

ORIGINAL

Decision 82 12 062 DEC 15 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 HILLVIEW WATER CO., INC., for)
 approval of Department of Water)
 Resources Safe Drinking Water Con-)
 tract Amendment Number E51014 (A-5))
 dated March 16, 1981 increasing the)
 loan amount authorized by Decision)
 No. 91560 dated April 15, 1980 from)
 \$442,797 to \$578,757 for the purpose)
 of completing the project authorized)
 by that decision. No additional)
 surcharge is to be assessed.)

Application 82-06-73
 (Filed June 30, 1982)

F. Dana Walton and David A. Linn, Attorneys at Law,
 and Roger L. Forrester, for Hillview Water Co.,
 Inc., applicant.
Joseph C. Gasperetti, Attorney at Law, for Sierra
 Organization of Citizen Committees on Water,
 protestant.
Gunter A. Redlin, for State Department of Health
 Services, interested party.
F. Javier Plasencia, Attorney at Law, and Harry P.
Aubright, III, for the Commission staff.

INTERIM OPINION

Hillview Water Co., Inc. (Hillview) seeks approval of Safe Drinking Water Contract Amendment Number E51014 increasing the existing Department of Water Resources (DWR) loan from \$442,797 to \$578,757 for the purpose of completing the remainder of the project authorized in Decision (D.) 91560, April 15, 1980, in Application (A.) 58816. This application was filed in response to Ordering Paragraph 2.i. of D.82-01-104, January 21, 1982, in Case (C.) 10937 which requires Hillview to prepare and file an overall plan that identifies the remainder of the plant items to be constructed, the cost of each, and the manner in which the construction will be financed (mimeo. page 24).

A duly noticed public hearing was held in Oakhurst on September 8, 1982, and the matter was submitted on oral argument. Statements were received from the following Hillview customers: Joe Costa, Carol Campbell, Jewell Scott, William Allen, Clarence Duncan, Catherine McGoldrick, Betty Rutherford, James Scott, George Petri, and Leo Grizel. Testimony was received from Roger L. Forrester, Kenneth D. Schmidt, Gunter Redlin, Barbara Cross, and Harry P. Aubright, III.

Scope of the Project

This application requests approval of an additional loan of \$135,960 under the Safe Drinking Water Bond Act (SDWBA) to complete the project we authorized in 1980 (D.91560, April 15, 1980, A.58816), which will provide a safe source of potable water away from the contamination of the Fresno River and will provide additional storage suitable to gravity flow at the time power outages are experienced in the Hillview service area.

In January 1982, in a complaint case filed by Sierra Organization of Citizen Committees on Water (SOCCOW), we ordered Hillview to file its plan for completion of this construction (D.82-01-104, January 21, 1982, C.10937). Description and cost of the elements remaining are as follows:

1. Completion of pipeline to proposed storage site - \$23,063.
2. Construction of 400,000-gallon storage - \$63,125.
3. Development of new water supply of approximately 300 gallons per minute - \$34,862.
4. Completion of repairs to Highway 41 - \$13,950.
5. Other - \$960.

Hillview had received estimates from contractors in developing project costs, but tests of proposed new well sites had not been made. Thus the cost estimate for development of new water supply may vary substantially from the estimate given by Hillview.

Original #

With respect to location of the new water supply, SOCCOW draws our attention to the evidence in earlier proceedings tending to show that existing junction area sources may yield the additional supply of water required. SOCCOW requests that we require Hillview to explore this alternate well site along before testing the more remote area recommended by the utility.

Kenneth D. Schmidt, a ground water hydrologist familiar with the Fresno area supported Hillview's choice for the site of new wells, although no testing has been done to date.

Gunter Redlin, a supervising sanitary engineer with the Department of Health Services (DHS) urged prompt approval of the additional loan to complete the project. It is absolutely essential, according to Redlin, to abandon the wells along the Fresno River for public health protection reasons.

Hillview believes that no higher surcharge will be needed to amortize the additional loan because additional customers will come on line after development is completed, thus increasing the number of ratepayers paying the existing surcharge and providing a bond act fee for new customers as well. That new customers will, in fact, materialize is disputed by SOCCOW which produced an extensive list of potential customers who stated that they would not apply for service.

Staff Recommendations

Staff recommendations, presented by Harry P. Aubright, III, Revenue Requirements Division, are that we authorize Hillview to enter into the additional SDWBA loan with the Department of Water Resources (DWR), but that we impose requirements designed to provide reasonable assurance that the project will be completed in a cost-effective manner and within budget. ✓

With respect to surcharges, staff suggests elimination of the existing surcharge for the Coarsegold-Highlands District because no benefits were derived in that area from the project. All other surcharges should remain in place until the number of new customers,

if any, can be objectively determined. Staff recommends a future bond act fee for new customers.

In summary, staff recommends the following conditions be included in our approval of this loan:

1. No work on the pipeline or storage facilities should be undertaken until Hillview has demonstrated that it has developed a new water source of satisfactory quantity and quality. Hillview should file a report with the Commission that the location of new wells is cost-effective as compared with the well location recommended for testing by SOCCOW.

This report should include DHS concurrence and assurances that the proposed new water source meets health standards both for quantity and quality.

2. Hillview should prepare and file a second report, concurred in by DWR, setting forth bids received and other information to substantiate that the improvements can be constructed within the \$135,960 loan limit.
3. The required filings would be open to inspection by SOCCOW and the public, and upon their approval by the Commission, construction would commence.

SOCCOW and Public Witnesses

SOCCOW and the customers of Hillview who protested at the public hearing in Oakhurst find the credibility of Hillview and of this Commission to be seriously wanting.

The Hillview customers who addressed the Commission decried the poor quality of the water being served and the high price they pay for it. Recent rate increases granted to Hillview received a hostile response.

There is a sentiment generally prevailing in Oakhurst that the utility should somehow, but without rate increases,

perform the necessary plant improvements, improve water quality, and lower its rates. However, the customers attending the hearing applauded the testimony of Gunter Redlin of DHS after his statement of the health hazards facing Hillview customers which virtually compelled abandonment of wells in areas subject to pollution along the Fresno River.

We will continue to strive to assist Hillview and its customers in their efforts to achieve acceptable water quality and quantity at its cost, with a reasonable return to the utility.

Discussion

There is no reasonable doubt that the improvements proposed by Hillview must be accomplished. We approved them in 1980 and we do so again.

However, we agree with SOCCOW and with staff that all promising new well sources should be explored and that a mechanism should be established to monitor the proposed construction program so that it is most cost-effective and will be brought forward within budget. We will therefore adopt the three-stage method of procedure recommended by staff.

As to rates, we will eliminate the surcharge at Coarsegold-Highlands as that district has received minimal benefit from loan funds thus far expended. We will not, however, adopt a bond act fee for new customers or change other surcharges until better cost evidence is at hand.

Findings of Fact

1. The proposed water system improvements are needed to produce a healthful and reliable water supply.
2. There is insufficient evidence that the \$135,960 requested will be sufficient to complete the proposed improvement.
3. There is insufficient evidence to determine the most cost-effective source of new water supply available in Hillview.
4. A phased program to ensure cost-effective improvements to Hillview's water system within loan limits is in the public interest.

5. The surcharge for Coarsegold-Highlands should be eliminated as not commensurate with any benefits received in that district.

6. There is insufficient evidence to determine whether surcharges other than for Coarsegold-Highlands should be modified.

7. There is insufficient evidence to establish a bond act fee for new customers, if any, of Hillview.

Conclusion of Law

The application should be granted to the extent set forth in the following order.

INTERIM ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, Hillview Water Co., Inc. (Hillview) is authorized to file its revised rate schedule for Coarsegold-Highlands attached as Appendix A. This filing shall comply with General Order 96-A.

2. Hillview is authorized to borrow \$135,960 from the State of California to execute the proposed loan application and to use the proceeds for water source testing only, as approved by the Department of Water Resources.

3. Hillview shall first determine the availability of additional water from the junction source, including testing for quality and quantity, if appropriate, and shall file a public report with the Commission setting forth its efforts and results.

4. In the event that the report shows the junction source to be inadequate or unavailable, Hillview may request Commission authority to test other sites.

5. Upon receiving further authority, Hillview may test other designated sites and file a public report setting forth testing results.

6. These reports must have the approval of the Department of Health Services on the quantity and quality of any new source to meet health standards.

7. Hillview shall file a further public report substantiating that the proposed improvements can be constructed within the \$135,960 loan limit less water source testing costs.

8. Upon the filing of these reports, Hillview may apply to the Commission for further authority to use the loan proceeds, to establish a new bond act fee to amend the existing surcharges, or for other relief within the scope of the application.

9. Plant financed through the SDWEA loan shall be permanently excluded from rate base.

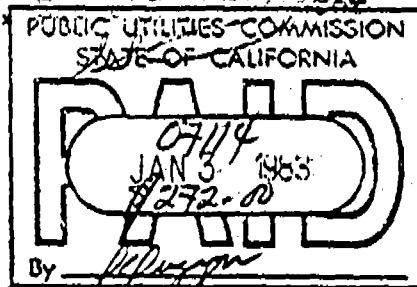
The authority granted by this order to issue an evidence of indebtedness and to execute a loan contract will become effective when Hillview pays \$272, set by Public Utilities Code Section 1904(b). In all other respects this order becomes effective 5 days from today.

Dated December 15, 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

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

Joseph E. Bodovitz
Joseph E. Bodovitz



APPENDIX A

COARSEGOLD HIGHLANDS TARIFF AREA

Schedule No. CH-1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Coarsegold Highlands and vicinity, three miles south of Coarsegold, Madera County.

RATES

Quantity Rates:

First 300 cu.ft. per 100 cu.ft.	\$ 1.53
Over 300 cu.ft. per 100 cu.ft.	2.03

Per Meter
Per Month

Service Charge:

For 5/8 x 3/4-inch meter	.....	12.90
For 3/4-inch meter	.....	12.90
For 1-inch meter	.....	17.60
For 1 1/2-inch meter	.....	23.50
For 2-inch meter	.....	31.70

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

END OF APPENDIX A

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With respect to surcharges, staff suggests elimination of the existing surcharge for the Coarsegold-Highlands District because no benefits were derived in that area from the project. All other surcharges should remain in place until the number of new customers,

7. Hillview shall file a further public report substantiating that the proposed improvements can be constructed within the \$135,960 loan limit less water source testing costs.

8. Upon the filing of these reports, Hillview may apply to the Commission for further authority to use the loan proceeds, to establish a new bond act fee to amend the existing surcharges, or for other relief within the scope of the application.

9. Plant financed through the SDWBA loan shall be permanently excluded from rate base.

The authority granted by this order to issue an evidence of indebtedness and to execute a loan contract will become effective when Hillview pays \$272, set by Public Utilities Code Section 1904(b). In all other respects this ~~this~~ order becomes effective 5 days from today. ✓ *KN*

Dated DEC 15 1982, at San Francisco, California.

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