

ORIGINAL

Decision No. 84887

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joseph P. Serra, III, et al.,
Complainants,

vs.

E. B. HICKS (E. B. HICKS WATER
COMPANY),
Defendant.

Case No. 9860
(Filed January 17, 1975)

Joseph P. Serra, III, for himself and people
of Doney, Lowry, Betty, and Nadeau Streets,
and Panama Lane, complainant.

Margo King, for E. B. Hicks Water Company,
defendant.

Freda Abbott, Attorney at Law, and Robert C.
Durkin, for the Commission staff.

O P I N I O N

Eighty customers of defendant E. B. Hicks Water Company signed a statement alleging that for the past summer they had to haul water because pressure was too low to pump the water; that it was impossible to keep lawns or shrubbery because of lack of water; that during the summer months there is no water between 1:00 and 9:00 p.m.; that the mains are rusted, rotten, and filled with sediment; that there have been numerous shutdowns of long duration; and that Margo King, defendant's executrix, has done nothing to rectify the situation. They want improved service.

Public hearing was held before Examiner Johnson at Bakersfield on April 11, 1975 and the matter was submitted.
Utilities Operations

The E. B. Hicks Water Company was founded in 1949 by E. B. and Ella Hicks to serve water to residents of Tract Nos. 1348 (Panama Lane Tract) and 1449 (Doney Street Tract) located approximately five miles apart in Kern County, California. Defendant is

presently being managed by Margo King, who resides in Anaheim, California, and is the daughter of E. B. Hicks and executrix of his estate.

The Doney Street Tract has 21 customers served from a 15-horsepower pump. Mrs. Hensen, a resident of this tract, collects monies owed for water service, pays the electric bill for pumping water to Pacific Gas and Electric Company (PG&E), and arranges for the repairing of pipeline breaks and other similar work.

The Panama Lane Tract has 67 customers and is served from a 20-horsepower pump. Mrs. Anderson, not a resident of the tract, bills the water customers, collects the monies, and informs Margo King when system repairs are needed. She receives \$50 per month for performing these duties.

The authorized flat rates for defendant's system is \$4.25 per month without coolers and \$4.75 per month, May to October, with coolers. The customers, however, are presently paying varying amounts ranging from the \$4.25 per month up to \$9.25 per month. There are no provisions on any of the service connections to shut off the water supply so no customers have had their service disconnected for nonpayment of bills.

Complainant's Position

Complainant testified that if, as he believes, defendant cannot raise the standard of water service up to an acceptable level, the options that might be available to defendant's customers are: 1) To take over operation of system if abandoned by defendant and have each customer contribute \$200 per lot to employ a civil engineer to have the system restored to an adequate service level, or 2) Have Garden Water Company supply service to the area at an initial cost of \$600 per lot.

Mrs. Hensen, responding to a subpoena issued at the request of complainant, testified that defendant owes Pacific Gas and Electric Company (PG&E) \$628.30 for past due electric bills; that repairs to the mains are effected by means of clamps purchased by her with revenues collected from customers and installed by her husband with the help of other customers; that the electric bills for pumping water exceed the revenues from the tract; and that the customers in the tract agreed to pay \$7.50 a month during the summer months in order to provide enough money to pay the PG&E bills.

Mr. Hensen, also responding to subpoena issued at the request of complainant, testified that he repaired the water system without pay so that he and his neighbors would not be without water.

Mrs. Brackett, predecessor to Mrs. Anderson, testified, in response to a subpoena issued at the request of complainant, that the number of service outages increased substantially after the death of E. B. Hicks but that such outages were not generally of long duration and service was usually restored within a period of several hours after the outage occurred.

Seven other of defendant's customers presented testimony alleging numerous main failures, inadequate water supply and/or pressures, excessive property damage due to defendant's failure to authorize needed repairs, and inability to sell homes because of poor water service.

Mr. Steinmetz of the Division of Environmental Health of the Kern County Public Health Department, appearing in response to a subpoena issued at the request of complainant, presented an exhibit and testimony summarizing the complaints lodged with the county against defendant. His exhibit indicated that there were a total of 17 complaints relating to inadequate water pressure or lack of water registered with his office during the period 1971 to the date of the hearing. Mr. Steinmetz testified that this was a

large number of complaints for a system of this size and was an indication of relatively poor service. He stated, however, that the quality of the water supplied was, in general, quite good.

Mr. Roe, PG&E's division credit manager for the San Joaquin Division, presented an exhibit and testimony setting forth defendant's payment record with respect to PG&E's electric bills. This exhibit indicated that as of April 1, 1975 the balance owed for the Panama Lane Tract was zero and for the Doney Street Tract was \$737.88. This witness further testified that PG&E would, upon request, perform efficiency tests on defendant's pumps. Such a request was made and the test results were received into evidence as a late-filed exhibit. This exhibit showed that the Panama Lane Tract pump was operating at an overall efficiency of 53.7 percent, which is about average. The Doney Street Tract pump, however, was only operating at an overall efficiency of approximately 7.3 percent indicating dire need of immediate repair and/or overhaul. In this respect it should be noted that were this pump operating at a more normal efficiency, the consumption of electrical energy for this pump would be reduced by approximately 85 percent and would be accompanied by a reduction in the purchased power expense for the tract of approximately 65 percent. Such a reduction in costs would probably pay the cost of the required overhaul over a relatively short period.

Defendant's Position

Margo King testified on behalf of defendant as follows:

1. It was her understanding that the purpose of the hearing was to try to negotiate the disposition of the defendant water company rather than discuss service problems of long standing.
2. The expenses of operating the water system exceed the revenues derived therefrom and this condition cannot be permitted to continue.

3. The service is as good as can be expected when consideration is given to insufficient revenues caused by the failure of this Commission to grant much needed rate relief.

4. This Commission is derelict in its duty by not granting defendant the rate increase requested approximately ten months ago.

5. Defendant's liabilities are slightly in excess of \$10,000. Were the Panama Lane and Doney Street customers to contract to assume approximately one-half of this debt, she would gladly turn the water system over to them.

6. The assessed valuation of the water company property was approximately \$11,000 in the year 1970.

Staff Position

An exhibit and testimony were presented into evidence by a utilities engineer in the Los Angeles Unit of the Hydraulic Branch. He recommended that defendant be ordered to:

- A. Remove and repair or replace the pumping equipment in Doney Street well.
- B. Deepen both Doney Street and Nadeau Street wells and extend the pump columns to a sufficient depth that will assure an adequate water level above the pump bowls during peak water demands of each system.
- C. Install curb stops, or a similar shut-off device on all customer service lines so as to enable water service to be discontinued to any individual customer.
- D. Furnish a report to this Commission by systems which will set forth a schedule which the utility intends to follow relative to the replacement of all of the existing distribution pipe lines.
- E. Furnish this Commission with the names of the individuals and their responsibilities relative to the management, operation, and maintenance of the water systems.

Discussion

From the record it is obvious that several factors obstruct the defendant from rendering adequate and satisfactory service. In the first place the system is generally operated via long distance telephone. Such operations can create unreasonable delays in the restoration of service and present obstacles to an accurate evaluation of required action. Testimony indicated that many of the distribution mains need replacement. In case of a service outage, it is sometimes necessary to make a decision whether to replace a section of main or to effect repairs by the installation of clamps. Such a decision could possibly be facilitated were the system operator able to inspect the cause of the trouble. In addition, it would probably be easier to arrange for required work were the manager in the immediate vicinity rather than a hundred or so miles away.

The staff's recommendations of the corrective action required to conform the system to acceptable standards are based on application of sound engineering judgment. Absent from the record, however, is a definitive solution of the problem of where defendant can obtain the money necessary to implement the staff's recommendations. To the contrary, the testimony indicates that defendant has exhausted its sources of funds, and further, the revenues derived from the sale of water are inadequate to pay operating expenses, much less effect repairs, no matter how badly needed. Such financial difficulties might well have been one of the factors leading to defendant's filing of Application No. 55072 for authority to abandon service by having the users in the tracts buy the systems for cash or credit at a cost of \$100 per customer for a total of approximately \$10,500 for the two systems. At the public hearing in the abandonment matter the customers indicated they were willing to take over the system were it to be given them but were unwilling to pay the requested amount

of \$100 per lot. Upon receipt of this information Margo King requested the application be dismissed and Decision No. 84222 dated March 25, 1975 dismissed the application without prejudice. In view of defendant's customers' demonstrated refusal to pay \$100 a lot for the system, it appears extremely unlikely that either of complainant's alternative solutions requiring payment by defendant's customers of \$200 or \$600 a lot would ever have been successfully implemented. Such a surmise, however, is of only academic interest because on June 26, 1975 defendant filed Application No. 55779 seeking authority to sell all assets and liabilities of E. B. Hicks Water Company to E. B. Hicks Water Company, Inc., and for the latter to issue 1,000 shares of capital stock and for Joseph P. Serra to purchase all said authorized stock and control of the corporation. This transaction, if completed, has the practical effect of nullifying this complaint against the current operator. It does not, however, invalidate the recommendations of the staff's engineer which should be implemented at an early date.

Findings

1. Service rendered by defendant is subject to outages and periods of inadequate pressures to a degree that it can reasonably be considered as unsatisfactory.
2. The Doney Street Tract pump should be overhauled as soon as possible.
3. A report should be furnished to this Commission setting forth a schedule of the corrective action to be undertaken to restore service to a satisfactory level.
4. The staff's recommendations are reasonable.

5. A local resident should be authorized to make minor emergency repairs.

Because of the pending sale of the defendant's system to the complainant, the Commission concludes that only minor changes should be ordered.

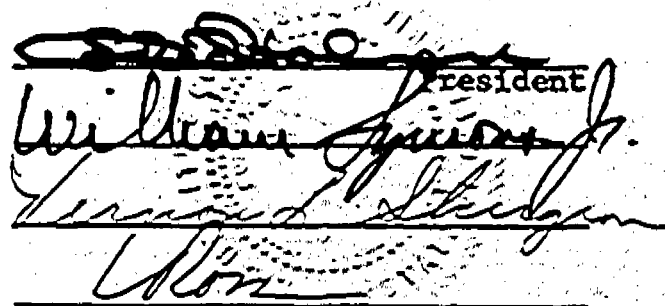
O R D E R

IT IS ORDERED that:

1. Defendant shall overhaul the Doney Street Tract pump.
2. Defendant shall furnish a report to this Commission setting forth a schedule of the corrective action to be undertaken to restore service to a satisfactory level.
3. Defendant shall authorize a local resident to make minor emergency repairs.

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

Dated at San Francisco, California, this 10th
day of SEPTEMBER, 1975.



resident

Commissioners

Commissioner Robert Batimovich, being necessarily absent, did not participate in the disposition of this proceeding.