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ALJ/PAB/mak

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Decision 99-06-033 June 10, 1999

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

County of Riverside Department of
Environmental Health,

Complainant,

vs.

Spring Crest Water and Power Company,

Defendant.

Case 97-03-034
(Filed March 19, 1997)

Timothy P. Taylor, for County of Riverside Department of
Environmental Health, complainant.

Fred Razzar, for Spring Crest Water and Power Company,
defendant.

OPINION GRANTING COMPLAINT

Background

The Department of Environmental Health (DEH) in Riverside County complains that a small water utility, Spring Crest Water and Power Company (Spring Crest), has been cited since 1982 for failure to take adequate coliform bacteriological samples and failing the Department of Health Services standard set for these samples. In November 1996, the company was also cited for failure to provide adequate potable water to customers. DEH requests that the Commission appoint or authorize another entity to operate this system, such as a management group, individual or homeowners association.

A Prehearing Conference by telephone was held on May 12, 1997, to ascertain the health status of the water served by the company. DEH informed the Commission that there was no immediate health hazard and the Commission staff was instructed to inspect the system and investigate the ownership, since the company did not answer the complaint and it was unclear who owned the company.

Subsequently, a ruling ordering RJB Limited (RJB) to answer the complaint was issued. RJB provided funds for the company to operate since 1986 when it attempted to buy the company. Since that time, the owner, Harry F. Chaddic, died and the company holding shares to the water company relinquished its right to do business in California. RJB sent funds to maintain a bookkeeper who also served as manager of the company.

RJB did not deny the condition of the company, but indicated its dilemma of how to restore service without funds and how to clear the title.

Spring Crest has roughly 12 customers, and 150 unserved vacant residential lots in its service territory. On March 5, 1998, the assigned Administrative Law Judge (ALJ) held an informal meeting with the customers to explore the problems and alternative solutions to restoring adequate service and operations. Customers indicated they did not desire to be involved in the operation of the company. The ALJ also ordered RJB to meet with DEH to establish a temporary solution to prevent another summer water shortage. In April 1998, RJB reported that it would seek to purchase the minority interest in Spring Crest; proceed immediately with system repairs necessary to prevent shortages in the summer; and hire a full-time system operations manager. RJB was ordered to provide a status report in 60 days.

On June 15, 1998, RJB timely reported that an operations manager had been hired. He identified a well and access road in need of repair and reported

the tanks to be in good condition. The manager was authorized to obtain estimates. RJB had sought to obtain the minority interest in Spring Crest and planned to apply for transfer of ownership after this interest was obtained. However, RJB indicated it needed financial assistance and/or rate increases to make repairs.

Subsequently, the well was repaired and the system functioned adequately throughout the summer of 1998. It appeared that the reason for the complaint was resolved. However, DEH objected to dismissing the complaint. It informed the ALJ that conditions at the company had deteriorated by the fall of 1998. Complainant reported that there was high pressure at one home and that storage tanks and wells were unreachable over the access road. The area where tanks and wells were located was overgrown with heavy brush and was known as breeding grounds for poisonous snakes. The operation manager had quit because he had problems obtaining funds to maintain the system. DEH feared that the required samples would not be taken since there was again no operation manager. Therefore, a formal hearing in this proceeding was scheduled.

Evidentiary Hearing

An evidentiary hearing was held on February 10, 1999, in Indio. DEH and RJB presented witnesses and exhibits. Timothy Taylor, representing DEH, described the failures of the system over the years. RJB's bookkeeper, Fred Razzar, described the history of the system and financial problems. The prior manager reported the current needed repairs and estimates to perform them which he prepared before he quit as operations manager. There was no dispute over the DEH citations or condition of the system. Razzar confirmed that RJB is the current operator of the system. At the close of the hearing, Razzar turned

over all original company accounting records to Commission staff who had requested them to perform an audit.

Discussion

Spring Crest currently has 14 hook-ups and 15 authorized customers and is classified by DEH as a community water system. DEH requires monthly water samples. The company has in its territory 180 vacant lots owned by numerous parties. However, DEH has placed a moratorium on any more hook-ups until the company retains an adequate, reliable source of water, adequate testing and system operations.

The system billing generates roughly \$6,000 per year; however, at least 4-6 customers are several years delinquent in paying bills. There are no meters. The bookkeeper does not enforce payment via shut-offs because there are no meters and shutting off service will involve cutting the access pipe and will cost \$330 to shut-off delinquent customers and the same to restore service. Spring Crest's tariff specifies a \$15 shut-off charge. The rates have been in effect since approximately 1970, at \$48 per month.

DEH's witness specified the improvements needed and the previous manager later supplied estimates he had obtained for some of these repairs:

1. Grade the access road to tanks and wells (grade all roads, install drainage - \$2,430; \$650 - annual maintenance).
2. Locate and inspect all wells (drill new well - \$2,500 deposit).
3. Clear overgrown brush near all facilities and maintain.
4. Inspect pipes on east end of subdivision, prepare plan for scheduled repairs.
5. Hire on-site manager to oversee operations and repairs, and assure monthly sampling.

DEH witness Taylor recommends that vacant lots be assessed a standby charge in order to accumulate funds for repairs or that the system be taken over by a larger water company. The only other option is to shut down the system and have the customers drill their own private wells which would be a poor conservation choice since the size of the water aquifer is unknown.

RJB does not oppose making repairs if it can solve the problem of obtaining adequate funds. Therefore, we will order the company to file an advice letter requesting an expedited rate increase to comply with the repairs and improvements ordered in this proceeding.

Comments on Proposed Decision

The proposed decision of the Principal Hearing Officer in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(d) and Rule 77.1 of the Rules of Practice and Procedures. No comments were filed.

Findings of Fact

1. DEH provided citations to show that defendant, Spring Crest, has failed to comply with water testing requirements resulting in citations being issued from 1982-1997.
2. Spring Crest currently has no employees, therefore, monthly samples will not be collected. The sample for November 1998 was taken by DEH.
3. DEH issued a citation in November 1996 for Spring Crest's failure to maintain an adequate supply of water.
4. DEH is uncertain if water throughout the entire system is healthy since the equipment and facilities have not been properly inspected.
5. At the time of the hearing in February 1998, there was no operator to supervise system operations. During the hearing, the bookkeeper testified that

the company has accepted his resignation and the company has no other employees.

6. In 1996 DEH issued a report indicating the need for monthly coliform bacteriological sampling; maintaining 20 psi water pressure at all times and for the following system corrections and repairs:

- a) install screen of the wall casing vent;
- b) repair leaks from check valves on vacuum releases;
- c) clean and screen all overflow outlets;
- d) inspect all pipes in the water collection system and protect against freezing and heavy runoff where pipes are in creek beds;
- e) repair any leaks and breaks in distribution mains
- f) inspect entire system for leaks;
- g) inspect the tank roofs for holes and screens for condition;
- h) lock hatches on tank roofs;
- i) screen tank overflows;
- j) replace all pressure regulating valves;
- k) modify distribution system for upper pressure zone to supply adequate pressure to all connections, which may require an additional small storage tank near upper tank or a booster pump near the lower tank;
- l) routinely flush or eliminate all dead ends in the distribution system;
- m) install flow meters at every source and service connection;
- n) inspect and service all wells
- o) seal four unused wells on Toro Vista and near the gas station to prevent entry of insects or other contaminants; and,
- p) pay \$1,471.60 outstanding balance for water system permit fee plus any late charges.

7. DEH requested a schedule for completing the above corrections within one month of sending its report and the schedule was never received.

8. The previous system operator in 1998 obtained estimates for the following repairs:

a) grade the service road to tanks and wells, \$2,430 with \$800 deposit, and \$650 for annual road maintenance; and,

b) drill new well, \$2,500 deposit.

9. The company does not dispute that repairs are desperately needed. Spring Crest argues it has not had in the past, nor does it currently have the financial ability to repair, maintain or adequately operate the system.

10. The customers are not interested in forming an entity to operate the water system.

11. The neighboring Desert Water Agency was notified of this proceeding, but did not indicate any interest in operating this system.

12. During the proceeding, Richard P. Steinke indicated interest in purchasing the minority shares in Spring Crest. However, in a letter to the ALJ, he indicates he is very reluctant to get involved in a time-consuming, money-losing investment venture.

13. Spring Crest does not have adequate finances to meet its duties as a water utility.

14. Spring Crest has not filed for an increase in rates in over 20 years.

Conclusions of Law

1. Spring Crest has not performed its obligation to provide adequate or reasonable water service, nor has it met its obligation in General Order 103 to comply with Department of Health Service water quality standards.

2. Spring Crest is unable to perform its obligations as a water utility due to lack of finances.

O R D E R

IT IS ORDERED that:

1. Within 15 days after the effective date of this order, Spring Crest Water and Power Company (Spring Crest) will hire an employee to collect and send to the Department of Environmental Health (DEH) required monthly water samples and a second employee, if necessary, to bill and collect payment for water services and prepare the Advice Letter ordered filed below. These employees may be paid on an hourly basis with total work hours less than full-time.

2. Within 30 days after the effective date of this order, Spring Crest will file an Advice Letter requesting an increase in rates. The Advice Letter will also contain a plan to immediately grade the access road, inspect the system and make health and supply-related repairs before July 1999. The Advice Letter will also contain a long-range improvement program to implement all of DEH's recommendations in its 1996 report.

3. This proceeding is closed.

This order is effective today.

Dated June 10, 1999, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
LORETTA M. LYNCH
JOEL Z. HYATT
Commissioners