

Decision No. 16905-

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 WM. L. GOVAN)
for authorization and permission to) Application No. 12158.
raise rates and rental charges for)
water service on Carnelian Bay, Lake)
Tahoe.)

Earl D. White by I. H. Pfaffenderger
for applicant.

Robert Gaylord, in propria persona.

Mrs. Loraine S. Hamilton, in propria
persona and for Howard B. Davis.

BY THE COMMISSION:

ORIGINAL

O P I N I O N

This is an application by William L. Govan, owner of a public utility water system which supplies water for domestic use to the inhabitants of Carnelian Bay, Lake Tahoe, in Placer County, alleging in effect that the present rates are insufficient to pay operating expenses, necessary repairs, maintenance charges and a fair rate of interest on the money invested, and that the system has been operated continuously at a loss ever since its installation. Applicant therefore asks the Railroad Commission to authorize an increased schedule of rates for the water service rendered.

A public hearing was held in the above proceeding before Examiner Satterwhite at San Francisco, after all interested parties had been notified and given an opportunity to appear and be heard.

The rates now in effect on this system were fixed by

order of this Commission in its Decision No. 7678, dated June 8, 1920, and are as follows:

<u>RATES</u>	<u>FLAT</u>	<u>Per Year</u>
For each residence; for each family camping or living in tents; for each store or place of business		\$12.50
For each hotel or lodging house, \$1.00 per room in addition to the regular charge of		12.50
All rates are payable in advance and are for the calendar year.		

The water supply for this system is obtained from springs and collected by means of a small concrete dam impounding a limited amount of water which is delivered by gravity to the consumers. There are 10,555 feet of pipe lines serving an average number of twenty-seven consumers. This water system was installed to render water service to campers and summer residents in Carnelian Bay, an arm of Lake Tahoe. The service rendered is required only for a very small number of consumers during the short summer season. The plant is not in operation during the early spring, late fall and winter months. By reason of the high altitude, the extreme cold of winter makes the proper protection of the system against freezing rather difficult.

D. H. Harroun, one of the Commission's hydraulic engineers, presented a report covering a field investigation and appraisal of the physical properties of the utility, together with a study of maintenance and operation expense, in which the estimated original cost of all used and useful property was given as \$5,146, and the depreciation annuity computed by the 5% sinking fund method was found to be \$113.

The operating revenues and expenses as set out in the company's accounts for the year 1925 are as follows:

Operating Revenue	\$405.50
Operating Expense	659.85
Deficit	<u>\$254.35</u>

The necessary yearly maintenance and operation expense for the immediate future was estimated by the Commission's engineer to be \$200, exclusive of depreciation allowance.

The evidence indicates that the large difference between the operating costs as shown by the applicant's accounts and the costs recommended by the engineer for the Commission is attributable to the inclusion in operating costs of certain extraordinary repairs which should not reasonably recur annually, and also to the charging of a larger sum for the salary of the operator of the system than the number of consumers served and other conditions would warrant. In a plant of this size, operated entirely by gravity, but little actual supervision is required. The consumers under such circumstances cannot reasonably be called upon to stand the unnecessary burden of continuous supervision. It therefore appears that the allowance for operation expenses recommended in the report of the engineer for the Commission is ample for the conditions obtaining on this system.

It must be evident that where consumers desire the advantages of water service to their premises in summer resort communities for short periods during the year, ranging from one week only to two and three months, the cost of rendering the service demanded is relatively high when compared to the costs of similar service furnished continuously throughout the year to a large number of consumers in permanent localities and towns. The small number of consumers on this system necessarily increases the proportion of the cost of furnishing water which each must bear.

The rates at present in effect do not reasonably compensate the applicant for the costs of rendering the service required. The schedule of rates set out in the following order will

produce revenues which will amply take care of the necessary operating expenses, will provide for a depreciation fund, and with the placing in effect of a more efficient and economical system of operation than has obtained in the past, there should be earned in addition a return upon the investment which will be reasonable under the existing circumstances.

In view of the fact that the summer camping and tourist season has already opened and as the rates established in the order following this opinion can not properly be made retroactive or effective at a date prior to the order herein, provision therefore will be made for the prorating of the charges for water service for the season of 1926 between the rates formerly in effect and the rates as established in the following order.

O R D E R

Wm. L. Govan having made application as entitled above, a public hearing having been held thereon and the matter having been submitted, and the Commission being now fully informed in the matter,

It Is Hereby Found as a Fact that the rates now charged by Wm. L. Govan for water supplied to his consumers are unjust and unreasonable in so far as they differ from the rates herein established and that the rates herein established are just and reasonable rates for the service rendered; and basing its order upon the foregoing finding of fact and upon the other statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Wm. L. Govan be and he is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, the following rates for water delivered to his consumers, said rates to be charged for all water delivered subsequent to June 15, 1926, except

as otherwise provided herein.

FLAT RATES

For water furnished to

1. Residence,
2. Family or party camping or living in tents,
3. Store or other place of business,
Annual Charge. \$20.00

4. For each hotel, lodging house,
Annual base rate 18.00
Additional for each rentable room
in the above (Item 4). 1.25

All rates are payable in advance and are for the calendar year.

IT IS HEREBY FURTHER ORDERED that for the year 1926 the rates to be charged shall be based upon the proportion of twenty-five per cent. of the heretofore existing rates to cover the period to and including the fifteenth day of June, 1926, and seventy-five per cent. of the rates as herein established to cover the remainder of the season subsequent to the effective date of said rates, to-wit, the fifteenth day of June, 1926.

IT IS HEREBY FURTHER ORDERED that Wm. L. Govan be and he is hereby directed to file with the Railroad Commission within twenty (20) days from the date of this order, rules and regulations governing the service of water to his consumers, said rules and regulations to become effective upon their approval by the Railroad Commission.

For all other purposes the effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 14th day of June, 1926.

W. L. Govan
C. S. Shaw
Leon White
Commissioners.