

Decision 90 06 CCG JUN 20 1990

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of the Southern California Water)
Company for an order authorizing)
ex parte treatment and to increase)
rates for water system improvements)
necessary to eliminate high pressure)
problems for water service in its)
Los Osos District.)

Application 90-04-004
(Filed April 4, 1990)

O P I N I O N

By this application Southern California Water Company (SCWC) requests authority to increase water rates to recover costs for system improvements necessary to eliminate excessive high water pressure problems in its Los Osos District. Proposed improvements include installation of 2,600 feet of pipeline and three pressure regulators with a total project cost of \$92,000. Increased revenue required to offset the improvements is \$16,800 or 2.07% in 1990. SCWC requests ex parte handling of this request.

SCWC has caused to be published a notice of the proposed increases in a newspaper of general circulation in the area served, and has mailed a copy of the application to all interested parties known to the utility. Further, SCWC has provided each customer the information required by Rule 24 of the Commission's Rules of Practice and Procedure relating to requested increases.

The Application

The application includes the following information:

SCWC provides service to approximately 3,000 customers in an unincorporated area of the County of San Luis Obispo. The district has two separate systems, the Los Osos System and the Country Club System. The pressure problem which SCWC plans to remedy with its proposed improvements is located in an area of the Los Osos System called Cabrillo Estates.

The company has had a high pressure problem in this part of the Los Osos District since its purchase about 25 years ago. On July 3, 1989 while flow-testing a fire hydrant located along the high pressure line, the hydrant separated from its base, resulting in injuries to a San Luis Obispo fire person and a water company employee. On September 22, 1989 the San Luis Obispo County Engineering Department notified the company that, due to the high pressure problem in the lower portion of the Cabrillo Estates subdivision, they were discontinuing use of certain fire hydrants on Rodman Drive. This would result in delays in Fire Department responses requiring hydrant water.

On September 29, 1989 SCWC received a letter from the President of the Cabrillo Estates Property Owners Association complaining of the high pressure problem on and around Rodman Drive. The condition was defined as hazardous to the well-being of residents and others in the area. On December 18, 1989 the Commission's Water Utilities Branch (Branch) requested information concerning, and resolution of, the high pressure problem.

The utility proposes to recover the improvement costs through increases in the service charges. No increases in the quantity rates are requested.

Branch Investigation

Branch performed an inspection and analysis of the district's plant facilities, examined the company's records, and interviewed utility representatives, the President of the Cabrillo Estates Homeowners Association and the Fire Chief of the South Bay Fire Department. Branch mailed a report to interested parties on April 30, 1990 concerning SCWC's request. The report (Exhibit 1) contains essentially the following information:

1. The Cabrillo Estates area of the Los Osos System has had a continuing high pressure problem. Cabrillo Estates obtains its water from a well located at an elevation of 180 feet. The water is pumped from the well into Cabrillo Reservoir at the well

site, then boosted through the system into Alamo Reservoir, situated at an elevation of 670 feet. Water then flows back into the system by gravity.

2. With the above configuration, the static water pressure below an elevation of 381 feet exceeds the maximum normal operating pressure of 125 pounds per square inch (psi) allowed by the Commission's General Order (GO) 103. There are currently 125 customers and 9 fire hydrants in this area of excess pressure. Individual service lines in Cabrillo Estates have pressure reducing valves (PRV), owned and maintained by customers, which reduce pressure to allowable levels.
3. SCWC has considered three options for correcting the pressure problem in Cabrillo Estates. One is the installation of PRVs on hydrants and services on the existing high pressure main. This option calls for installing a 6" PRV on each of the 9 hydrants and a 3/4" or 1" PRV on each of the 125 services having pressures in excess of 125 psi, at a cost of \$79,000. The second calls for the installation of an in-line booster at an elevation of about 380 feet, which would pump water into the Alamo Reservoir, at a cost of \$115,000. The third option involves installation of a high pressure transmission main, bypassing the existing high pressure main and reducing pressure in the existing main. This would create a new pressure zone which would operate within the range prescribed by GO 103. Customers in this zone will be provided service without PRVs. This alternative calls for installing 2,600 feet of 8" line in Rodman Drive from the Cabrillo plant to a point above the elevation of 380 feet, at a cost of \$92,000. No customers or services would be connected to this high pressure main. In-line PRVs would be installed to reduce pressure in the existing main serving the customers and hydrants.

4. Although not the least expensive, SCWC proposes to undertake the third option. Construction of the project is expected to begin in July, with completion by November 1990.

Branch agrees with the utility's decision to install the high pressure main to bypass the current high pressure area (Option 3) as the most reliable measure for correcting the problem. Branch believes the installation of PRVs at each hydrant (Option 1) would hamper the reliability of the hydrants; that infrequent use of the hydrants could cause the PRVs to stick in the closed position, severely restricting available fire flow.

Regarding Option 2, Branch states that the reduction of discharge pressure at the Cabrillo Reservoir, coupled with the installation of an in-line booster to eliminate the high pressure zone, would be very complex and expensive to control.

Branch recommends that SCWC be allowed to undertake the installation of the 2,600 feet of high pressure main project (Option 3) to alleviate the high pressure problem in Cabrillo Estates, and that the company be authorized to increase the service charges in its General Metered Rates (Tariff Schedule LO-1) to produce the requested revenues. Recovery of the improvement costs through increases only in service charges will be consistent with the Commission's policy concerning rate design, set forth in Decision (D.) 86-05-064. Branch states that the increased revenue will not cause the company's rate of return in this district to exceed 10.95%, the rate found reasonable in the utility's last general rate case (D.89-01-043).

On March 14, 1990 Branch held a meeting with the President of the Cabrillo Homeowners Association, the Fire Chief of the South Bay Fire Department, and representatives of SCWC. The utility explained its plan to remedy the pressure problem. The Fire Chief and President of the Cabrillo Homeowners Association agreed that bypassing the existing water main is acceptable, so

long as the pressure problem in the existing water main will be resolved. The Homeowners Association was concerned about the timeliness and quality of the asphalt replacement over the area where the new pipeline is to be located. SCWC representatives assured the participants at the meeting that the work order would require the proper quality level of asphalt work, and, if necessary, the shrubs in the area would be restored to a condition at least equal to the condition before construction is undertaken.

No objection to the application has been received. SCWC's proposal is supported by Branch, and appears to offer the most reliable approach for remedying the pressure problem besetting the residents of the high pressure zone. The rate proposal of SCWC, involving an increase in service charges to offset the construction costs, is reasonable, since all proposed costs are associated exclusively with capital improvements. In the circumstances, the application should be granted. The Homeowners Association's concern about achieving the proper pressure levels when the project is completed is understandable. Our order will authorize the project, and authorize the increases necessary to recover costs therefor, upon completion of the project and the performance of tests which show that new pressures fall within the specifications required by GO 103. A public hearing is not necessary.

Findings of Fact

1. Water pressure exceeds 125 psi in a portion of Cabrillo Estates, in SCWC's Los Osos System of its Los Osos District, due to the current configuration of the water transmission and distribution mains in the area.
2. Individual service lines on the high pressure main in Cabrillo Estates have PRVs to reduce water pressures to allowable levels. However, fire hydrants in the area do not have PRVs.
3. The Fire Department has discontinued use of certain fire hydrants in the lower portion of the Cabrillo Estates subdivision

which will cause delays in Fire Department responses to fires. This condition poses a safety hazard to residences in the area.

4. Installation of a high pressure main to bypass the current high pressure area, while not the least expensive option, is the most reliable alternative to correct the pressure problem.

5. The projected cost of \$92,000, resulting in an increase in 1990 of \$16,800, or 2.07%, is reasonable, and will not case SCWC's rate of return in the Los Osos District to increase over the rate of 10.95% authorized in its last general rate case (D.89-01-043).

6. SCWC's proposal to recover the entire improvement costs from increases in service charges is reasonable, since it will comport with the Commission's policy concerning rate design contained in D.86-05-064.

7. SCWC has notified customers in the district, as well as all other known interested parties, of this application. No protest to the request has been received.

Conclusions of Law

1. The application should be granted.

2. SCWC should be authorized to recover the costs for the proposed project in accordance with the proposed increases shown in the application.

3. Increased rates should be effective upon completion of the project, and of tests which indicate that new pressures in the Los Osos System fall within the acceptable range set forth in GO 103.

4. Since there is no objection to the application, and there is an urgent need to remedy the high pressure problem as soon as possible, this decision should be effective today.

O R D E R

IT IS ORDERED that:

1. Southern California Water Company (SCWC) is authorized to undertake the improvements requested and as specified in the application.

2. After completion of the project, the performance of pressure tests in the Los Osos System, and verification by the Commission's Water Utilities Branch that the new pressures in the improved service area fall within the acceptable range specified in General Order 103, SCWC is authorized, on 5 days' notice, to file with the Commission the increased service charges shown in the application.

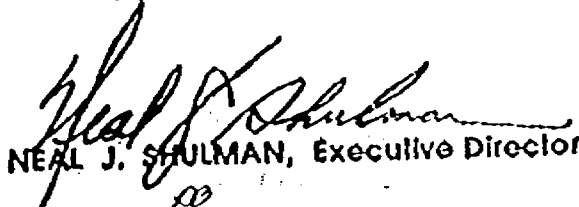
This order is effective today.

Dated JUN 20 1990, at San Francisco, California.

FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

President G. Mitchell Wilk,
being necessarily absent, did
not participate.

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


NEAL J. SHULMAN, Executive Director