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ORIGINAL

Decision No. 75958

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
POLLOCK WATER SERVICE, INC., a)
corporation, for authority to)
increase its rates and charges for)
water service in portions of the)
City of Seaside and the City of)
Sand City in Monterey County.)

Application No. 50518
(Filed August 30, 1968)

Bacigalupi, Elkus, Salinger & Rosenberg,
by William G. Fleckles, for Pollock
Water Service, Inc., and for California-
American Water Company.
City of Seaside, by Saul M. Weingarten,
protestant.
John D. Reader, for the Commission staff.

O P I N I O N

Public hearing in this matter was held before Examiner Emerson in Seaside on March 4 and 5, 1969. The matter is submitted.

The application herein recites that the applicant is a California corporation and the owner of a public utility water system which provides water service in portions of the City of Seaside and Sand City in Monterey County. Applicant seeks authority to raise its rates to those charged by California-American Water Company in adjacent or nearby areas. For general metered service, such rates would increase water bills by amounts varying between 7 percent and 99 percent. For the average residential user the increase would amount to 41 percent on the "gravity" portion of the system and 56 percent on the "first elevation zone" of the system. Public fire hydrant rates would increase by 50 percent and private fire hydrant rates would increase by 16.7 percent at the rates proposed.

A recitation of some of the historical and contemporary background (as appears in the evidence) seems necessary to an understanding of this proceeding. The area in which applicant now operates first received water service during 1940 from a sole-proprietorship which operated under the name of East Monterey Water Service. The service area was immediately adjacent to Fort Ord, in an unincorporated portion of Monterey County. In the normal course of business, the system was expanded towards the City of Monterey. In 1949 ownership of the water system was transferred to George D. Pollock who further expanded the system. Since the incorporation of the cities of Seaside and Sand City, the East Monterey Water System has been within the boundaries of such cities.

The system experienced many difficulties which generated a great number of customer complaints. The financial instability of the utility, coupled with the serious illness of the owner, resulted in a most inadequate service to the public and in 1959 the Monterey Peninsula Municipal Water District sought a determination of the just compensation which might be paid for a taking of the system.^{1/} By May of 1965, the utility was so pressed by various creditors and faced such severe service problems that further operation of the system seemed certain of collapse. (The bond election to provide the District with funds to purchase the system had not yet been held). Negotiations with California Water and Telephone Company^{2/} were undertaken and an agreement was entered into whereby the Pollock system was loaned \$260,000 under a first mortgage note and

^{1/} See Decision No. 68136 in Application No. 41485, issued October 27, 1964, by which just compensation was fixed at \$550,000.

^{2/} California Water and Telephone Company, a public utility corporation, has since sold all of its water and telephone properties to other utility companies.

California Water and Telephone Company took over operation of the system under a lease^{3/} (which had a term of one year) pending outcome of the bond election. The lease expired prior to the bond election but the lessee continued to operate and improve the system as though the lease was still in effect. The bond election was later held and failed of passage.

In April 1966, the water properties of California Water and Telephone Company were acquired by California-American Water Company. California-American Water Company is a subsidiary of American Water Works Company, a Delaware corporation. In December 1966 the East Monterey Water Service system was transferred to a newly formed corporation, Pollock Water Service, Inc., in exchange for the stock of the latter. This stock was then acquired by American Water Works Company. American Water Works Company thus controls through stock ownership both Pollock Water Service, Inc., the lessor of the old East Monterey system, and California-American Water Company, the lessee of the same system. Nor does control stop there; for the officers, executives and employees of Pollock are also the officers, executives and employees of California-American.

Interconnection of the present Pollock and California-American water systems was accomplished in 1965 and since then numerous improvements in the Pollock system have been made by California-American. Operations have since been conducted as though the two entities were in fact but one. Service on the Pollock system is now adequate, the water is of satisfactory quality, pressures are ample, mains are regularly flushed and there is no

^{3/} See Decision No. 69303 in Application No. 47570, issued June 29, 1965.

longer any water shortage problem. Customer complaints regarding service have been non-existent for the past three years.

Although applicant has clearly and unequivocally stated that it does not advocate any particular rate of return in support of its request for increased water rates,^{4/} evidence was adduced respecting the earnings of the Pollock system under present and proposed rates and under proposed rates when consolidated with the California-American system. The following tabulation indicates the comparative earnings estimates of applicant and staff.

Item	1967 Adjusted			
	Present Rates		Proposed Rates	
	Applicant	Staff	Applicant	Staff
Operating Revenues	\$125,353	\$128,310	\$176,800	\$180,100
Deductions				
Operating Expenses	70,987	75,800	71,800	75,800
Depreciation Expenses	26,415	24,540	21,000	24,540
Taxes Other Than Income	13,708	17,220	15,500	17,700
Taxes on Income	100	100	27,250	22,790
Total Deductions	111,210	117,660	135,500	140,830
Net Revenue	14,143	10,650	41,300	39,270
Rate Base	660,741	565,100	662,900	565,100
Rate of Return	2.14%	1.88%	6.23%	6.95%

The foregoing tabulation reveals that applicant's requested rates would not produce revenues resulting in a rate of return in excess of 7%. For applicant's predecessor East Monterey Water Service the Commission found as reasonable a rate of return of 7% by D-62193, dated June 27, 1961.

The evidence introduced by the staff concerning effects of applicant's proposed rates, assuming consolidated operation of applicant's system and California-American's Monterey Division system, indicates that a combined operation rate of return would be about 6.4%. A 6-1/2% rate of return was found reasonable for California-American's predecessor in its Monterey Division by D-55359, dated August 5, 1957.

^{4/} See statement of counsel, TR 235, lines 9-14.

Applicant is entitled to increased revenues. The magnitude of the increases proposed (as much as 99 percent), however, is greater than that which should be imposed at a single step. The Commission finds it to be fair and reasonable, therefore, to authorize the overall increase in two steps, 12 months apart, in order to provide a reasonable period within which applicant's customers may adjust themselves to the increased rates which we must authorize. The first year's increase will amount to approximately 60 percent of that sought, with the final rates of the second year making up the balance of the total justified by the record. While such rate treatment may be said to be unusual, the Commission finds it to be just and reasonable under the circumstances.

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

The Commission concludes that an order should be issued increasing rates in the manner hereinafter set forth.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant Pollock Water Service, Inc. is authorized to file the revised rate schedules attached to this order as Appendix A, a revised tariff service area map delineating the two tariff zones, and concurrently to cancel its present Schedules Nos. 1, 5 and EM-6H.

2. After one year following the effective date of this order, applicant is authorized to file the revised rate schedule attached to this order as Appendix B.

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3. The tariff filings hereinabove authorized shall comply with General Order No. 96-A. The effective date of the revised map and schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective dates thereof.

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

Dated at San Francisco, California, this 29th day of JULY, 1969.

William J. Lyons, Jr.
President
[Signature]
[Signature]
[Signature]
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. PWS-1

(T)

Pollock Water Service Tariff Area

(T)

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Seaside and Sand City, and vicinity, Monterey County.

RATES

Quantity Rates:		Per Meter Per Month		
		Gravity Zone	1st Elevation Zone	
First	300 cu.ft. or less	\$ 2.10	\$ 2.25	(I)
Next	1,700 cu.ft., per 100 cu.ft. ...	.33	.37	
Next	18,000 cu.ft., per 100 cu.ft. ...	.26	.28	
Next	80,000 cu.ft., per 100 cu.ft. ...	.22	.25	
Next	700,000 cu.ft., per 100 cu.ft. ...	.19	.22	
Over	800,000 cu.ft., per 100 cu.ft. ...	.15	.18	
Minimum Charge:				
For	5/8 x 3/4-inch meter	\$ 2.10	\$ 2.25	
For	3/4-inch meter	2.40	2.60	
For	1-inch meter	3.00	3.25	
For	1 1/2-inch meter	5.50	6.00	
For	2-inch meter	9.00	9.00	
For	3-inch meter	18.00	18.00	
For	4-inch meter	30.00	30.00	
For	6-inch meter	60.00	60.00	
For	8-inch meter	90.00	90.00	(I)

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

Schedule No. PWS-4H	(T)
Pollock Water Service Tariff Area	| (T)
<u>PRIVATE FIRE HYDRANT SERVICE</u>	

APPLICABILITY

Applicable to all water service furnished for Private Fire Hydrant Service.

TERRITORY

Seaside and Sand City, and vicinity, Monterey County.	(T)
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RATES

	<u>Per Month</u>	
Private Fire Hydrants Installed at Cost of Utility-		
For each hydrant installed on:		
2-inch connection, or smaller	\$3.50	(I)
3-inch connection	4.25	|
4-inch connection	5.75	|
Private Fire Hydrants Installed at Cost of Customer-		
For each hydrant installed on:		
4-inch connection, or larger	4.50	(I)

SPECIAL CONDITIONS

1. As of the effective date of this schedule:
 - (a) The minimum diameter of connection for private fire hydrant service will be four inches.
 - (b) All costs of the installation of facilities required to furnish private fire hydrant services shall be borne by the applicant, and not subject to refund.

Schedule No. PWS-4H

Pollock Water Service Tariff Area

PRIVATE FIRE HYDRANT SERVICE

SPECIAL CONDITIONS (Cont'd)

2. All installations shall be in a location mutually agreeable to applicant and utility.

3. If a distribution main of adequate size to serve a Private Fire Hydrant Service in addition to all other normal services does not exist in the street or alley adjacent to the property to be served hereunder, then a main from the nearest existing main of adequate capacity will be installed by the utility at the cost of the applicant, and not subject to refund.

4. Service under this schedule will be furnished only for private fire hydrant service systems which are completely isolated from all other water pipes and services of the customer.

5. All water used for other than fire extinguishing purposes shall be paid for at General Metered Service rates, and the installation cost of placing a meter for measuring such usage, if found to be necessary, shall be borne by customer, and not subject to refund.

6. If applicant desires to install private fire hydrants on his property in connection with his domestic or commercial service, whereby a larger service and meter are required than would be required for his domestic or commercial service alone, such service may be installed, at the option of the utility, and the utility shall require applicant to bear the entire cost of such service and meter, not subject to refund; however, credit will be given for the estimated cost of the service and meter that would be adequate for normal domestic or commercial service; or, in the event an existing service is replaced at applicant's request credit will be given for any salvage value recovered.

In instances in which the facilities are combined, as provided for above, charges for water will be made under General Metered Service.

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

8. The customer shall indemnify the utility and save it harmless against any and all claims arising out of the service under this schedule, and shall further agree to make no claim against the utility for any loss or damage resulting from such service.

Schedule No. PWS-5

(T)

Pollock Water Service Tariff Area

(T)

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service furnished to municipalities,
duly organized or incorporated fire protection districts, or other
political subdivisions of the State.

(T)

(T)

TERRITORY

Seaside and Sand City, and vicinity, Monterey County.

RATE

Per Month

For each fire hydrant \$4.50

(I)

SPECIAL CONDITIONS

1. Hydrants will be installed and maintained by the utility at
its expense.

(T)

2. The above rate includes use of water for fire fighting and for
no other purpose. Quantities of water delivered through fire hydrants for
any other purpose will be estimated or measured and charges therefor will
be made at the monthly quantity rates for General Metered Service.

3. 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 its
system.

4. The customer shall indemnify the utility and hold it harmless
against any and all claims arising out of service under this schedule
and shall further agree to make no claim against the utility for any
loss or damage resulting from the service hereunder.

(T)

Schedule No. PWS-7

Pollock Water Service Tariff Area

STREET SPRINKLING SERVICE

APPLICABILITY

Applicable to water service furnished to municipalities on a metered basis for street sprinkling.

TERRITORY

Seaside and Sand City, and vicinity, Monterey County.

RATE

	<u>Per Month</u>
For all water used, per 100 cu. ft.	\$0.34

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APPENDIX A
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Schedule No. PWS-10

Pollock Water Service Tariff Area

SERVICE TO COMPANY EMPLOYEES

APPLICABILITY

Applicable to water service furnished for domestic use at the residences of permanent employees.

TERRITORY

Seaside and Sand City, and vicinity, Monterey County.

RATE

The filed rate or rates applicable to the type of service in the territory and at the location where service is supplied, less 25%.

APPENDIX B

Schedule No. PWS-1

Pollock Water Service Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water furnished on a metered basis.

TERRITORY

Seaside and Sand City, and vicinity, Monterey County.

RATES

	<u>Per Meter</u> <u>Per Month</u>		
	<u>Gravity</u> <u>Zone</u>	<u>1st Elevation</u> <u>Zone</u>	
Quantity Rates:			
First 300 cu.ft. or less	\$ 2.10	\$ 2.25	
Next 1,700 cu.ft., per 100 cu.ft. ....	.40	.45	(I)
Next 18,000 cu.ft., per 100 cu.ft. ....	.32	.37	⋮
Next 80,000 cu.ft., per 100 cu.ft. ....	.27	.32	⋮
Next 700,000 cu.ft., per 100 cu.ft. ....	.24	.29	⋮
Over 800,000 cu.ft., per 100 cu.ft. ....	.20	.25	(I)
Minimum Charge:			
For 5/8 x 3/4-inch meter	\$ 2.10	\$ 2.25	
For 3/4-inch meter	2.40	2.60	
For 1-inch meter	3.00	3.25	
For 1 1/2-inch meter	5.50	6.00	
For 2-inch meter	9.00	9.00	
For 3-inch meter	18.00	18.00	
For 4-inch meter	30.00	30.00	
For 6-inch meter	60.00	60.00	
For 8-inch meter	90.00	90.00	

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