

Decision 89 09 028 SEP 7 1989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ROBERT H. JONES & CURTIS KITCHEN)  
representing 32 household  
petitioners,

Complainants,

vs.

Owners of the MT. CHARLIE WATER  
WORKS: TED PIERCE, et al.,

Defendants.

ORIGINAL

Case 87-01-008  
(Filed January 6, 1987)

Randy Danto, Attorney at Law, for Robert H.  
Jones and fellow complainants.

Wester Sweet, Attorney at Law, and Mark  
Lew, for Mt. Charlie Water Works,  
defendant.

Jasjit Sekhon, for the Commission  
Advisory and Compliance Division,  
Water Utilities Branch.

FOURTH EMERGENCY INTERIM OPINION

Statement of Facts

Mountain Charlie Water Works (Mt. Charlie) is a small Santa Cruz Mountains water system begun in the 1960 era as a private system, soon expanded to accommodate neighbors, and later associated with real estate sales. Today, it is a California corporation headed by Wester Sweet, serving approximately 139 customers.

Three years of drought have substantially and adversely affected the ability of Mt. Charlie's water system to provide water service to all of its ratepayers, particularly those at higher elevations. With water derived principally from mountain creek sources, and with limited transfer capability, the system has

difficulty in periods of very limited flow in keeping up with demands upon it to balance dwindling supplies to accommodate all customers.

From early 1988 until early 1989, only by hauling water was it possible to keep the upper level pressure systems operating part of the time. Even with this help, the system foundered in August 1988, when several primary creek sources went dry. Following mail notice to all customers an emergency evening meeting was held September 26, 1988 in Felton attended by over 100 customers. By Decision (D.) 88-09-071 issued September 28, 1988, a Mandatory Water Conservation Plan was immediately imposed, and a surcharge to pay for the costs of importing water to meet minimum requirements was instituted, with provision for a balancing account.

Sparse winter rains gave only limited relief but did enable the Commission to reduce the surcharge for water hauling (see D.89-02-018 issued January 11, 1989). In the Spring heavy precipitation replenished local ground water sources and induced a good creek flow, enabling the utility to dispense with outside water hauling. This left the system and the water company in a paradoxical situation. For the present, water was available, and unless taken and used, it would have flowed down the creek to the San Lorenzo River and into Santa Cruz Bay. The system has no containment dams or reservoirs to store large quantities when there is full flow. It was a "use it or lose it" proposition. In addition, under the strict conservation plan the utility was experiencing a negative cash flow necessitating borrowing.

Accordingly, the Commission, recognizing the temporary nature of the improved situation, by D.89-03-058 issued March 22, 1989, suspended the mandatory conservation plan with its penalty rates provisions until further notice, and also authorized the utility to discontinue the water surcharge effective March 31, 1989. The Commission's order provided for reinstitution of the

mandatory conservation plan with overuse penalties by advice letter filing, but required a further Commission order before the balance in the surcharge balancing account could be used to pay for future water hauling, and before reinstatement of surcharge when further hauling would become necessary.

By mid-June 1989, the creek water sources began drying up again. With no rains anticipated for at least several months, prudence indicated immediate return to conservation to share the dwindling supply and defer the necessity for resumption of expensive water hauling as long as possible. The utility accordingly filed Advice Letter No. 7 to reinstate the conservation plan and its excess usage penalties. This became effective July 1, 1989.

By late July water sources were very low, and it became evident that the supply would have to be supplemented by water hauling sometime in August. The utility has requested authorization to access the approximate \$8,000 in the balancing account as required to pay for present water hauling, and for immediate reinstatement of a monthly surcharge to provide funds to pay for future hauling needs.

Commission Advisory and Compliance Division Engineer Kachur has inspected the water sources and considers them to be in worse shape than last years as to the water supply to be anticipated until it rains. Last year, staff estimated that approximately 50 truckloads at 4,000 gallons per truckload would be required each month. This year, assuming at this point in time at least a similar requirement, at an average cost of \$120 per load (averaging holiday and weekend surcharges as well as extras for some terrain), the estimated monthly cost would be at least \$6,000. A surcharge of \$45 per month from 139 services will produce \$6,255 monthly. Accordingly, beginning with the month of September 1989,

we will authorize imposition of this surcharge which will be administered as it was last year through the balancing account. These funds will be used only for the cost of hauling water.

Meanwhile, the Auditing and Compliance Branch on July 19, 1989 furnished the Administrative Law Judge and the interested parties with its audit report on Mt. Charlie's 1988 operations. This report will be made available to the general public at an evening hearing to be scheduled for Felton in September. At that time the report will be reviewed and Mt. Charlie's application for a rate increase to offset its presently indicated operating losses will be considered. Plans for an independent engineering study of the system will also be discussed along with methods to finance such a study.

Findings of Fact

1. Mt. Charlie continues to be a public utility water corporation within the jurisdiction of this Commission.
2. The Mt. Charlie system obtains its water from the run off of various Santa Cruz Mountain creeks and well sources.
3. Successive winters of limited rainfall have resulted in reduced amounts of creek flow and well source water available during the summer and fall months, necessitating recourse to water hauling to meet minimum requirements of the customers of this system.
4. The cost of such emergency water hauling cannot reasonably be considered normal operating expenses.
5. By D.88-09-076 the Commission last year authorized the utility to establish a monthly surcharge with accompanying balancing account mechanism to pay the costs incurred in hauling water.
6. Heavy spring precipitation in 1989 made it possible for the Commission to issue D.89-03-058 suspending the surcharge effective March 31, 1989, holding the residue in the balancing account against future needs to resume water hauling.

7. As anticipated, the water resources are again drying up, and although the Mandatory Conservation Plan and its penalties were reinstated by Advice Letter effective July 1, 1989, it has again become necessary to resume water hauling, and to reimpose a surcharge as set forth in this order is again reasonable and necessary.

8. Steps are underway for a September 1989 hearing at which more permanent measures to provide substantial relief from this periodic supply and distribution problem, and the financing to accomplish this relief will be addressed by the utility, staff, and ratepayers.

9. The developing emergency requires making this order effective immediately.

Conclusions of Law

1. The present water shortage emergency warrants immediate reimposition of a surcharge and access to the balancing account residue.

2. This order should be made effective immediately.

FOURTH EMERGENCY INTERIM ORDER

IT IS ORDERED that:

1. Mt. Charlie Water Works (Mt. Charlie) is authorized to apply funds in the surcharge balancing account to pay water hauling costs.

2. Mt. Charlie is authorized to impose a \$45 surcharge on each meter connection for each month or fraction thereof, beginning September 7, 1989 and continuing each month thereafter until further notice. These surcharge revenues will be placed in the Surcharge Balancing Account to be used only to pay water hauling costs as set forth in this decision.

3. Mt. Charlie shall notify each of its customers immediately that the surcharge is reimposed, its amount, and that it commences with September 1989 to continue until further notice.

This order is effective today.

Dated SEP 7 1989, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. CHANIAN  
PATRICIA M. ECKERT  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

*Wesley Franklin*

WESLEY FRANKLIN, Acting Executive Director