

ORIGINAL

Decision No. 22758.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
Hattie H. Saunders, Executrix of the
Estate of C. E. V. Saunders, deceased,
doing business under the name of the
Madden Creek Water Company, for an
order authorizing an increase of rates.

Application No. 16478.

George E. Baldry, for Applicant.
H. F. Droste, for certain consumers,
Protestant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Hattie H. Saunders, Executrix of the estate of C. E. V. Saunders, deceased, makes application for an increase in rates for the public utility water system which is owned and operated under the fictitious name and style of the Madden Creek Water Company and which supplies water for domestic purposes in the Homewood and McKinney Tracts at Lake Tahoe, Placer County, California.

The application alleges in effect that the revenues from the present rates have been insufficient to return the annual maintenance and operation expenses of the system and pipe main replacements besides allowing a just and fair interest return on the invested capital. Wherefore, the request is made for an order of the Commission granting an increase in rates.

A public hearing was held in this matter before Examiner Satterwhite at Homewood on June 27, 1930.

A report on the operation of this utility, including a detailed appraisal of the properties which are used and useful in providing the service of water to the consumers, was submitted at the hearing by H. A. Noble, one of the Commission's hydraulic engineers. This report was compiled from data obtained from a recent field investigation of the utility, which included an inspection and analysis of the available book accounts and records. The appraisal shows the total of \$7,900. as the estimated original cost of the properties exclusive of water rights as of June 1, 1930, and a depreciation annuity of \$101.85 as computed by the 5 per cent sinking fund method. No appraisal was submitted by applicant, but the 1929 annual report of the utility to the Commission sets forth the total cost of the plant and equipment as of December 31, 1929, as \$9,050.

The book accounts and records of the operations of this utility for past years are fragmentary and incomplete and, therefore, data to permit a complete analysis of the details of the various items of capital expenditure which made up the above total of \$9,050. was not obtainable.

The maintenance and operation expenses, exclusive of depreciation, as given in the annual reports to the Commission, totalled \$1,629.01 for 1927; \$1,490.82 for 1928; and, \$1,607.00 for 1929. The evidence shows that the above totals do not give the correct operating expenses for these years respectively by reason of the inclusion of certain expenditures improperly charged as operating expenses instead of capital, depreciation reserve or other accounts. Analysis of the details as submitted of the 1929 operating expenses indicates a correction of at least \$482.19, which will reduce the total of \$1,607.00 as reported to \$1,124.81. Based on a study and analysis of the operating

expenses incurred for the year 1929, the Commission's engineer submitted an estimate of \$990.00 as a reasonable allowance for the annual maintenance and operation expenses for future operation of the system taking into consideration present operating methods and conditions.

After careful consideration of the evidence submitted regarding operating expenses, it is concluded that \$1,100.00 for such expenditures, including the depreciation annuity, is a reasonable amount for these costs to allow for the purpose of this proceeding.

The annual revenues under the rates at present in effect total about \$975.00. Therefore, it is apparent that applicant is entitled to an increase in rates.

The water supply, which is obtained by diversion of the flow of Madden Creek, is delivered by gravity into the distribution pipe system in the tracts, consisting of about 9,277 lineal feet of 2-inch and 5,575 lineal feet of 1-inch screw pipe. All delivery to consumers is on the flat rate basis. The water use on the system is largely for summer residence purposes. At present there are about 68 residential users and 9 commercial users, including hotels, stores and groups of cabins and tents. A number of complaints were made regarding existing poor service conditions by reason of inadequate volume and pressure of delivery to certain consumers and of the silt carried in the water from the source of supply. It appears from the evidence that the poor service complained of is largely confined to the lower portion of the distribution system where a number of consumers obtain their service from 1-inch pipe mains extending to dead ends. Applicant is hereby directed to take immediate steps to remedy the above

mentioned poor service conditions by installation of larger pipe mains where necessary and by the erection of a proper settling tank at the source of supply.

After careful study of the data submitted regarding water use, taking into consideration the form of rate schedules at present in effect, the rates set out in the following order have been computed and designed to return the necessary and reasonable operating expenses, including depreciation as indicated above, and allow for what is considered under the circumstances to be a fair interest return on the investment, including the cost of the additions and betterments which applicant is required to install in order to provide proper and adequate service to the consumers.

O R D E R

Hattie E. Saunders, Executrix of the estate of C. E. V. Saunders, who owns and operates a public utility water system under the fictitious name and style of the Madden Creek Water Company, having made application to the Commission for authority to increase rates, a public hearing having been held thereon, the matter having been submitted and the Commission being fully advised in the premises,

It is hereby found as a fact that the present rates charged by applicant for water delivered to the 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 to be charged for such service.

Basing its order upon the foregoing findings of fact and upon the other statements of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that Hattie H. Saunders, Executrix of the estate of C. E. V. Saunders, deceased, be and she is hereby directed to file with this Commission within twenty (20) days from the date of this order the following schedule of rates to be charged for all water delivered to consumers, beginning with the present season of 1930:

FLAT RATE SCHEDULE

Per Season

1. For private residences, each \$18.00

Commercial Use:

2. For hotels - according to number of rooms and whether or not rooms have running water, each\$20.00 to \$60.00

3. For public dining rooms operated in conjunction with hotels, tent camps, or groups of cabins, each \$20.00

4. For stores, public garages and gas and oil service stations, according to use of water, each\$10.00 to \$18.00

5. Additional charges to be added to above items 2 and 4 for following uses of water:

- For camping tents having running water, each.. \$4.00
- For cabins having running water, each 6.00
- For each bath tub 2.00
- For each patent toilet 2.00
- For each public bath house, including toilets, 8.00

IT IS HEREBY FURTHER ORDERED that Hattie V. Saunders, Executrix of the estate of C. E. V. Saunders, deceased, be and she is hereby directed to file with this Commission, within thirty (30) days from the date of this order, rules and regulations to govern relations with the consumers of said Madden Creek Water

Company, such rules to become effective upon their acceptance for filing by the Commission.

IT IS HEREBY FURTHER ORDERED that Hattie V. Saunders, Executrix of the estate of C. E. V. Saunders, deceased, shall within thirty (30) days of the date of this order, submit to this Commission for its approval plans and specifications for the necessary improvements to its system as indicated in the foregoing opinion and which will remedy the existing inadequate service conditions and that following such approval by this Commission the installation of the improvements shall be undertaken at once and completed in no case later than the twenty-fifth day of July, 1931.

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

Dated at San Francisco, California, this 6th day of August, 1930.

Cl. Scamier
Francis C. Kelly

Wm. S. Lunt

M. J. Cunn

Commissioners.