

Decision No. 85935

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Residents and water users of the  
Hatler Subdivision on Big Hill  
Road, Columbia, Tuolumne County,  
CA 95310,

Complainant,

vs.

A. C. Still, General Contractor  
1240 Shaws Flat Road  
Sonora, California 95370,

Defendant.

Case No. 9960  
(Filed August 21, 1975)

S. J. Courtney, Lowell H. Keeley, and Howard L. Casner,  
for themselves, complainants.  
Abram C. Still, for Big Hill Water Co., defendant.  
Robert L. Tremewan, for Tuolumne Health Department,  
interested party.  
Eugene M. Lill, for the Commission staff.

O P I N I O N

This complaint was filed by James F. Finn (Finn) and joined in by eight other individuals, including S. J. Courtney (Courtney) and Harold L. Casner (Casner), on behalf of the residents and water users of the Hatler Subdivision on Big Hill Road, Columbia, Tuolumne County against A. C. Still. It alleges that defendant is the owner of the Big Hill Water Company which serves residents located on Big Hill Road and the vicinity thereof and requests that the Commission declare defendant to be a public utility under its control, establish reasonable rates for the service being furnished, and require defendant to provide sufficient and dependable facilities to assure adequate service to its customers. Defendant did not file a formal answer to the complaint.

Public hearing was held before Examiner Arthur M. Mooney in Sonora on December 16, 1975, on which date the matter was submitted. At the hearing, it was brought to the Commission's attention that there is no Hatler Subdivision; that Finn has sold his property and is no longer a complainant herein; and that the complaint is on behalf of all water users of defendant's system located along Big Hill Road and the vicinity thereof. Still took no exception to this and pointed out that the Big Hill Water Company has been incorporated and is wholly owned by him. In the circumstances, the Big Hill Water Company, a corporation, is substituted as the defendant herein.

Background

The following undisputed facts are established by the record and we find them to be such:

1. Defendant does not hold operating authority from the Commission to provide public utility water service.
2. Defendant is providing water service to the public in two separate areas. One of the systems, referred to herein as the Big Hill Water System, serves 83 customers in an area approximately five miles north of Sonora near the Columbia State Historical Park, and the other, referred to herein as the Monte Grande Water System, serves 30 customers in an area approximately two miles north of the town of Tuolumne. Most of the area served by both systems is in rather steep terrain which is suitable primarily for residences only and has no agricultural possibilities. The complainants herein are all served by the Big Hill Water System.
3. For the Big Hill Water System, defendant has contracted with Pacific Gas and Electric Company (PG&E) to receive ten miner's inches of water from its Columbia Ditch in the upper reach of the service area of this system. The water flows into a 350,000-gallon reservoir, and from there it is fed into a sand filter, chlorinated, and stored in a 20,000-gallon redwood tank. From the storage tank it is distributed through 43,700 feet of generally non-looping mains

ranging in size from 1-1/2 to 6 inches and consisting of PVC and metal pipe, including 8,400 feet of boiler tubing. The facilities are in need of repair or replacement. There are leaks in the storage tanks and in the mains. The water treatment facilities need improvement, especially with regard to the turbidity of the water. The Tuolumne County Health Department has advised that the bacterial count in the water is satisfactory. Because of the elevation differences, customers at the higher elevations are subject to outages during periods of high demands by users at lower elevations.

4. Defendant has contracted with PG&E to receive five miner's inches from its Soulsbyville Ditch for the Monte Grande Water System. The water is chlorinated and fed into a 40,000-gallon storage tank. From there it is distributed through two systems consisting of approximately 2 miles of mains ranging in size from 1-1/2 to 4 inches. This system also requires improvements.

5. Defendant's rates for both systems are identical. Full-time residents are charged a flat rate of \$8 per month, and part-time residents are charged a flat rate of \$4 per month. Provisions are being made to have all customers metered.

6. For the year 1976, estimates for defendant's operations under its present rates, its rate base, and its rate of return as set forth in the staff's Exhibit 1, are as follows:

Operating Revenues	\$ 7,200
Operating Expenses	8,518
Net Operating Revenue	<u>\$(1,318)</u>
Rate Base	
Plant in Service	\$78,455
Depreciation Reserve	(5,704)
Working Capital	600
Total Rate Base	<u>\$73,351</u>
Rate of Return	Negative
(Red Figure)	

Position of Parties

Complainants

Statements were made by Lowell H. Keeley, Courtney, and Casner on behalf of all complainants. They stated that the defendant has been providing an on-and-off type of service which has been inadequate to meet their needs; that they require a consistent service which will provide a reasonable amount of water at all times for their residences; that there are numerous leaks in the system; that one of the leaks has existed for at least four years, and although defendant has attempted to fix it, his attempts have not been successful; that many of the leaks have caused chuckholes in the roads; and that these undesirable conditions should be corrected. It is their position that defendant should be declared a public utility and that reasonable rates should be established for its service.

Staff

It is the staff's position that defendant is operating as a public utility without the required authorization from the Commission; that before defendant is authorized to adopt any rates other than those presently in effect, it should have all of its customers metered; that the Big Hill and Monte Grande Water Systems are not contiguous, and since the conditions, requirements, and costs associated with each differ, they should be operated separately; that by so doing, each system would bear its own costs in future rate proceedings and not be subsidized by the other; that in order to assure customers at upper elevations adequate water supply and pressure, each system should be zoned to prevent high drawdowns occurring during periods of peak demand at lower elevations; that although the sources of water supply for both systems are adequate to accommodate future growth, the storage and distribution facilities of each are not adequate to serve present customers during periods of high demand because storage tanks have not been strategically located and pipe sizes are inadequate; and that much of the facilities are in need of repair or replacement.

The staff recommends that defendant's operations of the Big Hill and Monte Grande Water Systems be declared public utilities and that defendant be directed to repair leaking distribution mains and storage tanks during the ensuing year, initiate a program to replace existing boiler tube mains with pipe which meets General Order No. 103 specifications, install meters at the sources of supply, prepare a study to comply with the Tuolumne County Public Health Department's water quality requirements, submit a report to the Commission for review by its staff as to the adequacy of its service at any new service connections prior to the installation thereof, and undertake to complete its metering program during the ensuing year. ✓

Tuolumne County Health Department

The representative of the Tuolumne County Health Department stated that he agreed with the staff that defendant's two systems should be declared public utilities; that he has noticed improvements in defendant's systems over the years but that additional improvements are necessary; and that as provided in the Pure Water Acts of 1974 and 1975, there is a county requirement that all leaks be repaired.

Defendant

The owner of defendant water company stated that he took over the company in 1962 and has been constantly upgrading the two systems to a point where he feels they are now safe and workable systems; that although the systems need further development, it is not possible to do so while the company is operating at a loss; that during the 13 years he has owned the systems, he has received no pay for the time and labor he has expended on them; that improvements and expenses that could not be met from the revenue earned by the company have been paid from his personal income; that he can no longer donate his labor and personal funds to the company; that the company must at least pay for itself if it does not make a profit; that the systems

have grown from eight customers in 1962 to 113 customers at present; that a new well has been drilled and will be in operation before the peak load next summer; that he has purchased meters for the systems which he hopes to have installed before the summer; and that he agrees with the other parties to this proceeding that the company's systems should be declared public utilities.

A statement of position in a letter filed January 28, 1976 by the owner of defendant water company has been made a part of the record. The letter asserts that labor and certain other operating costs estimated by the staff in the financial data furnished by it at the hearing are understated; that defendant had net operating losses of \$5,834.43 and \$6,112.91 for the years 1974 and 1975, respectively; and that the continuation of its present flat rates and the adoption of metered rates based on these scales, as suggested by the staff, are not adequate. The letter points out that based on the revenue and expense data submitted by the staff, at least an 18 percent increase in current rates is necessary to cover expenses; that at least one-fifth of defendant's customers are part-time users who would pay only the \$2.75 per month minimum metered charge recommended by the staff, and this is not sufficient to cover the cost of providing the service. The letter recommends that Big Hill Water System be separated into two divisions with separate rate schedules for each and that certain improvements recommended by the staff be deferred until sufficient revenue has been generated to pay for them.

#### Discussion

The record clearly establishes that defendant's operations of both the Big Hill and Monte Grande Water Systems should be declared public utilities. Defendant agrees. No further discussion of this issue is required.

We concur with the staff that although the record does indicate that an increase in the current level of rates charged by defendant would be necessary to offset operating losses, it is not possible to determine with any degree of certainty, based on the information before us, what the increase should be. We will adopt the staff's suggestion that defendant be directed to continue its present rates. Since the projected annual operating revenues of defendant under any requested increases in rates would obviously be under \$150,000 it may immediately file for an increase in rates under the advice letter procedure set forth in Section VI. of General Order No. 96-A in lieu of filing a formal application.

The recommendations by the staff regarding repairs, initiating a program to replace boiler tube mains, installing meters at sources of supply, the preparation of a water quality report, submitting an adequacy of service report prior to any new service connections, and metering all customers will be adopted. The time periods suggested by the staff for complying with these requirements appear reasonable. However, should it be brought to the Commission's attention that if additional time is required or that any changes or modifications of these requirements are warranted, they will be further considered by the Commission. We recognize that defendant has suggested that the Eig Hill Water system be divided into two separate systems, each with its own rate schedule; however, there is not sufficient information in this record to make a determination as to how this should be done or whether it is appropriate. Also, as to defendant's assertion that there have been fewer problems with boiler tubing than other types of pipe, such mains do not meet the specifications set forth in General Order No. 103.

#### Findings

In addition to the above six findings, we further find as follows:

7. Defendant, in providing the services described herein, is operating as a public utility and as such is subject to the jurisdiction, control, and regulation of the Commission.

8. Since both the Big Hill and Monte Grande Water Systems are owned by defendant, they should be considered as one utility with two districts.

9. Although defendant's operations at present are not profitable, there is not sufficient information in this record to determine what increases in its current rates would be justified, and for this reason, applicant's present flat rates and the metered rates based thereon, as recommended by the staff, will be adopted.

10. Defendant should, within six months, institute a program to replace all boiler tubing mains with mains in accordance with Section III.5 of General Order No. 103.

11. Defendant should, within six months, prepare a study to comply with the Tuolumne County Public Health Department's water quality requirements.

12. Defendant should not serve any new customers without Commission approval.

13. Defendant should, within one year, install meters to all customers.

#### Conclusion

Defendant's operations of the Big Hill and Monte Grande Water Systems should be declared to be public utility operations subject to the jurisdiction, control, and regulation of the Commission as provided in Sections 216 and 2701 of the Public Utilities Code.



O R D E R

IT IS ORDERED that:

1. Big Hill Water Company's operation of the Big Hill Water System and the Monte Grande Water System are declared to be public utility operations subject to the jurisdiction of the Commission and to the applicable provisions of law. Since both systems are owned by defendant, they will be considered as one utility with two districts.

2. Within thirty days after the effective date of this order, defendant shall file a schedule of its present rates, tariff service area maps for each district clearly indicating boundaries, appropriate general rates, and copies of printed forms to be used in dealing with customers. Such filing shall comply with General Order No. 96-A and shall become effective on the fourth day after filing.

3. Defendant shall set up formal books of accounts in conformity with the Uniform System of Accounts for Class D Water Utilities prescribed by this Commission.

4. Defendant shall prepare and keep current system maps as required by Section I.10.a. of General Order No. 103. Within six months after the effective date of this order, defendant shall file with this Commission two copies of maps for each system.

5. Defendant shall, within six months after the effective date of this order, install meters at each source of supply as required by Sections II.4.a. and b. of General Order No. 103.

6. Defendant shall, within six months after the effective date of this order, institute a program to replace existing mains using boiler tube mains with materials in conformance with Section III.5 of General Order No. 103. Copy of this plan shall be submitted to the Commission for review and comments by its staff.

7. Defendant shall prepare a study to comply with the Tuolumne County Public Health Department's water quality requirements. Such study shall include itemized costs and completion dates of facilities

required and shall be submitted, within six months after the effective date of this order, to this Commission for review and comments by its staff.

8. No further applications for service shall be accepted for either district by defendant without the approval of the Commission.



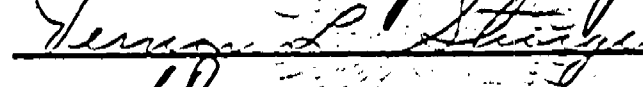

9. Defendant shall, within one year after the effective date of this order, install meters to all customers.

10. Defendant shall render service under those rates and charges which it is currently charging for each district as shown in Appendix A. Upon completion of meter installation to all premises being served on each district, defendant shall render service only under metered rate schedules as shown in Appendix A.

11. Defendant shall notify the Commission, in writing, when its meter program is completed for each district and customers transferred to the metered rate schedules.

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

Dated at San Francisco, California, this 8<sup>th</sup> day of JUNE 1, 1976.

  
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President  
  
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Commissioners

APPENDIX A  
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Schedule No. BH-2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on a monthly basis.

TERRITORY

Big Hill and vicinity as delineated on the utility's service area map.

RATES

Per Month

For each service connection ..... \$8.00

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one inch in diameter.
2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule No. BH-1, General Metered Service, and this schedule will be closed.

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Schedule No. BH-ZRS

RESIDENTIAL PART TIME FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on a part-time monthly basis.

TERRITORY

Big Hill and vicinity as delineated on the utility's service area map.

RATES

Per Month

For each service connection ..... \$4.00

SPECIAL CONDITIONS

1. The above rates apply to service connection not larger than one inch in diameter.
2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule No. BH-1, General Metered Service, and this schedule will be closed.

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Schedule No. BH-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Big Hill and vicinity as delineated on service area map.

RATES

	Per Meter Per Month
Service Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.75
For 3/4-inch meter .....	4.00
For 1-inch meter .....	6.75
For 1 1/2-inch meter .....	13.75
For 2-inch meter .....	22.00

The service charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

Quantity Rates:

First 1,000 cu.ft., per 100 cu.ft. ....	.40
Next 1,000 cu.ft., per 100 cu.ft. ....	.30
Over 2,000 cu.ft., per 100 cu.ft. ....	.35

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Schedule No. MG-2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on a monthly basis.

TERRITORY

Monte Grande and vicinity as delineated on the utility's service area map.

RATES

	<u>Per Month</u>
For each service connection .....	\$8.00

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one inch in diameter.
2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on Schedule MG-1, General Metered Service, and this schedule will be closed.

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Schedule No. MG-ZRS

RESIDENTIAL PART TIME FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on a part-time basis.

TERRITORY

Monte Grande and vicinity as delineated on the utility's service area map.

RATES

Per Month

For each service connection ..... \$4.00

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one inch in diameter.

2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule MG-1, General Metered Service, and this schedule will be closed.

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Schedule No. MG-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Monte Grande and vicinity as delineated on service area map.

RATES

		Per Meter Per Month
Service Charge:		
For 5/8 x 3/4-inch meter .....		\$ 2.75
For 3/4-inch meter .....		4.00
For 1-inch meter .....		6.75
For 1 1/2-inch meter .....		13.75
For 2-inch meter .....		22.00

The service charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charges computed as Quantity Rates.

Quantity Rates:

First 1,000 cu.ft., per 100 cu.ft. ....	.40
Next 1,000 cu.ft., per 100 cu.ft. ....	.30
Over 2,000 cu.ft., per 100 cu.ft. ....	.35