

Decision No. 87730 AUG 30 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SALINAS UTILITY)
 SERVICES, a California corporation,)
 for a certificate of public)
 convenience and necessity to provide)
 sewer service to Corral de Tierra)
 Villas II (formerly known as Rancho)
 El Toro Phase No. 2) in Monterey)
 County.)

Application No. 56721
 (Filed August 30, 1976)

Richard E. Morton, Attorney at Law, and James M. Smitherman, Jr., for Salinas Utility Services, applicant.

Brian Finegan, Attorney at Law, and Richard E. Dante, for El Toro, Ltd.; Lewis Kootstra, for Monterey County Health Department; Carol A. Ryan and Don Ryan, for San Benancio Citizens Association; and Mary Lou Yuckert and Clarence Peterson, for themselves; interested parties.

John E. Brown, for the Commission staff.

O P I N I O N

Statement of Facts

Paralleling the Gabrilan Range, the Salinas River roughly bisects Monterey County as it meanders lazily northwestward through rich alluvial farmlands to its rendezvous with the ocean just south of Moss Landing. Approximately twelve miles upstream the river passes just south of the city of Salinas. State Highway 68, crossing the river, connects Salinas with Monterey. From the river, and stretching southward approximately five miles to Corral de Tierra Road, Route 68 traverses a lushly verdant, but extremely narrow valley, bordered on the west by the superposed barren hills of the Fort Ord Military Reservation, and on the east by the bumpy foothills

ascending to Mount Toro. Most of this gently sloped valley composes the operative service area (see Appendix C) of Salinas Utility Services (applicant), a California corporation, engaged in the business of owning and operating a sanitary sewer system for compensation.^{1/} Applicant, affiliated through stock ownership, a common director, Mr. Anton E. Garnier, and a common general manager, Mr. James M. Smitherman (Smitherman), with Mission Hills Water Company, Salinas Hills Water Company, Ontario Utilities Services (sewer), and Lompoc Utility Services (sewer), maintains its principal office in Valinda, California.

At present applicant serves five residential subdivisions through 760 connections. Service is provided by means of a trunk sewer line stretching the length of the valley and generally running parallel to Route 68. However, this trunk line was constructed in segments at different times, and as it slopes gently downward toward the treatment plant overlooking the Salinas River, it contains a wasp waist segment which constrains the sewage flow progressing downstream by asbestos-cement piping which progressively varies in size from 12-inch, to 8-inch, to 10-inch, and to 12-inch. This feature provides a potentially limiting factor to the capabilities of the trunk sewer line.^{2/} The most recent extension of trunk main, the 5,336-foot segment of 12-inch pipe stretching from Rancho

^{1/} Applicant operates under a nonexclusive franchise granted its predecessor, Western Pacific Sanitation, on June 17, 1963, by the Monterey County Board of Supervisors. Applicant came under the jurisdiction of this Commission effective July 1, 1972, as a consequence of amendments made by the Legislature to Sections 216, 230.5, 230.6, and 1001 of the Public Utilities Code.

^{2/} The trunk sewer main was laid on a slope of approximately 0.8 percent. The sewer mains tributary to the trunk were laid on a slope of approximately 0.4 percent to 0.5 percent.

El Toro Unit 1 to the previous terminal point of the older 8-inch trunk main, was authorized by Decision No. 83193 in Application No. 54292 dated July 23, 1974.

The treatment plant, located on the south bank of the Salinas River, consists of a comminutor and trash screen at the input point, two 250 x 300 foot oxidation ponds, chlorinator equipment and tank, and a multi-acre spray field across the river. The first pond is intended to provide primary treatment by means of three floating aerators,^{2/} after which the effluent runs into the second pond, where the time it spends is considered secondary treatment. Effluent from Pond No. 2 is pumped through the gas chlorinator to a redwood holding tank. Thereafter, it is pumped across the river and sprayed onto leased disposal fields by sprinklers.

In recent years applicant has been financially troubled, its history punctuated by law suits, unpaid taxes, and indifferent management. Maintenance suffered. These maladies are adequately chronicled in the most recent service extension case (Decision No. 83193 in Application No. 54252 issued July 23, 1974) and the most recent rate and connection fee increase case (Decision No. 86005 in Application No. 53991 issued June 29, 1976). Unfortunately, some of those same problems continue today to plague management. For example, in the spring of 1976, inadequate maintenance resulted in overflowing ponds, and berms, weakened by rodents and allowed to deteriorate, gave way, causing a substantial breakout in Pond No. 2, dumping effluent directly into the Salinas River. Since then the berms have been repaired to a substantial degree, using filling

^{2/} The normal plant procedure has two 10-horsepower aerators operating with one 5-horsepower aerator on standby.

consisting of highway construction waste. However, much more is needed to reasonably assure no repetition.

In September 1971, the California Regional Water Quality Control Board for the Central Coast Region (WQCB) ordered applicant's predecessor, Western Pacific Sanitation, among other things, not to exceed a mean daily flow of 270,000 gallons a day, and not to permit any discharge to the Salinas River. Until 1976 the utility had pretty well met this limitation. However, this was accomplished only because the discharge pump to the spray field was running at capacity and could not discharge more. A second discharge pump was installed in 1975. Only the first pump is metered and the output of the second pump is estimated. At present the output of the two pumps is estimated to be 311,700 gallons per day--41,700 gallons per day in excess of the limits established by WQCB. 4/

In Decision No. 86005 the Commission provided for the impounding of inclusion fees (hookups) in a separate interest-bearing account for use in treatment plant additions and betterments only after specific authorization had been obtained from the

4/ In 1974 the Commission staff advised applicant to apply to WQCB for "Revised Waste Discharge Specifications" to allow a higher discharge to the spray field. WQCB wants certain data furnished, including accurate inflow and outflow, as well as certain improvements made. The utility has not complied, and until it does, WQCB opposes any additional hook-ups to the system. It should be noted, however, that the chemical and bacterial requirements, except for sodium and chloride discharges, have generally been met. (Salt is being increasingly introduced as a consequence of additional usage of water softeners by rate-payers--a problem not unique to this utility.)

Executive Director of the Commission. By April 1977 this account had accumulated approximately \$16,500.^{5/}

By this application the utility seeks authority to extend sewer service to a 60-acre subdivision planned to contain 141 single-family condominiums. The subdivision will be contiguous to Rancho El Toro subdivision (extension authorized by Decision No. 83193 in 1974) and near the Corral de Tierra shopping center (extension authorized by Decision No. 85263 in 1975). The developer is El Toro, Ltd., and the project is part of a 204-unit multiphase planned development initiated in 1970 (see Appendix B). The first 63 units were constructed in three increments over a four-year period and are now completed. This application is concerned with the remaining 141 units. The Planning Commission did not accept the tentative map^{6/} and an appeal has been filed to the full Board of Supervisors. One of the crucial questions relates to the sewer problem. Protests were received before the hearing from the

^{5/} In October 1976 applicant formally requested release of these funds to pay for certain plant improvements recommended by WQCB. The Commission staff, assertedly concerned over the specifications of the projected chlorine contact chamber, replacement pumps, and rewiring, felt that there were other problems considered more important, so approval was held up until the other problems could be fully evaluated. Following the April 1977 hearing, the staff on April 18, 1977 authorized expending the impounded funds for the first four items on the priority "shopping list" discussed herein.

^{6/} The Planning Commission did not accept El Toro, Ltd.'s tentative map for the second phase, there being density questions raised. However, an appeal has been entered to the full County Board of Supervisors. This appeal had been scheduled for hearing on April 5, 1977, the same date as the Commission hearing, but was continued to see how the sewer question is resolved by this Commission.

San Benancio Citizens Association,^{7/} and R. L. Hamilton, a citizen living in Toro Park Estates, an earlier subdivision served by applicant.

A duly noticed public hearing was held April 5, 1977, in Salinas before Administrative Law Judge John B. Weiss. On April 6, 1977, the ALJ inspected both the subdivision site and applicant's plant facilities. The matter was submitted on April 20, 1977, upon submission of letter briefs from applicant, developer, San Benancio Citizens Association, and Mrs. Yuckert, an interested party.

All parties agree that the system badly needs repairs as well as improvements, not only to more efficiently serve the present ratepayers, but also to enable the utility to accommodate additional demands for service in its territory. With its application the utility submitted July 1976 capacity studies and reports prepared for it by the consulting firm of H. D. Peters Co., Inc. and Associates, relating to both the sewer main system and the treatment and spray field plant. The sewer main study indicates that the weakest link in the system is the 235-foot stretch of 8-inch pipe on Veronica Drive between Ferdinand and Portola Drives in Toro Park Estates, but nonetheless concludes that this "weakest link" has sufficient capacity remaining to service an additional 227 connections. The staff engineers made an evaluation of this link and concluded that there was sufficient capacity in the 8-inch main to handle the estimated peak sewage discharge for full development in

^{7/} San Benancio Village is a 25-year old subdivision on San Benancio Road to the northeast of Corral de Tierra Villas II (and will be connected by a "crash gate" for emergency use only). San Benancio is not served by applicant, being wholly on septic tanks. There is a certain "no growth" tenor underlying the interest of the citizens' association.

the existing service area plus full development in Corral de Tierra Villas II's 141 connections. The treatment plant study concludes that the existing plant, as designed, could treat sewage from 962 services (approximately 241 beyond its present load), and with certain modifications could also handle approximately 1,100 additional customers. However, the existing plant has discharge capacity limited to 330,000 gallons per day of treated effluent to the sprayfield. With minor modifications to the discharge facilities to the sprayfield, 340,000 gallons per day of effluent could be handled. With additional pump capacity and spray field, this capacity could be increased. Although input cannot be accurately measured because of a lack of metering, it was the consultant's conclusion that with minor modifications and addition of some backup as well as necessary repairs, 191 additional services could be safely handled by the system.

Despite the conclusions reached by the consultant, the fact remains that the treatment facilities are in a deplorable state because of a lack of maintenance. When inspected on November 2, 1976 by the staff, the comminutor was not working because of motor failure. One large floating aerator of 10-horsepower was operating along with a small floating 5-horsepower aerator on Pond No. 1, but the essential second large 10-horsepower aerator was inoperable. As a consequence, Pond No. 1 was unable to digest all incoming sewage and some raw sewage was being bypassed to Pond No. 2. On April 6, 1977, when the ALJ visited the site, the same large 10-horsepower aerator was still inoperable, and management had no idea what was wrong with it. Money was lacking to lift it out, find out the problem, and fix it. Furthermore, the present electrical system will not allow all three aerators to operate simultaneously with the pumps. While the two existing 3-horsepower lift pumps can handle the entire existing flow, they can do so only if both are working simultaneously. There is no backup capacity.

In general, there seems to be a continual problem in one or another part of the system. Either the lift pumps which lift raw sewage into the ponds break down, or the aerators break down, or the pumps to the spray field break down, or part of the equipment in the spray field does not operate. Applicant's consultant and the staff generally agree that as designed, and if maintained, the plant can handle the existing load, but that there has been no backup capacity, and any breakdown of equipment causes problems.

The developer of Toro Park Estates, the real estate development firm of Bollenbacher & Kilton, Inc. (B & K), owns extensive properties east of Route 68 (south of Toro County Park and across from Toro Park Estates). At some future date it intends to subdivide these properties and to do so will require sewer service. Therefore, it necessarily is interested in the existence of a viable sewer utility with ample capacity and sound, responsible management. Accordingly, in November 1974 B & K assertedly entered into an agreement with applicant and Mutual Life Insurance Company of New York (MONY) acquiring rights to purchase the sewer system.^{8/} At the hearing applicant's attorney presented

^{8/} As set forth in Decision No. 83193, MONY holds Collateral Trust Notes on the applicant and its sister companies. At the time Decision No. 83193 was issued, the loan was in default, and applicant was in arrears on its taxes. In response to staff inquiry, applicant advises that because of "severe cash flow problems, we have been unable to pay any ad valorem taxes for the past five years, ..." The assistant tax collector for Monterey County reports the utility has not paid taxes since year 1972-73 and is delinquent \$29,866.13. The utility will be sold for the state's lien in June 1978 unless the taxes are paid. On August 27, 1976, it had entered a 20 percent installment plan arrangement, but it has since defaulted on that plan.

a letter to the Commission to the effect that B & K intended to exercise its purchase rights within 12 months.^{9/}

With this potential interest in mind, B & K worked closely with El Toro, Ltd., applicant, and WQCB, to develop a so-called "shopping list". This list, dated April 4, 1977, was introduced into evidence at the hearing. Set forth herein as Appendix A, it contains a priority list and cost estimate for repairs and plant modification needed to comply with the requirements set forth by WQCB in order to obtain revised discharge approvals. It is concluded that completion of these repairs and modifications will improve plant operations and provide capacity to take care of present needs as well as addition of the 141 units in Corral de Tierra Villas II. The estimated costs, including engineering, supervision, and legal expense, as well as a 20 percent contingency allowance, amount to \$120,000.

During the hearing it developed that El Toro, Ltd., the developer of Corral de Tierra Villas II, having already paid approximately \$16,500 into the impound account (set up by Decision No. 53991 and Decision No. 54252) as inclusion fees for Phase I of its condominium project, would advance \$60,630^{10/} as a credit against inclusion fees for the 141 units of Phase II (Corral de Tierra Villas II), and would also contribute the difference needed to make up the \$120,000 required to accomplish the "shopping list" repairs and improvements, provided these funds were handled through a Commission-supervised impound account. This offer was conditioned

^{9/} When reminded by the ALJ of the requirements of the Public Utilities Code (Section 854) for prior Commission approval to obtain control of any public utility, applicant's attorney stated: "That would be the next step, Mr. Examiner."

^{10/} The prospective 141 connections in Corral de Tierra Villas II times the \$430 inclusion fee equals \$60,630.

upon approval by the Commission for the extension, approval by the County Board of Supervisors of the use permit and subdivision map, and "Revised Waste Discharge Specifications" from the WQCB.

The county of Monterey is the lead agency for the complete condominium project and its Board of Supervisors on November 12, 1975 certified a Final Environmental Impact Report (File No.631, EIR No. 75-102) on the project.

Discussion

While the protestants herein argue that the time for promises is past and that the applicant should be required to shape up vis-a-vis its present customers before being allowed to add new ones, it must be recognized that applicant's operational problems (except for certain billing procedure questions not within the scope of this proceeding) to date have not really involved the ratepayers directly; rather they have been with WQCB, this Commission, and the County Department of Public Health and Mental Health Services. Actually, as far as the ratepayers are concerned, their sewage has been accepted without interruption or inconvenience to them, and at a monthly charge which at least some ratepayers consider to be too low. However, as to the utility's problems with the regulatory agencies, the plain fact is that applicant lacks the funds to shape up—even assuming that it now has acquired the determination to try.^{11/} Without an infusion of hard cash to

^{11/} The utility has had a substantial turnover of personnel, from workers to general manager, in recent years. However, while the present general manager, Mr. Smitherman, has been with the utility a relatively short time, he displayed a good grasp of the plant problems at the local level. He reported that approximately 90 percent of the complaint backlog had been cleared. Unhappily, with regard to financial matters, there is less reason for sanguinity. When asked if anyone in the utility could give an answer whether or not the utility would pay or default on the then pending 1976-77 ad valorem taxes, Mr. Smitherman, although general manager, was unable to answer.

repair existing facilities and improve the treatment system with some backup capability, the existing treatment plant cannot long continue before an accumulation of equipment breakdowns will force it to shut down or be shut down by WQCB. And this operational menace is quite apart from the Damoclean tax problem facing the proprietors of the utility. The operational menace necessarily interests the customers because in the event of such shutdown, it will be they who would face substantial increases in rates to guarantee the funds needed to repair the plant to regulatory standards. It would be foolish to wait to see if B & K eventually seeks Commission approval to pick up the pieces, or what would result of the impending sale in 1978 for unpaid taxes. The time to act is now.

Fortunately, there is available a different approach which offers a good prospect of success. That approach is an outside infusion of money. In this instance we have El Toro, Ltd., a developer, whose need for 141 sewer connections to complete its condominium project coalesces with the need of the applicant. This developer, subject to certain safeguards and approvals, is willing to put up the needed funds to rehabilitate the existing system and to provide the relatively modest modifications and additions needed to enable this utility, basically sound insofar as its plant design is concerned, to handle its present load and to accommodate the developer's 141 units.

El Toro, Ltd., in concert with applicant and B & K, employed a qualified consultant to prepare the two studies which accompanied the application. The consultant's licensed civil engineer who prepared these studies also worked closely with WQCB to develop the "shopping list" of ten items deemed necessary to comply with WQCB's requirements and to accommodate the 141 additional units for Corral de Tierra Villas II. These ten items and the supportive material (see Appendix A) were the subject of

detailed examination at the hearing. All items, except for parts of Items 7 and 10 and part of the additional spray field, are needed now to meet WQCB requirements for the existing service. Parts of the electrical revisions (Item 7) and the discharge pumping (Item 10), and part of the additional spray field^{12/} would be needed to handle the sewage from the additional 141 units of Corral de Tierra Villas II. At the hearing a senior utility engineer of the staff testified that the first four items were most important and critical, and that the staff would recommend them.^{13/} Beyond that the staff had no specific recommendations regarding the treatment and spray field facilities and neither endorsed nor opposed the "shopping list." The staff recommendation, taken from the report it submitted at the hearing, was that the extension requested by this application should be granted only after the applicant provides "such additions and improvements to its sewage disposal plant as required to satisfy current WQCB standards for quality of effluent." In that the "shopping list" was the result of a cooperative work with WQCB, the ALJ found it to be the basis of a reasonable resolution of the operational problems inherent in the existing

^{12/} At present 39 acres are leased but only 18½ acres are developed for spray field use. Some of the remaining land is not favorable for percolation. Of the developed land about 8 acres are utilized, with two-thirds being used at any given time, and one-third drying out. It was estimated by the consultant that the developed spray field areas have a capacity of 387,000 gallons per day in wet weather; however, the Monterey County Health Department recommends no more than 10,000 gallons/acre/day, or 185,000 for the 18½ acres. Some of the aluminum piping must be repaired before use.

^{13/} On April 18, 1977, the staff authorized release of the impounded inclusion funds.

service as well as those which would be raised by the addition of the 141 units proposed by this application. Accordingly, we will adopt that list.

Aside from the approximate \$16,500 already advanced by El Toro, Ltd. against earlier connections in Phase I, this developer's proposal now to advance \$60,630 against future inclusion fees for the 141 units of Corral de Tierra Villas II, and to contribute the additional \$42,870 needed to make up the \$120,000 needed for the "shopping list" will be accepted. We recognize that this offer is made conditioned upon receipt of approval by the County Board of Supervisors of the tentative map for the Corral de Tierra Villas II subdivision, and of issuance by WQCB of "Revised Waste Discharge Specifications" which will accommodate the additional 141 units. We further recognize that the developer wants these inclusion fee advances and his contribution handled through an impound account in a like manner that the \$16,500 fund was handled. With that we also agree.

The estimated cost of the proposed extension of the intract sewer system to consist of 6-inch and 8-inch mains with 4-inch laterals from the residential units to the mains will be approximately \$76,000. Construction will be by contract to the lowest responsible bidder after competitive bids are obtained. El Toro, Ltd. will pay for this construction and the new facilities will then be contributed to the utility without refund. The sewer rates to the 141 new customers will be the same \$7.25 per month applicable to the present customers. This incremental revenue will ultimately add an additional \$12,267 to the utility's annual revenues and assist its cash-flow problem. Using as a reference point the overall Summary of Revenue and Expenses contained in the application (which in turn is that most recently used in applicant's last rate increase application, approved by Decision No. 86005 in Application No. 53991 dated June 29, 1976), a comparison of incremental revenues and expenses as estimated by applicant and the staff follows:

Summary of Estimated Incremental Revenues and Expenses

Item	Applicant		Staff	
	1st year	5th year	1st year	5th year
Operating Revenues	\$2,436	\$12,267	\$ 2,436	\$12,267
<u>Operating Expenses</u>				
Adm. & Gen. Expenses	146	2,942	150	1,000
Maint. & Opr. Salaries ^{1/}	273	1,673	-	800
Maint. of Sewer lines ^{2/}	-	-	-	-
Opr. & Maint. Treatment Plant ^{3/}	559	3,427	600	3,500
Misc. Exp. ^{4/}	246	1,508	150	250
Customer Billing Exp. ^{5/}	-	-	160	580
Taxes ^{6/}	-	-	-	2,500
Total Expenses	1,224	9,550	1,060	8,630
Net Operating Revenues	1,212	2,717	1,376	3,637
Est. Deprec. Expense (3%)	-	-	1,350	2,265
Net Oper. Rev. after Deprec. Exp.	-	-	26	1,372
Rate Base			43,700	66,690
Rate of Return			0.06%	2.06%
No. of Customers	28	141	28	141

^{1/} Contract work included in Opr. & Maint. Treatment Plant.

^{2/} Is Contract work only.

^{3/} Includes purchased power, chemicals, and maintenance of levee, aerators, comminutor, pumps, sprinklers, chlorination tanks, and other related problems such as odor control and water level control.

^{4/} Purely judgmental.

^{5/} Based on number of customers, postage, and computer services.

^{6/} Approximation of local and state franchise taxes, property tax, income tax, and other taxes such as SUT, FUT, and FICA.

No objections being interposed at the hearing to the staff's estimates, we will adopt them.

Both the applicant and the staff concluded that the sewer main system, with but one exception, has sufficient capacity to handle the estimated peak sewage discharge resulting from full development in the existing service area as well as from the 141 additional customers in the proposed Corral de Tierra Villas II. The exception is the 362 feet of 10-inch pipe on Reservation Road near the PG&E substation. In that section of pipe, the staff engineer estimates that the depth of flow to the pipe diameter at peak flow could slightly exceed the design criteria. While the staff engineer does not feel that the risk of a possible backup is sufficient to require replacement of this 10-inch section to accommodate the projected flow including Corral de Tierra Villas II, he does recommend that should a backup later develop, the developer should be responsible for installing a 12-inch pipe. Unfortunately, once the 141 units are developed and sold, the developer could be no longer available, or responsive, should such a situation develop. Accordingly, as a further condition of our approval of this extension, we will require that El Toro, Ltd. place the sum of \$7,000 into a separate impound account for four years, refundable thereafter if the contingency does not arise.^{14/} If the contingency does arise, the money will be treated as a nonrefundable contribution.

The Commission takes official notice that the county of Monterey is the lead agency for the overall subdivision project under the "Guidelines" contained in the Regulations (Title 14, Division 6, California Administrative Code) designed to implement the California Environmental Quality Act (CEQA) of 1970, as amended. We note that

^{14/} This contingency deposit was arrived at by taking the 362 feet length of the potential inadequate pipe, times \$17 a linear foot, plus an approximate 10 percent contingency allowance.

on November 27, 1974, El Toro Ltd. waived its right of environmental determination and voluntarily submitted an Environmental Data Statement on Phase II of its condominium project to the county. On November 12, 1975, Monterey County certified a Final EIR for the project. Nevertheless, under provisions of Section 15039 of the Regulations, this Commission is a "Responsible Agency", ^{15/} and as such must consider the Final EIR of the lead agency before acting upon or approving an application such as the one before the Commission.^{16/} While in this instance the lead agency did not solicit comment from or consult with the California Public Utilities Commission as required by provisions of Sections 15066 with regard to this sewer extension, under the specific considerations involved in EIR approval of this project the significant effects have been adequately covered by the lead agency which found that the proposed addition of 141 units of housing would bring the present treatment plant from 60 percent to 79 percent of its capacity. Consequently, the lead agency found that plant expansion would be necessary--as provided for herein and required by WQCB--to avoid a very definite negative impact. Given completion of these required modifications and additions, the lead agency found no negative impact sufficient to preclude approval. We have reviewed and considered the information contained in the lead agency's EIR in arriving at our decision to authorize extension to the 141 units of Corral de Tierra Villas II, subject to the conditions specified herein, which will avoid or

^{15/} "'Responsible Agency' means a public agency which proposes to undertake or approve a project, but is not the lead agency for the project. It includes all public agencies other than the lead agency which have approval power over the project."

^{16/} Section 15085 (j) of Title 14, Division 6, California Administrative Code.

mitigate any possible adverse environmental effects as identified in the Final EIR of the county.^{17/}

Findings

1. Corral de Tierra Villas II, a 60-acre subdivision planned to contain 141 single-family condominiums, is the final part of a 204-unit multiphase planned development initiated in 1970.

2. Corral de Tierra Villas II is contiguous to Rancho El Toro subdivision and would be served by an extension connecting the intract sewer system to the existing sewer main (of the Rancho El Toro subdivision) owned and serviced by Salinas Utility Services.

3. There are no other sewer utility services available in the area in a position to provide facilities to Corral de Tierra Villas II.

4. The existing facilities of Salinas Utility Services, if repaired and modified as provided herein, would be adequate to accommodate the 141 additional units of Corral de Tierra Villas II.

5. Salinas Utility Services lacks the funds to make the repairs and modifications necessary to accommodate the 141 additional units of Corral de Tierra Villas II. These repairs and modifications are set forth in Appendix A.

6. The estimated cost of these repairs and modifications is \$120,000, of which \$16,500 has been provided out of the impounded inclusion fee account set up by prior decisions.

7. El Toro, Ltd., developer of Corral de Tierra Villas II, is able and willing to (1) advance \$60,630, representing prepayment of the inclusion fees for the 141 units of Corral de Tierra Villas II,

^{17/} Furthermore, our consideration enables us to determine that this extension, subject to the repairs and modifications required, would not be significantly adverse to the factors listed in Section 1001 of the Public Utilities Code, i.e., community values, recreational and park areas, historical and aesthetic values, or the environment.

and (2) contribute up to \$42,870 to provide the balance of the funds needed to make the repairs and modifications necessary to accommodate the 141 units.

8. Such advancement and contribution by El Toro, Ltd. would be made available immediately (1) after approval by the Monterey County Board of Supervisors of the use permit and subdivision map, and (2) after approval of Revised Waste Discharge Specifications from the Regional Water Quality Control Board.

9. Such advancement and contribution by El Toro, Ltd. would be conditioned upon the funds being impounded in a separate interest-bearing account in a California bank or insured savings and loan association, and upon the understanding that these funds and any interest accrued would be expended only for the treatment plant additions and betterments set forth in Appendix A of this order, and then only after specific authorization has been obtained by means of a letter or letters signed by the Executive Director of the Commission.

10. Based upon the staff's evaluation of design criteria, there exists a possibility that under peak utilization, including flow from the 141 units of Corral de Tierra Villas II, the 362-foot section of 10-inch trunk main on Reservation Road near the PG&E substation would be unable to accommodate the flow and would back up.

11. It would be unfair to require the present customers of Salinas Utility Services to bear this contingency. Therefore, to protect against it, El Toro, Ltd., at the same time as it deposits the above-described advancement and contribution to cover repairs and modifications, should be required to also impound \$7,000 in another separate interest-bearing account in a California bank or insured savings and loan association, and maintain this account for a period to end four years following the date of connection of the last of the 141 units of Corral de Tierra Villas II to the sewer system. This contingent deposit to be expended only for purposes of replacing this 362 feet section of 10-inch pipe with 12-inch pipe

in the event of a backup, and then only after specific authorization has been obtained by means of a letter signed by the Executive Director of the Commission. If, after lapse of four years as set forth, the contingency has not occurred, the deposit plus accrued interest should be returned to El Toro, Ltd.

12. Extension of sewer service to Corral de Tierra Villas II under the terms and conditions authorized herein, would be financially feasible, and would not be a burden on the existing customers of the utility.

13. The county of Monterey is the lead agency which has the principal responsibility for approving the Corral de Tierra Villas II project. The granting of a certificate by the Commission would not invoke a greater degree of responsibility or control over the project as a whole than would approval of the project by Monterey County.

14. The Final EIR for the Corral de Tierra project (then known as Rancho El Toro Country Club Phase II) was certified by the Monterey County Board of Supervisors on November 12, 1975.

15. The Commission has considered the Monterey County Environmental Impact Report in approving this project.

16. The extension of sewer service to Corral de Tierra Villas II, under the terms and conditions authorized herein, would have no significant detrimental effect on community values, recreational and park areas, historical and aesthetic values, or the environment, within the context of Section 1001 of the Public Utilities Code.

17. Application of the utility's present monthly rate of \$7.25 for sewer service to units of Corral de Tierra Villas II is reasonable.

18. All in-tract sewer plant provided by the developer, including, should it subsequently prove necessary, the replacement of 362 feet of 12-inch trunkmain on Reservation Road, should be contributed to the utility without refund.

19. Assuming that all the terms and conditions set forth herein are met, the public convenience and necessity will require the construction of the proposed sewer extension system to serve the area known as Corral de Tierra Villas II.

Conclusion

The application should be granted to the extent and under the conditions set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Salinas Utility Services is granted a certificate of public convenience and necessity authorizing it to extend public utility sewer system and to service 141 residential condominium units in the area known as Corral de Tierra Villas II, in Monterey County, provided that no extension or service shall be commenced until after verified notice is filed with the Commission that:

- (a) The Monterey County Board of Supervisors approved the use permit and subdivision map of the project,
- (b) The Regional Water Quality Control Board issued "Revised Waste Discharge Specifications."
- (c) El Toro, Ltd. advanced \$60,630 to the utility representing prepayment of inclusion fees for the 141 units of Corral de Tierra Villas II.
- (d) El Toro, Ltd. contributed \$42,870 to the utility to complete the repairs and modifications set forth in Appendix A.
- (e) El Toro, Ltd. deposited with the utility \$7,000 as a contingent contribution against a potential requirement to replace 362-foot of 10-inch trunk main on Reservation Road with 12-inch trunk main.

2. Salinas Utility Services is authorized to receive \$60,630 as an advance payment of inclusion fees for the 141 units of Corral de Tierra Villas II, and a contribution of \$42,870. These funds are to be impounded in a separate interest-bearing account in a California bank or insured savings and loan association. These funds and accrued

interest are to be expended only for the treatment plant additions and betterments set forth in Appendix A, and only after specific authorization has been obtained by means of a letter or letters signed by the Executive Director of the Commission. Salinas Utility Services shall provide the Commission, attention of the Finance Division, two copies of an annual statement no later than March 31 of each year, detailing the proper distribution and amount of all funds including interest, and withdrawals from the fund during the prior calendar year, together with the balances in the fund at the close of each calendar year. Within three months following connection of the last of the 141 units of Corral de Tierra Villas II, any part of the contribution unused in the Appendix A work shall be refunded to El Toro, Ltd. Expenditures for the Appendix A work shall be made from the advanced inclusion payments first, and thereafter from the contribution funds.

3. Salinas Utility Services is authorized to receive a contingency deposit of \$7,000 from El Toro, Ltd. This fund is to be deposited in a separate interest-bearing account in a California bank or insured savings and loan association. This fund, or any part of it and its accrued interest, is to be expended only for the replacement of the 362-foot section of 10-inch trunk main by 12-inch trunk main on Reservation Road should such replacement be deemed necessary after a backup of sewage flow caused by the inadequate size of that section of pipe. Any such expenditure may be made only after specific authorization has been obtained by means of a letter signed by the Executive Director of the Commission. Salinas Utility Service shall provide the Commission, attention of the Finance Division, two copies of a bank statement, or a savings and loan statement, no later than January 30 of each year, evidencing the existence of the account and the amount of the fund (including interest) as of the end of the preceding calendar year. If, after four (4) years following the

date the last of the 141 units of Corral de Tierra has been connected, there has been no necessity to replace the main, within three months the impounded account will be refunded, together with accrued interest, to the developer. Should replacement become necessary within the four-year period, and not all the fund including interest be required for the work, any unexpended balance will be refunded to the developer within three months of completion of the replacement. In any event, no refund shall be made without specific authorization by means of a letter signed by the Executive Director of the Commission.

4. Copies of any executed agreements between Salinas Utility Services and the developer implementing or relating to this sewer extension shall be filed with the Commission within ten days of execution.

5. Salinas Utility Services shall not extend service from the area certificated herein into any contiguous or non-contiguous territory without further authorization of this Commission.

6. After the effective date of this order, Salinas Utility Services is authorized to file revised tariff sheets, including a revised tariff service area map providing for the application of its present tariff schedule, including inclusion fees, to the area authorized herein. Salinas Utility Services shall also file a schedule of all of its inclusion fees and a legal description of both its present service area and the area certificated herein. The tariff filing shall comply with General Order No. 96-A insofar as such compliance is possible for a sewer utility. The effective date of the revised tariff sheets shall be four days after the date of filing.

7. Compliance with paragraph 6 of this order by Salinas Utility Services shall constitute acceptance by it of the right and obligation to furnish public utility sewer service to the area authorized herein. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

8. Within ten days after service is first granted to the first of the 141 units under the authority granted herein, Salinas Utility Services shall file in this proceeding written notice thereof to this Commission.

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

Dated at San Francisco, California, this 30th day of AUGUST, 1977.

President
William Sproule

Leonard S. Steinman

Richard D. Howell

Commissioners

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

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Salinas Utility Services Sewer Plant

The following is an updated priority list and cost estimate for repairs and plant modifications needed to comply with requirements of the Regional Water Quality Control Board for improvement of plant operation and to provide for additional treatment of an additional 141 units of Corral de Tierra Villas II. These modifications are itemized in decreasing order of importance:

1.	Repair northerly dike of Pond No. 2 including removal and repair of 180 feet of cyclone fence.	\$ 5,000
2.	Install new 5 H.P. submersible lift pump including starter controls.	5,000
3.	Remove, repair and reinstall aerator.	2,500
4.	Repair and modify chlorine contact chamber.	3,500
5.	Install influent flow meter.	4,000
6.	Install new comminutor.	5,000
7.	Revise electrical circuitry and install new electrical panel to provide for simultaneous operation of all aerators and pumps.	15,000
8.	Install concrete slope protection reinforced with wire mesh on the inside of the northerly levee of Pond No. 2 from the top of levee to a minimum vertical distance of three feet below normal water surface.	4,000
9.	Surface the northerly levee top with 2 inches of asphalt concrete over 4 inches of aggregate base.	3,000
10.	Replace the 5 H.P. discharge pump to the sprayfields with a 10 H.P. pump. Retain the 5 H.P. pump for emergency standby.	2,500
	SUBTOTAL	<u>\$49,500</u>
	Add 20% Contingency Cost	9,900
	Engineering, Supervision and Legal Costs	15,600
	TOTAL	<u>\$75,000</u>
	Develop Additional Sprayfield	<u>45,000</u>
		\$120,000

