exhibit No. 4 which consists of reports, by an independent laboratory, of water samples collected by Mr. Bressie during 1968. Three samples showed contamination and two showed no contamination.

#### Rate of Return

The staff accountant testified that the indicated rate of return of 4.9 percent at applicants' proposed rates for the estimated year 1969 on a rate base of \$8,310 is not unreasonable.

#### Results of Operation

Table I, Results of Operations, taken from Exhibit No. 1 shows the applicants' recorded revenues and expenses for 1967 and

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the nine-month period ending September 30, 1968, after staff adjustments. Also shown is the applicants' estimate for 1968 and the staff's estimate for 1969. Due to the fact the applicants did not submit an estimate of the results of operations for 1969, the staff used the applicants' 1968 estimate for comparative purposes. Neither the applicants nor the staff anticipate any significant changes in the number of customers or methods of operation.

TABLE 1  
RESULTS OF OPERATIONS.

		Recorded*		Estimated Year 1969a		
		: 1/1 to :		Present Rates		Proposed Rates
No.:	Item	1967	9/30/68	Applicant's	Staff	Applicant's
<u>Operating Revenue</u>						
601	Metered Revenue	\$ -	\$ -	\$ -	\$ -	\$ 510
602	Unmetered Revenue	1,819	1,364	1,755	1,820	6,752
	Total Operating Rev.	1,819	1,364	1,755	1,820	6,752
<u>Operating Revenue Deductions</u>						
502	<u>Operating Expenses</u>					
726	Power	17	24		150	150
734	O&M Labor	-	-		-	-
735	O&M Materials	70	31		140	140
736	O&M Contract	84	88		470	470
791.1	Office Salaries	442	81		420	420
791.2	Management Salaries	3,042	1,770		2,820	2,820
792	Office Supplies & Exp.	112	124		160	160
793	Insurance	37	41		70	70
798	Acctg., Legal & Other Serv.	-	-		50	50
799	General Expense	32	56		180	180
801	Vehicle Expense	240	118		310	310
811	Office & Storage Rental	240	180		170	170
	Total Oper. Expenses	4,316	2,513	4,564	4,940	4,940
503	Depreciation Expense	666	510	901	800	907
507.1	Property Taxes	169	197	267	280	255
507.2	Payroll Taxes	-	-	-	270	-
507.4	State Income Tax	-	-	-	-	10
507.5	Federal Income Tax	-	-	-	-	70
	Total Operating Revenue Deductions	5,151	3,220	5,732	6,290	6,026
	Net Oper. Revenue	(3,332)	(1,856)	(3,977)	(4,470)	726
	Rate Base	-	-	15,751	8,310	15,751
	Rate of Return	-	-	-	-	4.6%

(Red Figure)

\* After staff accounting adjustments.

a Applicant's estimate is for 1968.

Discussion

According to the staff accountant the utility's accounting records are deficient in that they are not completely double entry, nor are they kept on an accrual basis. In addition, the entries on the books of account are not adequately cross-referenced to the supporting documents. However, he was able to obtain sufficient data to analyze applicants' financial operations. As a result of his analysis of the applicants' financial operations, he prepared the following table.

NET PLANT INVESTMENT  
September 30, 1968

		Adjustments				
		Delete	Revise 1950:			
Ac.:		1963	Classifi-			Adjusted:
No.:	Item	9/30/68	"Adjustments":	cation	Other	9/30/68
301	Intangible Plant	\$ 500	\$	\$	\$ (500) <sup>a</sup>	\$ -
306	Land	3,500			(500) <sup>b</sup>	3,000
317	Source of Supply	1,063	(1,000)	300		363
324	Pumping Equipment	950		(350)	(50) <sup>c</sup>	550
332	Water Treatment Equipment	215				215
342	Reservoirs and Tanks	3,980	(3,600)	600	150 <sup>d</sup>	1,130
343	Mains	14,620		(395)	(2,967) <sup>e</sup>	11,258
345	Services	838		(305)	1,719 <sup>f</sup>	2,252
348	Hydrants	10			274 <sup>g</sup>	284
371	Structures	1,500	(500)	150	(1,050) <sup>h</sup>	100
372	Office Furniture & Equip.	231				231
373	Transportation Equip.	1,764				1,764
374	Other General Equip.	1,089			(132) <sup>i</sup>	957
	Total Plant in Service	30,260	(5,100)	-	(3,056) <sup>j</sup>	22,104
250	Reserve for Depreciation	(3,034)			370 <sup>j</sup>	(2,664)
	Net Plant	27,226	(5,100)	-	(2,686)	19,440
241	Advances for Constr.	(11,712)				(11,712)
	Net Plant Investment	\$15,514	\$(5,100)	\$ -	\$(2,686)	\$ 7,728
a	Eliminate expenses incurred in acquiring utility					\$ (500)
b	Eliminate cost of land sold in 1963					(500)
c	Unrecorded retirement of pump wiring in 1963					(50)
d	Reclassify retirement of tool shed in 1964 to Ac. 371					\$ 50
	Record cost of 500-gallon tank installed in 1965					100 150
e	Reclassify salvaged mains to Material & Supply Account					(379)
	Unrecorded retirement of main from spring to tank - 1968					(595)
	Reclassify to Ac. 345, Services, and Ac. 348, Hydrants					(1,993) (2,967)
f	Reclassified from Ac. 343, Mains					1,719
g	Reclassified from Ac. 343, Mains					274
h	Deduct unexplained adjustment in 1963					(1,000)
	Reclassified retirement from Ac. 342					(50) (1,050)
i	Eliminate map making expenses					(132)
j	To reflect adjustments to depreciation reserve as a result of above adjustments					880
	To record depreciation for nine months of 1968					(510) 370

(Red Figure)



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Mr. Bressie, in essence, testified that in his opinion the recorded figures fairly represented the assets of the company.

The following tabulations show the staff adjusted plant balance as of December 31, 1968, the plant improvements estimated to be installed in 1969 and the estimated rate base for 1969.

:Ac.: :No.:	Item	:Recorded:Net Plant Additions:		
		:Dec. 31 :Estimated Year 1969:	:Applicant: Staff	:
		: 1968 <sup>a</sup>		
301	Intangible Plant	\$ -	\$ -	\$ -
306	Landed Capital	3,000	-	-
315	Wells	-	-	-
317	Source of Supply	363	-	-
324	Pumping Equipment	550	-	-
332	Water Treatment Equipment	215	-	-
342	Reservoirs and Tanks	1,130	-	-
343	Water Mains	11,258	500 <sup>b</sup>	500 <sup>b</sup>
345	Services	2,252	-	-
346	Meters	-	800	800
348	Hydrants	284	-	-
371	Structures	100	-	-
372	Office Furn. & Equip.	231	-	-
373	Transportation Equipment	1,764	-	-
374	Other Equipment	957	-	-
	Total Plant	22,104	1,300	1,300
	Reserve for Depreciation	(2,834)	-	-
	Advances for Construction	(11,712)	-	-
	Net Plant Investment	7,558	-	-

(Red Figure)

a After staff accounting adjustments.

b Based on average investment of prior years.

#### Rate Base

Item	:Applicant: Staff :	
	:1968 Est.:	1969 Est.:
Average Plant	\$29,066	\$22,754
Avg. Depr. Reserve	(2,603)	(3,232)
Average Depr. Plant	26,463	19,522
Advances for Construction	(11,712)	(11,712)
Working Cash	500	-
Materials & Supplies	500	500
Rate Base	15,751	8,310

(Red Figure)

From the testimony of applicants' witness and from the testimony of the staff witness it is apparent that the installation of meters would serve no useful purpose and in fact would divert monies and materials that should be spent in improvements which would add to the safety of the system, i.e., chlorinators.

According to the staff engineer the complaints against the utility include low pressure and shortage of water during periods of peak use, muddy water during periods of heavy rainfall and inadequate chlorination of the water on occasions. Elimination of the operating deficiencies will require that certain capital improvements be installed at a considerable expense to the utility. He proposed initial capital improvements, costs and order of priority as follows:

<u>Item No.</u>	<u>Item</u>	<u>Cost</u>
1	Replace 1,900 ft. of 1" and smaller distribution line with 3"	\$ 7,125
2	Develop alternate source of supply by drilling well, purchasing pump and all equipment to make operative and install 800 ft. of 2-inch discharge line	3,200
3	Purchase and install 2 new chlorinators	<u>1,500</u>
	Total estimated cost	\$11,825

In addition to the above improvements, the utility estimates that the replacement of other lines and services at a cost of \$14,000 will be necessary before any significant reductions in maintenance cost can be affected.

Applicants testified that they would be able to provide the funds to do the above work. However, they requested that the purchase and installation of the two new chlorinators

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should be made the number one priority and that the development of alternate source of supply should be deferred until a shortage of water appears imminent.

General expense estimated by the staff has been increased over past years' levels due to the fact that estimated regulatory expense of approximately \$700 for this proceeding has been included and spread over a five-year period.

In the light of the above discussion we will adopt the following results of operations for the estimated year 1969.

#### RESULTS OF OPERATIONS

<u>Ac.</u> <u>No.</u>	<u>Item</u>	
	<u>Operating Revenue</u>	
601	Metered Revenue	\$
602	Unmetered Revenue	6,600
	Total Operating Revenue	<u>6,600</u>
	<u>Operating Revenue Deductions</u>	
502	<u>Operating Expenses</u>	
726	Power	50
734	O&M Labor	-
735	O&M Materials	140
736	O&M Contract	470
791.1	Office Salaries	420
791.2	Management Salaries	2,820
792	Office Supplies & Expense	160
793	Insurance	70
798	Acctg., Legal & Other Service	50
799	General Expense	50
801	Vehicle Expense	310
811	Office & Storage Rental	170
	Total Operating Expenses	<u>\$4,710</u>
503	Depreciation Expense	815
507.1	Property Taxes	285
507.2	Payroll Taxes	270
507.4	State Income Tax	10
507.5	Federal Income Tax	100
	Total Operating Revenue Deductions	<u>\$6,190</u>
	Net Operating Revenue	410
	Rate Base	8,300
	Rate of Return	4.9%

As often happens in the regulation of small utilities the various changes made to the presentations of the parties based upon our weighing of the evidence produce no change in the overall results. We are still faced with the fact applicants are entitled to a substantial increase in their authorized rates.

On the second day of hearing three customers testified, in essence, that a 100 percent increase would be fair but that they were protesting a four-fold increase. They wondered why applicants had not applied for a rate increase before they required such a large increase.

During the course of the hearing, Mr. Bressie in answer to a question inquiring as to his principal motive in acquiring the water system testified as follows:

"You wouldn't believe it. I took a walk up the creek with the man and it was beautiful. I didn't want it but I enjoyed the walk. The man was very anxious to get out of here. He gave me a very good price on it. I went home and discussed it with my wife and she said -- well, if you want to, go ahead. And that is it. I have enjoyed every minute of it and I have given these people the benefit of it. I have taken money out of my pocket every year and paid for the privilege of walking up that hill and digging in the mud and tending to their water pipes. But that's the truth."

However remiss the owners of the water system may have been in the past by not applying for rate increases the fact still remains that the existing rates have been in effect since 1928.

Findings and Conclusion

The Commission finds that:

1. Applicants' present water supply facilities are inadequate to furnish water that meets health standards for drinking water.
2. When applicants install the two chlorinators described in Mr. Bressie's testimony and connect them to the system, the system will be adequate to supply potable water.
3. When the system is adequate, applicants are entitled to a rate of return of 4.9 percent on rate base.
4. The adopted estimates, previously summarized and discussed herein, of operating revenues, operating expenses and rate base for the test year 1969 reasonably represent the results of applicants' future operations.
5. The increases in rates and charges shown in Appendix A will be justified upon installation of two chlorinators.

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

O R D E R

IT IS ORDERED that:

1. After receipt by this Commission of a satisfactory certification by applicants that they have placed in service within one year after the effective date of this order two chlorinators, applicants may be authorized by supplemental order to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A.

The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the date thereof.

2. Applicants shall adjust the plant accounts and the related reserve for depreciation as of September 30, 1968 to agree with the adjusted balances in Table 1, "Net Plant Investment" of Exhibit No. 1.

3. Applicants shall maintain accounting records on a double entry, accrual basis, in accordance with the Uniform System of Accounts for Class D Water Utilities prescribed by this Commission.

4. Applicants shall maintain and preserve all records as specified in General Order No. 28.

5. Beginning with the year 1969, applicants 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 entire plant, and shall use the composite depreciation rate as shown in Table III of Exhibit No. 1. Applicants shall review the depreciation rate when major changes in plant composition occur but at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

6. Applicants shall prepare and keep current the system map required by Paragraph 1.10.a. of General Order No. 103. Within ninety days after the effective date of this order, applicants shall file two copies of said map with the Commission.

7. Applicants shall file four copies of a current tariff service area map with the Commission within ninety days after

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the effective date of this order. The service area map shall conform to Paragraph II.A.(4) of General Order No. 96-A.

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

Dated at San Francisco, California, this 24th day of JUNE, 1969.

William J. Lyons, Jr.  
President

Augustine  
John P. Monahan  
J. J. Valente, Jr.

James A. ...  
Commissioners

## Schedule No. 1A

ANNUAL METERED SERVICEAPPLICABILITY

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

TERRITORY

Jenner and vicinity, Sonoma County.

RATES

	Per Meter Per Month	
Monthly Quantity Rates:		
First 500 cu.ft. or less .....	\$ 5.50	(I)
Next 4,000 cu.ft., per 100 cu.ft. ....	0.35	(I)
Over 4,500 cu.ft., per 100 cu.ft. ....	0.25	(I)

	Per Meter Per Year	
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 66.00	(N)
For 3/4-inch meter .....	80.00	
For 1-inch meter .....	100.00	
For 1 1/2-inch meter .....	150.00	

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.

(N)

SPECIAL CONDITIONS

1. The annual minimum 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

(N)

(N)

(Continued)



Schedule No. 1A

ANNUAL METERED SERVICE  
(Continued)

SPECIAL CONDITIONS (Contd.)

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 except that meters may be read and quantity charges billed during the winter season at intervals greater than three months. (N)

2. The opening bill for metered service, except upon conversion 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)

## Schedule No. 2RA

ANNUAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate water service furnished on an annual basis.

TERRITORY

Jenner and vicinity, Sonoma County.

RATES

	Per Service Connection Per Year	
For a single-family residential unit, including premises .....	\$ 66.00	(I)
For each additional single-family residential unit on the same premises and served from the same service connection .....	66.00	
For each restaurant .....	120.00	
For each service station .....	90.00	
For each motel, hotel or cabin complex - having less than three units .....	50.00	
For each additional motel or hotel unit or cabin served from the same service connection .....	12.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter. (N)
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided (N)

(Continued)

Schedule No. 2RA

ANNUAL FLAT RATE SERVICE  
(Continued)

SPECIAL CONDITIONS (Contd.)

under Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day. (N)

3. The annual flat rate 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 flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

4. The opening bill for flat rate service shall be the established annual flat rate 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)