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Decision No. 83705

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

J. C. LUTTRELL, et al.,

Complainants,

vs.

McCHESNEY WATER COMPANY,

Defendant.

Case No. 9594
(Filed August 6, 1973)

Burgess Williams, Attorney at Law, for complainants.
Richard C. Burton, Attorney at Law, for defendant.
Cleo D. Allen and Eugene M. Lill, for the Commission staff.

O P I N I O N

This complaint against A. C. McChesney, doing business as McChesney Water Company, was filed by most of the domestic water customers of the defendant. The complaint alleges that McChesney furnishes inadequate water supply, dirty water, fluctuating water pressure, and poor service. It is also alleged that the prices for the water are too high. The complainants requested the Commission to make a general investigation of the company. Hearings were held before Examiner Meaney in Ukiah on March 7 and April 4, 1974.

History of the Company

The service area is located in Redwood Valley, approximately 10 miles north of Ukiah. At present there are 43 residential customers and one irrigation customer.

The water system was installed by the developer of the Las Brisas Subdivision, Unit 1, in 1967. In the final subdivision public report, issued by the State Division of Real Estate, it is indicated that one Redwood Valley County Water District had been formed to provide water service in this subdivision. This district, however, never assumed ownership or operation of the water system, and the original owner sold it to McChesney in 1969. The staff's investigations and the testimony at the hearing indicate without doubt that McChesney and members of his family, under his direction, have operated the water system since the date of this transfer.

Status of the Company

At the March 7 hearing, McChesney conceded that the company's plant had been dedicated to public use and that he was operating a public utility within the jurisdiction of this Commission.

Summary of Complaints

Mr. J. C. Luttrell and several other of the users testified about the problems with the system, which will be summarized here.

The most serious concern of the witnesses was lack of water pressure during July of 1973 and to a lesser extent in the previous summers. The testimony indicated that for certain customers located at the higher elevations, there was hardly any water at all for three or four hours at a time, or for all night periods. Two of the customers stated that at times during July there was not enough water pressure to flush toilets or take showers. There was also testimony that during these summer periods the water would be muddy or milky. One user testified that during the period of these difficulties, McChesney, apparently to relieve the problem of dwindling pressure, would go to the well and turn the pressure off late in the evening without any prior notification to the customers. According to some

users, washing machines, dishwashers, and air conditioners could not be used unless they were watched since there was insufficient water. At other times during the year, the problems were not severe, but there were periods when there would be much sediment in the water and low pressure.

Practically all of the witnesses testified to nonresponsiveness to complaints on the part of the water company, at least when Dr. McChesney was not personally available. Members of the family other than McChesney, when reached, would not be able to handle the complaints or deal with emergency situations.

A few of the witnesses testified that when bills are paid, the company apparently fails to record the payments and rebills the customers for the same period on the next month's bill as arrears. One customer stated that this had happened to her approximately eight or ten times. She produced copies of some of the bills where this had occurred.

Some of the customers had complained to the county of Sonoma and to Scott Miller, a sanitary engineer for the county who had made an investigation. Miller appeared at the March 7 hearing and testified that several samples of the water contained excessive coliform bacteria content. This occurred primarily during the summer of 1973. According to this witness, the presence of such bacteria alerts him to a "gross inadequacy" in the system. He stated he talked with McChesney and suggested flushing out the lines after any break in them.

From all indications, he said, the water is not contaminated when it comes out of the well. The delivery system is the cause of the contamination and flushing would solve this, he said. The witness had taken samples from customers' taps, as well as two samples which he took from the tap at Well No. 2.

The order herein will provide for certain improvements to the system and a flushing program which should eliminate the bacteria problem and should also deal adequately with water quality problems. We will require a report of the bacteria count semiannually. Specific improvements to the system are discussed below.

We will also order McChesney to provide the availability of qualified persons to run the system and deal with emergencies in his absence. Members of McChesney's family are not adequately trained and have demonstrated that they are unable to handle problems by themselves. The company will be expected to furnish the customers with some telephone number which will actually be answered in McChesney's absence, so that failure of water pressure and other serious problems may be promptly dealt with.

Lastly, the company will be expected to develop adequate bookkeeping procedures to prevent double billing.

Description of the System

There are two wells. Well No. 1 is drilled to a depth of 305 feet, equipped with a submersible pump, and has a tested capacity of 30 gpm. Well No. 2 is drilled to a depth of 400 feet, is also equipped with a submersible pump, and has a tested capacity of 66.5 gpm.

At the present time, Well No. 1 pumps directly into a 23,000-gallon storage tank. This water is then pumped into two 350-gallon hydropneumatic tanks which are supposed to maintain a pressure on the system of between 40 and 60 psi. Well No. 2 operates continuously with the water going to a bulk purchaser for irrigation use, unless the pressure in the system drops below 60 psi. If this is the case the water is diverted into the pressure system.

If Las Brisas Subdivision Unit 2 is built, this system is intended to be able to expand to a total of 82 customers. Plans call for a new storage tank to be installed prior to the sale of lots in Unit 2.

The distribution system consists of 1,620 feet of four-inch transite pipe and 1,435 feet of four-inch PVC water pipe. The staff inspection indicated that the pipe appears to be in good condition. According to the staff report, the system is looped and has no dead ends. There are four fire hydrants installed in the system.

All the residential sales are metered, although some meters register in gallons and some in cubic feet. The one bulk user mentioned above pays the cost of operating Well No. 2. McChesney signed an agreement dated August 20, 1972 with the bulk user, which reads entirely as follows:

> "I agree to allow Bill Neese and Floyd Rovera to use any excess water not needed for use in my subdivision from my existing well located in the Easterly section of Las Brias [sic] Subdivision, provided Bill Neese and Floyd Rovera pay one half of purchase and installation cost of pump. The electricity will be paid according to amount used, and maintenence [sic] to be shared equally.
>
> "I also agree to authorize Bill Neese and Floyd Rovera to purchase and install pump.
>
> "Bill Neese and Floyd Rovera may terminate agreement when not feasible for them. In the event of termination of agreement the pump shall remain in my possession.
>
> /s/ A. C. McChesney
> A. C. McChesney"

There is apparently no interest either on the part of the county or the nearest public utility (Rogina Water Company, approximately 12 miles south of the service area) in taking over or connecting to the McChesney system.

Cleo D. Allen, an associate engineer with the Hydraulic Branch of the Commission staff, testified for the staff and made recommendations both as to the physical improvement of the system and the rates and tariffs which he felt should be filed.

Improvements to the System

Mr. Allen introduced Exhibit 2, a report on the system. Paragraph 15 of this report states:

> "The present water supply capability does not meet requirements as set forth in Commission General Order No. 103, Rules Governing Water Service, Including Minimum Standards for Design and Construction. The original system, using Well #1 and #2 with the 700-gallon pressurized storage tanks, provides for a peak flow of 126 gpm. A peak flow of 170 gpm is necessary to meet the requirements of G.O. 103, a deficiency of 44 gpm for the existing Unit #1. With the addition of Unit #2 into the system, the deficiency will increase to 112 gpm at the peak demand. Additional storage of 3,200 gallons is necessary to comply with General Order 103, peak demand."

The staff witness recommended, as the result of the aforedescribed deficiencies, the following:

1. Installation of an auxiliary power source of not less than ten horsepower for the well pump. Such power source, according to the recommendation, might be fueled either by gasoline or bottled gas, and should be operable automatically upon electric power failure.
2. The installation of a pressure-regulating valve to maintain a uniform operating pressure throughout the system.
3. Installation of additional pressurized storage of 3,200 gallons.
4. Cleaning the mains by flushing at selected hydrants, and maintaining a log of such flushing.

McChesney disagreed with most of these recommendations on the basis that a small utility could not afford them and also because the rates recommended by the staff in this proceeding would not cover them. As to the latter point, it is standard Commission practice not to allow recovery on rate base items not yet installed and operating. When such items are installed, they may then be placed in the rate base for the appropriate test year.

Storage Tank: The most serious deficiency with the water service is fluctuating pressure. The staff recommended installing a tank with a capacity of 3,200 gallons on the "pressure" side of the system; that is, between the pressure pump and the residential users rather than between the water source and the pressure pump. The staff estimated the cost of such a tank in San Francisco at $1,200, not including transportation to Ukiah and installation charges. McChesney claimed that, including transportation and installation, the cost would be $8,000. He also stated that in his opinion it would not be necessary because, in connection with the forthcoming service to Unit 2, he will install a 76,000-gallon tank which would hold adequate water supply.

In view of the fact that fluctuating pressure is the worst problem and the evidence shows that present water supply capability does not meet the requirements of General Order No. 103, the staff recommendation should be accepted. We do not pass judgment on the cost of this installation (or other improvements to the system which are not yet part of the rate base) at this time. The 76,000-gallon tank will not be located on the pressure side of the system and therefore, while it will apparently provide adequate storage of water for both Unit 1 and Unit 2, it will not improve the pressure situation.

Pressure Relief Valve: The staff recommended the installation of a pressure valve. McChesney first agreed; later he stated that pressure is already regulated by a pressure switch and a pressure relief valve presently on the line that prevents the pressure from achieving more than 60 pounds of pressure. He stated he intended to put another valve in the line that will accomplish the same purpose. He stated he realized that the pressure relief valve would only control the maximum pressure and that he felt the installation of a pressure valve would "restrict the system".

We again agree that the staff recommendation should be accepted to cure the minimum pressure problems. It is hard to imagine a more important device to aid this system. Compared to other suggested improvements, this installation will be relatively cheap. The staff's estimate was $250 and McChesney stated the quotation he received was for $318.

Auxiliary Pump: The staff recommended an auxiliary pump. The staff witness explained that this is now a requirement on most small water utilities because of possible electrical outages. The witness stated he felt that it would be adequate to have such a pump for only one of the two wells so that minimum satisfactory pressure could be maintained for a four-hour period.

McChesney stated that the particular type of pump recommended would cost, including installation, into the thousands of dollars rather than approximately $350 as estimated by the staff. He suggested the alternative of a gas-operated or a butane-operated pump capable of pumping 50 gallons per minute. He pointed out that for longer outages it would be possible to rent an additional pump.

The Commission will not at this time prescribe the particular type of pump to be installed and will leave this to McChesney's management judgment. However, we believe that a maximum of 50 gpm is too low. The staff recommended a pump which would produce a flow of 170 gpm for four hours. This would certainly seem necessary with the expansion into Unit 2 if the minimun pressure allowable (25 psi) is to be achieved when Unit 2 is fully placed on the line.

Flushing the Mains: The staff's recommendation in this regard should also be adopted. If use by the irrigation customer accomplishes, in part, the cleaning of the mains, McChesney may incorporate such usage into the log of flushings.

In summary, we believe all of the above improvements are vital. In assessing the need for them, it must be remembered that this company is actively proceeding with a program of approximately doubling its size by expanding into Unit 2. Operational difficulties with Unit 1 have been more than adequately demonstrated, and it is obvious that present problems will not improve with even more customers on the line unless positive action is taken.

We will therefore order the above improvements to be installed and operational by June 1, 1975 (before the season of peak use) and will further order that this company not expand its service area beyond Units 1 and 2 without obtaining a further order of this Commission.

Results of Operations

The complaint included an allegation that the rates are excessive. Our adopted results indicate that this is not the case.

The following tabulation shows company and staff differences, and the adopted amounts, for revenue, expenses, and number of customers for the original (Unit 1) water system for 1974.

The net revenue figures shown are based, for the staff estimates, on the staff's estimated gross revenue of $6,192, and for the adopted results, upon a gross revenue of $5,676 (McChesney had estimated a necessary gross revenue of over $9,000 based upon his estimated expenses and the staff's rate base).[1]

Summary of Earnings - 1974

Item	Company	Staff	Adopted
Operating Expenses			
Power	$1,200	$ 665	$ 1,200
Employee Labor	100	100	100
Contract Labor	340	340	500
Office Salary	1,200	240	240
Management Salary	1,200	1,200	1,200
Office Expense	200	110	150
Insurance	50	50	50
Legal Activity	250	100	250
Vehicle Expense	500	150	365
Office Teleph. & Storage	360	50	50
Business License	30	-	30
Lab Tests	50	-	50
Collection Costs	50	-	50
Collection Losses	383	-	50
Total Oper. Expenses	5,913	3,005	4,285
Depreciation	-	828	828
Property Taxes	-	474	474
Net Revenue	-	1,885	89
Plant	-	27,602	27,602
Depreciation Reserve	-	3,708	3,708
Net Plant	-	23,894	23,894
Working Cash	-	100	100
Rate Base	-	23,994	23,994
Rate of Return	-	7.86%	0.37%

1/ The staff's estimated gross revenue was developed using an estimated monthly consumption of 1,600 cubic feet per customer. We agree with the defendant that some downward adjustment in this estimate should be made to reflect lower consumption levels in the cooler months. The adopted results are therefore based upon an assumed average monthly consumption of 1,400 cubic feet per month per customer.

Power Bill: McChesney estimated $1,200 for power expense for 1974. He based this on the expense of $1,056 for 1973. This in turn was developed from ten monthly bills and an estimate for November and December (made necessary by the fact that the PG&E meter failed to work and therefore he had not been billed for these months).

The staff's estimate was $600. The staff witness testified that in his opinion McChesney's estimate was excessively high for this size water company and that he based his estimate on his experience with other water companies of similar size (which was not developed in detail). The staff witness thought the high amount was possibly caused by loss of water in the system.

Since there was no direct evidence of water loss, and since McChesney's $1,200 estimate is based on ten months of recorded information plus some allowance for PG&E rate increases, it will be adopted.

We note in this connection that a possible source of unnecessary power expense is the operation of the presently existing pressurizing pump, which is pressurizing the system without the aid of a pressure-regulating valve or a pressurized storage tank. We cannot determine from this record how much of a reduction might be achieved in the power bill (i.e., how much longer the intervals would be during which the pressurizing pump could remain off) if the pump were to function in conjunction with a pressure-regulating valve and a pressurized storage tank. We will therefore not base our estimate of the power bill on this possible improvement, but we believe that the addition of these two items may well assist the company in reducing its overall power bill.

Salaries: The staff and the company are agreed upon a $1,200 management salary per year, but whereas the staff allowed only $240 for office salaries, the company allowed an additional $1,200. McChesney feels that his part-time bookkeeper and office manager should be allowed $100 a month. The office person, according to McChesney, answers the phone and sends out the bills. McChesney himself reads the meters, does the maintenance, supervises, and answers complaints. The $1,200 is based upon the actual salary paid to the office worker.

Assuming an efficient operation, a salary in this range might be appropriate, but the record establishes that, when McChesney is personally absent, the company does not properly dispose of complaints and customers have trouble reaching the office. The record further reveals that there is much evidence of sloppy billing practice, resulting in double billing of customers. The office is a room in McChesney's residence, which is used for multiple purposes.

Considering all these circumstances, we find that the staff's estimates should be accepted. If in a future proceeding it is shown that a more efficient office operation is maintained, the Commission will consider reevaluating this expense.

Vehicle Expense: McChesney stated he visits the system daily, which means one 20-mile round trip. He assumed that he could improve his efficiency in dealing with problems so that he would only have to visit the system approximately every other day. He based his $500 estimate on an every-other-day visit at the rate of 15¢ per mile.

The staff estimated $12 a month and considered McChesney's estimate as high, based upon what other similar utilities spend. This comparison, again, was not developed in detail.

Since the Commission is demanding better service from McChesney, it believes that a reasonable vehicle allowance should be allowed, but considers 15¢ a mile too high. We will allow $365 for vehicle expenditure based upon an every-other-day trip to the system, and based upon 10¢ per mile.

Other Office Expenditures: The actual 1973 office supply expenditures were $110. McChesney projected $200 for test year 1974. Even with current inflationary tendencies we believe this is an excessive increase for this item for a one-year period and will allow $150.

According to McChesney the actual office storage and telephone expense was $360 for 1973. He used this amount for test year 1974. The staff estimated $50 a year for this amount based, again, on what the staff feels should be a reasonable expense for this size utility. Again, we note that the McChesney office at his residence is used for multiple purposes, as is the telephone. The questionable efficiency of the operation means, in our opinion, that an estimate of these expenditures should be conservative until some improvement is shown. The staff's $50 estimate will be adopted.

Legal Activity: The staff estimated $100. McChesney, citing the fact that he now will be under Commission jurisdiction, estimated $250 for test year 1974. McChesney's $250 estimate is reasonable and will be adopted.

Other Items: The staff did not include estimates for payment of business license, laboratory tests of the water, and collection costs. McChesney included $30 for the license, $50 for the laboratory fees, and another $50 for collection costs. These amounts are reasonable and will be adopted.

Collection Losses: McChesney claimed $383 as collection losses from domestic users. We believe this item is excessively high for a utility of this size, especially since the users are primarily, if not exclusively, homeowners and not transients. We will allow $50 for this amount for 1974. We believe this company should develop some standardized practice for collections to reduce this amount, and we will expect, in a future rate proceeding, the company to bear the burden of proof that it has done so.

As for the fire district, this Commission has exclusive jurisdiction to determine the reasonableness of rate levels for an investor-owned utility, and no fire district or local government may decide for itself that it simply will not pay its bills. This is too elementary a proposition to require citation of authority. While this Commission does not serve as a collection agency, legal redress for simple refusal to pay bills on rate levels found reasonable by this Commission may be had through the local courts. If McChesney does not choose to seek reimbursement from the fire district, then the company will have to bear the loss and not the ratepayers.

Items of expense not discussed above are those in which the company and the staff agree. One note in this connection is that contract labor is estimated both by the company and the staff as $340. Because the order in this case will require McChesney to make greater use of licensed plumbers to take care of emergencies in his absence, we will allow $500 for this amount. While we are reluctant to make this addition to the estimated expenses, we think it essential that the customers receive better service than they have when McChesney is personally absent, and we also recognize that some allowance should be made for increasing costs as to this item.

Rate Base and Depreciation

The staff witness calculated the rate base as $23,994, after obtaining access to the original owner's records. McChesney made no separate calculation but objected to the deduction of a depreciation reserve of $3,708 from the plant figure of $27,602 on the ground that the system has never made any money, and therefore there were no funds to set aside for such a purpose.

The depreciation reserve does not depend on revenues. The $3,708 figure represents an assumed depreciation based upon accounting practice (since the system is actually depreciating whether or not revenues are adequate). The staff's calculation of rate base is reasonable and will be adopted.

The staff witness also calculated an overall depreciation rate of 3 percent (which amounted to an estimate of $820 per year), assuming this percentage on general operations of other similar water utilities. He explained that this was an across-the-board figure and that, according to the Uniform System of Accounts, actual depreciation rates vary from item to item. This overall 3 percent figure will be adopted.

Rate Levels and Rate Design

For domestic customers, the system is metered. The rates in effect at the time of the hearings were:

Cubic Feet	Gallons	Charge
0 - 600	0 - 4,500	$7.00 (minimum charge)
600 - 2,600	4,500 - 19,500	.50 per Ccf or 750 gals.
2,600 - 4,600	19,500 - 34,500	.40 per Ccf or 750 gals.
Over 4,600	Over 34,500	.30 per Ccf or 750 gals.

The company and the staff both proposed new rate structures. McChesney's would definitely amount to a substantial rate increase; it is uncertain whether the staff's might also result in some increase. We will not consider these in detail because without an application for an increase presented to us, which conforms with our rules and general orders, we cannot do so.[2/] The tariffs in the appendix hereto are declaratory of existing rate levels, in proper form.

We believe some comments regarding suggested rate structure and rate levels are, however, in order for McChesney's guidance.

McChesney's suggested rate structure which would, based upon an assumed annual gallonage per user, require an annual flat payment prorated on a monthly basis, would be unreasonable. Such a schedule (especially since it included a proposal that meters be read annually), inadequately considers differences in usage between customers, and would fail to discourage overconsumption of water or careless usage by some customers, even though the proposal includes a certain end-of-the-year adjustment for high users. This plan would be unreasonable for the additional reason that while an upward adjustment for high users would be made, there would be no downward adjustment for the low volume user.

2/ If defendant believes he is aggrieved by this result, we invite his attention to General Order No. 96-A, Section IV, which permits utilities with projected annual operating revenues of $150,000 or less to request authority for general rate relief by way of advice letter filing, if the filing includes adequate justification.

McChesney points out that 15 customer months were lost, insofar as revenues are concerned, because of customers who consumed no water. The record is not clear regarding whether this resulted from requested shutoffs or from failure to collect the presently effective minimum monthly charge (see discussion concerning collection practices elsewhere). We believe a proper minimum charge, if collected, will obviate this revenue problem. If McChesney, between now and any rate filing or proceeding, experiences what in his opinion is an excessive amount of shutoff requests, he should keep accurate records of them so that they may be considered in future rate designs.

Billing Practices

Difficulties regarding billing experiences by metered customer are explained above.

We agree with the staff witness who, in response to testimony that some of the customers were paying in advance for their metered service, stated he would recommend against continuing this practice since it would lead to confusion.

We will also expect defendant to develop bookkeeping practices which will prevent double billing.

It is undesirable, in our opinion, to have some meters registering in cubic feet and others in gallons. We will order defendant to post at his office for public inspection a meter reading conversion table. We will also order the company to install any new or replacement meters showing readings in cubic feet.

To save meter reading expense in a company of this size, we will permit a bimonthly meter reading and billing cycle. The defendant is admonished that the permissive rather than mandatory nature of our order in this regard is not an invitation to change back and forth from monthly to bimonthly cycles from to time to time, or to place some customers on one cycle and the rest on another. In the tariffs which are to be filed pursuant to our order herein, defendant should clearly state whether billing and meter reading is to be monthly or bimonthly.

Irrigation Rate

The company has one irrigation user, whose water usage is described above under the section entitled "Description of the System". The staff suggested substituting a rate of $0.075 per 100 cubic feet for all water delivered for the present flexible arrangement embodied in the agreement between McChesney and the irrigation user.

McChesney points out that if the suggested staff schedule is adopted, the irrigation user would switch to using his own pump and water supply. The irrigation user, by taking the excess water reduces the costs of operation by eliminating some of the flushing which would otherwise be required.

We agree that the present use of the excess water benefits the system. The order herein will provide for the filing of a tariff schedule providing for limited irrigation service, making the excess water from the existing well on the easterly section of Las Brisas

Subdivision available for irrigation purposes. Service will be under contracts entered into and filed with the Commission in accordance with Paragraph A, Section X, General Order No. 96-A.

Further Expansion of the System

The Commission's General Order No. 103 provides the exclusive method of financing the installation of facilities from the nearest existing main at least equal in size to the main required to serve new developments. The rule requires that funds for construction of an extension of the utility's mains and certain other facilities be obtained by a cash advance from the applicant for such extension, subject to refund under either of the methods provided by the rule at the utility's option and in accordance with other provisions of the rule. (Southwest Water Co. (1962) 59 CPUC 285.) Contracts involving construction, insofar as they provide for construction of facilities at variance from the utility's main extension rule are ineffective unless authorized by the Commission. (California Water & Tel. Co. (1962) 59 CPUC 735.)

Particularly in view of the service difficulties already being experienced by Unit 1, we will expect scrupulous adherence to General Order No. 103 regarding the expansion into Unit 2, which, potentially, will add 39 domestic customers to the system, almost doubling it. The order in this case will require such compliance.

Furthermore, in view of this system's limited capacity even after the addition of the various improvements, we believe we must prohibit any expansion beyond Units 1 and 2 without the company's first obtaining a further order of this Commission.

Rates for Unit 2

This proceeding involved the problems of Unit 1 only, but in view of the imminent expansion into Unit 2, and to protect the integrity of the tariff structure, we will order McChesney to file, within 20 days of the effective date of this order, tariff schedules for Unit 2, with rates not exceeding those in Unit 1.

The active expansion into Unit 2 is another reason why it is inappropriate to consider rate relief in this proceeding. The gross revenue picture will change drastically with Unit 2, which, upon completion, will almost double the size of the system.

Findings

1. A. C. McChesney, doing business as McChesney Water Company, is a public utility, subject to the jurisdiction of this Commission and to the applicable provisions of law.

2. The existing service area is located in Redwood Valley, in the Las Brisas Subdivision. Unit 1 of this subdivision includes 43 existing residential users and one irrigation user. Unit 2 of this subdivision, which also will be served by the company, includes a potential 39 residential connections.

3. Water quality and water pressure are inadequate, and the improvements to the system ordered herein are necessary to establish reasonable water quality and pressure.

4. Billing and bookkeeping practices are inadequate.

5. In the personal absence of Dr. A. C. McChesney, the company has been unable to deal adequately with customer complaints and emergencies.

6. McChesney should be required to institute a main-flushing program, as specified in the order.

7. McChesney should establish proper collection procedures in both its metered service and its public fire hydrant service.

8. Because of McChesney's problems with supplying adequate water during the summer months, and because of the company's expansion plans, it is reasonable to require the company to install the required improvements on or before June 1, 1975.

9. McChesney should be ordered not to expand its service area beyond Las Brisas Subdivision, Units 1 and 2, without obtaining a further order of the Commission.

10. Present rates are not excessive.

11. The staff's determination of rate base is reasonable.

O R D E R

IT IS ORDERED that:

1. Defendant is directed to file, within twenty days after the effective date of this order:

   a. A tariff service area map clearly indicating the boundaries of the service area and indicating distinctly the boundaries of Las Brisas Subdivision, Unit 1, Las Brisas Subdivision, Unit 2, and the boundaries of the property presently irrigated by the irrigation customer.

   b. For Unit 1, the schedule of rates set forth in Appendix A of this order.

   c. For Unit 2, tariff schedules with rate schedules not in excess of those for Unit 1.

   d. For both units, appropriate General Rules Nos. 1 to 20, inclusive, and copies of printed forms to be used in dealing with customers.

2. Such filings shall comply with General Order No. 96-A, and the tariff schedules shall become effective on the fourth day after the date of filing.

3. Defendant shall prepare and keep current the system map required by Section 1, paragraph 10.a., of General Order No. 103. Defendant shall file two copies of such map with the Commission within one hundred and eighty days after the effective date of this order.

4. For the year 1974, defendant shall apply a depreciation rate of 3 percent to the original cost of depreciable plant. Until review indicates otherwise, defendant shall continue to use this rate. Defendant shall review his depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant, (2) dividing the result by the estimated remaining life of the plant, and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to this Commission.

5. Defendant shall file with this Commission, within one hundred twenty days after the effective date of this order, a report setting forth in detail a determination of the original cost, estimated if not known (historical cost appraisal), of the properties used and useful in providing water service, and also the depreciation reserve requirement applicable to such properties. The report shall designate which items are supported by vouchers or other like documentary evidence and which items are estimated, and it shall show the basis upon which any such estimates were made.

6. Defendant shall install and place in operation, on or before June 1, 1975, an auxiliary power source of not less than 10 hp for the well pump. Such power shall operate automatically upon electric power failure. Defendant shall report completion of the installation to the Commission by June 15, 1975.

7. Defendant shall install, before June 1, 1975, a pressure regulating valve to maintain a uniform operating pressure throughout the system, and report completion thereof to the Commission by June 15, 1975.

8. Defendant shall install, before June 1, 1975, additional pressurized storage of 3,200 gallons, and report the completion thereof to the Commission by June 15, 1975.

9. Defendant shall clean the mains of the water system by flushing at selected hydrants of the system, and shall maintain a log of such flushing by date, location, and duration.

10. On or before December 31, 1974, and continuously thereafter, defendant shall have posted in its office and open to public inspection a table illustrating the conversion of meter readings for each 100 gallons from zero to 10,000 gallons, to billing quantities in cubic feet, together with the appropriate charges therefor at the currently effective rate schedules. Within ten days after the initial posting, applicant shall file with the Commission two copies of such conversion table. New meters and replacement meters shall indicate usage in cubic feet.

11. Defendant shall make the extension into Unit 2 as a main extension in accordance with the Commission's adopted rules governing main extensions.

12. Defendant shall develop bookkeeping practices which will prevent double billing. Defendant shall not bill in advance. Defendant may adopt a bimonthly billing cycle, with bimonthly meter reading.

13. Defendant shall make necessary tests of bacteria counts and report the results at least once every six months to the Commission.

14. On or before December 31, 1974, the defendant, during any period of absence or unavailability of Dr. A. C. McChesney, shall retain, for making routine and emergency repairs and maintenance, a licensed plumber or other equally qualified service person. Such person shall be available to the customers, by telephone, without undue delay, and shall be capable of making repairs and adjustments, connecting new service, and generally handling the day-to-day physical operation of the utility system. Customers shall be informed by written notice of the name, address, and telephone of such person.

15. Except in case of emergency, water service shall not be shut off unless proper notice of such shutoff is given, pursuant to General Order No. 103, Section 2, paragraph 2.

16. Defendant shall develop and implement proper collection practices, both as to metered service and public fire hydrant service.

17. Defendant shall not expand its service area beyond the Las Brisas Subdivision, Units 1 and 2, and beyond the area presently irrigated under the limited irrigation service schedule appended hereto, without obtaining a further order of this Commission.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 13th day of NOVEMBER, 1974.

Vernon L. Sturgeon
President

William Symons, Jr.

Robert E. Mcfarland
Commissioners

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

Schedule No. 1

MONTHLY METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a monthly basis.

TERRITORY

Las Brisas Subdivision, Unit 1, Mendocino County.

RATES

	Per Meter Per Month
Monthly Quantity Rates:	
First 600 cu.ft. or less	$ 7.00
Next 2,000 cu.ft., per 100 cu.ft.	.50
Next 2,000 cu.ft., per 100 cu.ft.	.40
Over 4,600 cu.ft., per 100 cu.ft.	.30
Monthly Minimum Charge:	
For 5/8 x 3/4-inch meter	$ 7.00
For 3/4-inch meter	7.70
For 1-inch meter	10.50

The Monthly Minimum Charge will entitle the customer to the quantity of water each month which the monthly minimum charge will purchase at the Monthly Quantity Rates.

BILLING

Meter reading and billing may be on a bimonthly basis.

Schedule No. 3

LIMITED IRRIGATION SERVICE

APPLICABILITY

Applicable to all irrigation service furnished on a limited basis.

TERRITORY

The filed territory of the utility and contiguous areas.

RATES

Rates will be established by individual contract under the provisions of Paragraph A, Section X, General Order No. 96-A.

SPECIAL CONDITIONS

1. Service under this schedule shall be limited to water produced from existing well in the easterly section of Las Brisas subdivision.

2. All service will be by contract on an annual basis. Contracts will not be effective until approved by the Public Utilities Commission.

3. Customer will provide all necessary transmission and distribution systems.

4. The utility does not guarantee a continuous and uninterrupted supply under this schedule. Water provided under this schedule is only that which is excess to the requirements of domestic water service provided under filed tariff schedules to customers within the filed territory of the utility.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

Las Brisas Subdivision, Units 1 and 2, and vicinity, Mendocino County.

RATE

	Per Month
For each hydrant	$2.00

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, Metered Service.

2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.

3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size.

4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.