

ORIGINAL

Decision No. 76102

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
T. Donald and Helen A. Hagerty,
doing business as Pleasantimes Water
System under Section 454 of the
Public Utilities Code for authority
to establish increased rates.

Application No. 50459
(Filed August 5, 1968)

T. Donald Hagerty, for applicants.

T. M. Gerow, for Contra Costa County
Health Department, interested party.

J. E. Johnson, for the Commission staff.

O P I N I O N

Applicants T. Donald and Helen A. Hagerty, doing business as Pleasantimes Water System, seek authority to increase their rates for water service.

Public hearing was held before Examiner Gillanders at Bethel Island on March 27, 1969 and the matter submitted. Copies of the application had been served and notice of hearing had been mailed and posted in accordance with this Commission's rules of procedure.

Testimony was presented on behalf of applicants by Mr. Hagerty. The Commission staff presentation was made by an engineer. Fifteen persons were present during the hearing. One customer presented testimony. The staff representative questioned the witnesses on behalf of members of the public. The public is concerned about the lack of water and the taste and odor of the water.

Service Area and Water System

The Pleasantimes Subdivision, which is served by applicants' system consists of some 270 subdivision lots located in a continuous line, approximately 13,000 feet in length, adjacent to the levee bounding the eastern tip of Bethel Island.

A single 2-inch main running the length of the subdivision comprises the distribution system. This main is partly galvanized iron and partly black iron, and portions of it are above ground. In some areas, where the main is buried, its location, as well as the location of some service connections, is not known precisely. The main is generally in very poor condition, with many minor leaks which require frequent patching.

The source of supply comprises two wells, each of which consists of thick-walled steel pipe perforated and screened near the bottom only, and which have a standing water level 20 feet or less below the ground surface. One well, located near one end of the distribution main, is 178 feet deep and 2 inches in diameter. It is equipped with a 1-1/2 hp pump and is operated on demand when system pressure is low. The second well, 355 feet deep and 3 inches in diameter, is located near the center of the system and is equipped with a 3-hp pump which runs continuously. A third well, adjacent to the second, is currently inoperative because of a heavy sand condition. Both pumps are controlled manually, either by applicants or by an accommodating customer. The system's source of supply is adequate for the number of customers now being served.

There are no reservoirs or tanks in applicants' system. As of December 31, 1968, applicants reported 154 metered and 11 flat rate active services, all residential. The staff recommends the elimination of flat rate service.

Rates

Applicants' presently effective rates were established by Commission Decision No. 42380, dated December 29, 1948, in Case No. 4955.

Applicants have two rate schedules on file, one for metered and one for flat rate service. Under the rates proposed by applicants the present minimum monthly charge for a 5/8 x 3/4-inch meter, including 500 cubic feet of water, would be increased 100% from \$2.00 to \$4.00; charges for other meter sizes and quantity blocks would be increased in the same proportion. Applicants' rate proposal would also increase residential flat rate charges by 100% and would eliminate all commercial flat rates.

Service

Mr. Hagerty testified that he has received numerous complaints of low pressure, lack of water, taste and odor problems, and complaints that the water stains bathroom fixtures. He admitted that at times the end of the system furthest from the pumps is out of water. He blamed recent complaints of low pressure on the fact that the piping is leaking where it passes through a swampy area and he cannot locate the position of the leak.

The staff engineer testified that during his field investigations made in August and November, 1968, water pressures were checked at a number of points throughout the system. Pressures ranged from 20 to 45 psi. Taste, odor, and clarity of the water in his opinion were satisfactory at most places; however, at some locations taste and odor of the initial flow from the customers' taps were quite unsatisfactory but became satisfactory after 10 to 30 seconds of flow.

Five or six of the customers contacted by the staff engineer had only minor or no complaints about the service.

Mr. Gerow, of the Contra Costa County Health Department, testified that he has worked with Mr. Hagerty in an effort to obtain a water system permit but such a permit cannot be issued because the water does not meet drinking water standards as it contains too much iron and manganese and is too high in total solids. He testified that, except for a few instances, tests made of the water showed that it does meet bacterial health standards. He also testified that there are 18 water systems on the island and that the county has been promoting a district which, if formed, could supply adequate water service to the island. He recommended that the leak (supra) should be controlled immediately due to the hazard of ground water contamination.

The staff engineer recommended that the disconnected well be reconditioned and placed back in service. He also recommended that no new customers be added to the system until a further source of supply was obtained. According to the staff engineer, his review of the Commission's files revealed five informal complaints against the applicants during the past 12 years. Two of these involved connection and extension; one, service; and two, bill amount. No formal complaints are on file.

Mr. Hagerty testified that in his judgment it would require \$5,000 per year for the next five years for improvements to the system. The pipe was not new when installed and 3,000 feet need replacing at \$2.00 per foot for pipe only.

The staff engineer testified that all 13,000 feet of distribution 2" pipe should be replaced with 4" pipe.

Rate of Return

Applicants testified that the increase in water rates being sought is not for the purpose of providing a return on rate base but is intended only to meet operating expenses. Accordingly, and in view of the service deficiencies testified to by the staff, the staff made no recommendation for rate of return.

A public witness testified that, in her opinion, if the rate increase is granted the public should be guaranteed that the increase would go into the system.

Results of Operation

Mr. Hagerty testified that he has no funds to improve the system; that a banker would not loan him money to improve the system unless he mortgaged his home; and that he only purchased the system as he could not buy certain land unless he did buy the system. We take official notice of the fact that Mr. and Mrs. Hagerty paid \$4,500 for the system in 1953. Table 1, Results of Operation, taken from Exhibit 2, shows applicants' and staff's estimated revenues and expenses for 1968, at present and proposed rates, and the staff's estimate for 1969 with staff's recommended rates.

TABLE 1
RESULTS OF OPERATION

Item	Present Rates		Proposed Rates		Staff's
	Company	Staff	Company	Staff	Recommended
	1968	1968	1968	1969	Rates - 1969
	Estimated	Estimated	Estimated	Estimated	Estimated
<u>Oper. Revenues</u>					
Metered Sales	\$3,850	\$4,320	\$7,375	\$ 8,640	\$ 8,015
Unmetered Sales	250	390	625	780	-
Total Oper. Rev.	4,100	4,710	8,000	9,420	8,015
<u>Oper. Rev. Deductions</u>					
<u>Oper. Expenses:</u>					
Purchased Power	750	400	750	400	400
Oper. & Maint.	1,075	1,800	1,075	1,800	1,800
Manag. Salaries) 4,460	3,600) 4,460	3,600	3,600
Office Salaries		260		260	260
Transportation	500	500	500	500	500
Office Expense	160	160	160	160	160
Telephone	50	50	50	50	50
Insurance	185	185	185	185	185
Rate Case Prorate	50	50	50	50	50
Total Oper. Exp.	7,230	7,005	7,230	7,005	7,005
Depreciation Exp.	450	500 ^{a/}	450	550 ^{a/}	550 ^{a/}
Taxes, Ad Valorem	300	300	300	300	300
Taxes, Payroll	20	185 ^{b/}	20	185 ^{b/}	185 ^{b/}
Taxes, Income	-	-	-	240	-
Total Deductions	8,000	7,990	8,000	8,280	8,040
Net Oper. Income	(3,900)	(3,280)	-	1,140	-
Rate Base	-	-	-	10,650	10,650
Rate of Return	-	-	-	10.7%	-

(Red Figure)

a/ Based on 3.5% rate.

b/ Social Security tax.

Mr. Hagerty testified that he had no adequate records upon which to base his estimates. The staff engineer testified that applicants' books of accounts are inadequate and that he had recourse only to applicants' annual reports to the Commission and to personal interviews with applicants for some of the data required for the preparation of Exhibit 2. We take official notice of all of the annual reports filed by applicants since they acquired the system.

Discussion

Exhibit 2 shows that both Mr. Hagerty and the staff engineer estimated that transportation in the amount of \$500 per annum was reasonable. Examination of the witnesses disclosed that there are few roads in the vicinity of the system, that the vehicle used is a 1953 Ford pickup truck; and that the vehicle is used by Mr. Hagerty in his other enterprises.

Mr. Hagerty estimated that purchased power amounts to \$750 per year. The staff engineer estimated purchased power should amount to \$400 per year. He explained that the difference of \$350 per year was the amount the Hagertys paid for electricity for their personal dwelling.

For 1968, at present rates, the staff engineer estimated total operating revenues of \$4,710 while Mr. Hagerty estimated an amount of \$4,100. The staff engineer testified that the difference of \$610 is due primarily to variances between staff's and applicants' sales estimates, that he based his sales estimate on more recent data, and that a portion of the difference stems from applicants' undercharging of flat rate customers.

The staff witness reduced applicants' estimate for management salaries from \$4,460 to \$3,600.

It is clear from the record that there is an urgent need for rate relief so that services may be improved.

For the current level of service the rate level recommended by the Commission staff and designed only to offset operating expenses appears reasonable. This level of rates will produce an overall increase of approximately 70 percent and individual increases to customers varying from a 50 percent increase for the minimum usage of 300 cubic feet to a 106 percent increase for a usage of 1,000 cubic feet per month.

The Commission will entertain an application for a further increase in rates after the system and service have been improved.

Findings of Fact

The Commission finds that:

1. Applicants' water system does not meet drinking water standards as it contains too much iron, manganese, and total solids.
2. Applicants' water system does meet bacterial standards for drinking water.
3. Applicants' sources of water are adequate in amount to supply the existing number of customers.
4. Applicants' sources of water are not adequate to supply additional customers.
5. At times, applicants have failed to supply adequate pressure to their customers.
6. A serious leak presently exists in the system and needs repair.
7. Applicants have not maintained records in accordance with this Commission's Uniform System of Accounts for Water Utilities (Class D).

8. Applicants are in need of additional revenues.

9. The level of rates recommended by the staff designed to offset operating expenses is just and reasonable.

10. The increases in rates authorized herein are justified and present rates insofar as they differ from the rates herein authorized are for the future unjust and unreasonable.

Conclusion of Law

Under present rates applicants are not receiving a fair and reasonable amount for their ownership and operating costs and consequently there is a deterioration of the system and services.

Based on the foregoing findings, the Commission concludes that the application should be granted in part and denied in part. Applicants should be authorized to file a new schedule of rates for metered service which will produce gross annual revenues of \$8,015.

O R D E R

IT IS ORDERED that:

1. This application is granted in part and T. Donald Hagerty and Helen A. Hagerty are authorized to file, after the effective date of this order, the revised schedule of rates attached to this order as Appendix A. Applicants shall concurrently cancel presently effective tariff sheets Nos. 1-W and 2-W. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

2. Applicants shall not expand the present service area or add new customers until additional water supply and/or storage is obtained and until pressures are maintained within the limits set forth in General Order No. 103.

3. Applicants shall establish an accounting system in accordance with this Commission's Uniform System of Accounts for Class D Water Utilities.

4. Applicants shall file with this Commission two copies of a current system map in conformance with Paragraph I.10.a of General Order No. 103.

5. Applicants shall file with this Commission four copies of a current service area map in conformance with Paragraph II.A.(4) of General Order No. 96-A.

6. Applicants shall maintain a record of customer complaints in conformance with Paragraph I.8. of General Order No. 103.

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

Dated at San Francisco, California, this 26th day of AUGUST, 1969.

William J. ...
President

Angel P. ...
...
...
Commissioners

Commissioner A. W. GATOV
Present but not participating.

APPENDIX A

Schedule No. 2

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

(T)

TERRITORYPleasantimes Subdivision and vicinity, located on Bethel Island,
Contra Costa County.

(T)

RATESPer Meter
Per Month

Quantity Rates:

First 300 cu.ft. or less	\$ 3.00
Over 300 cu.ft., per 100 cu.ft.60

(I)

Minimum Charge:

For 5/8 x 3/4-inch meter	3.00
For 3/4-inch meter	4.50
For 1-inch meter	6.00
For 1 1/2-inch meter	7.50
For 2-inch meter	9.00
For 3-inch meter	12.00
For 4-inch meter	18.00

(I)

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