

ORIGINAL

Decision No. 34820

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
R. R. and or Sadie Vermillion (his wife)
for an order establishing and or fixing
the rates to be charged by them for
water service to consumers.

Application No. 23971.

R. R. Vermillion for Applicants.
Irwin T. Quinn for Klamath Realty Company.
George Cochrane for Consumer.

BY THE COMMISSION:

O P I N I O N

In this proceeding R. R. Vermillion and Sadie Vermillion, his wife, ask for the establishment of rates for water service rendered in Klamath Glen, Del Norte County.

A public hearing was held in this matter before Examiner M. R. MacKall in Klamath Glen.

Klamath Glen, consisting of a resort property of twenty-nine acres, and a forty-eight acre subdivision containing 110 lots, officially designated "Klamath Glen Unit One," is located on McBeth's Flat along the banks of the Klamath River about four miles upstream from the town of Klamath in Del Norte County. In 1934, applicants entered into an agreement with the Klamath Realty Company to purchase the resort. This sales contract, among other things, obligated the buyers to furnish water service to all residents of the subdivision. In 1940, James G. Gross, a permanent resident of the Glen and a water user, filed a formal complaint with the Railroad Commission demanding improved and dependable water service and requesting the determination of the status of the water plant as to public dedication. For the purpose of broadening the scope of the inquiry to cover various phases of the problems involved, which clearly were not put in issue

by the complaint as filed, the Commission instituted an investigation on its own motion into the affairs of this waterworks. As a result of these proceedings Decision No. 34199 was issued May 13, 1941, declaring the water system to be a public utility under the control and jurisdiction of the Railroad Commission and R. R. Vermillion and Sadie Vermillion were directed to install several major improvements, such as a new well and pumping equipment of increased capacity, etc. to provide and assure continuous, adequate and satisfactory service of water throughout the subdivision during all times of the year.

In compliance with the above orders, the Vermillions drilled a new well, installed a new pump and motor, and made sundry other and further improvements. Thereafter, and in view of the relatively substantial expenditures required to provide the class of service demanded by the consumers, applicants filed this petition for the establishment of reasonable and compensatory rates. The Commission also was requested to authorize rules and regulations governing all water operations.

A report was submitted at the hearing by J. C. Luthin, one of the hydraulic engineers of the Commission, setting forth the estimated normal operating expenses, including depreciation, at \$412 per year and \$320 as the maximum possible annual revenue obtainable under the present rates, if all properties were occupied, a condition which as yet never has obtained. This revenue account does not include deliveries to the resort. The current actual revenue has been substantially less during past few years. In 1940 some consumers refused to pay for water upon the grounds that the rates had not been fixed by the Commission and in some instances upon the claim that the service was too poor.

Many water users in the Subdivision protested against any increase in rates, generally because their homes are occupied only for

short periods during the summer and in the fall fishing and hunting seasons. The record shows that out of a total of thirty homes in the Subdivision not over a half dozen are occupied throughout the entire year by permanent residents. The other places are used at various times throughout the year during week-ends and holidays and summer, but mainly, however, during the fall steelhead and salmon fishing for which this Klamath River district is world famous.

Characteristic of resort water demand is that practically all consumer use occurs during but a few weeks or months of the recreation season with only occasional and intermittent service requirements at other periods of the year. In most instances, as here, the percentage of customers permanently domiciled in the community is very small. This creates a serious economic problem arising from the fact that the utility operator legally is obligated to maintain his entire system in readiness to serve at all times of the day and night throughout the entire year. In fairness to the plant operator due recompense should be made for the availability of this continuous service. Experience indicates that a basic annual charge for water under such conditions results in the least amount of unfair discrimination among water users.

The evidence shows that this water plant besides supplying the Subdivision also furnishes water to the resort properties. All service being unmeasured, there was no reliable information presented indicating the volume of deliveries. The testimony is clear, however, that the resort water use is substantial as is its demand upon the electric generating plant. One consideration, therefore, must be given to these factors and to the other elements of operation, including the utility's Railroad Commission expenses and also to the future revenue producing possibilities.

The rate schedule set out in the following Order appears at this time to be fair and proper under the circumstances. The rate of Eighteen Dollars per year requested in the application does not appear to be warranted by the evidence and testimony.

ORDER

Application as entitled above having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now being charged by R. R. Vermillion and Sadie Vermillion, his wife, for water delivered to their consumers in Klamath Glen, Del Norte County, 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 the service rendered, and based upon the foregoing finding of fact and upon the further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that R. R. Vermillion and Sadie Vermillion, his wife, be and they are hereby authorized and directed to file with the Railroad Commission within thirty (30) days from the date of this Order, the following schedule of yearly rates or annual charges for water delivered to their consumers:

RATE SCHEDULE

FLAT RATES

	<u>Per Year</u>
Annual Charge Payable in advance.	
Klamath Glen Subdivision:	
House of 3 rooms or less, including 1,500 square feet of lawn, garden or shrubs,.....	\$16.00
For each additional room,.....	0.50
For each additional 1,000 square feet of lawn, garden or shrubs,.....	1.00

METER RATES

Annual Minimum Charge,

5/8 x 3/4" Meter..... \$16.00

Entitling the consumer to 500 cubic feet or less each month for any period of five consecutive months during the calendar year and to 50 cubic feet per month during any of the other months of said calendar year.

All in excess of the above amounts,
Per 100 cubic feet.....\$0.15

IT IS HEREBY FURTHER ORDERED that R. R. Vermillion and Sadie Vermillion, his wife, be and they hereby are directed as follows:

1. Within thirty (30) days from the date of this Order, to submit to this Commission for its approval four sets of rules and regulations governing relations with their consumers, each set of which shall contain a suitable map or sketch drawn to an indicated scale upon a sheet approximately 8 1/2 x 11 inches in size, showing the area served and the location thereof with reference to the surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
2. Within sixty (60) days from the date of this Order, to file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 400 feet to the inch, upon which shall be delineated correctly by appropriate markings the various parcels in the territory served, and the location and size of all transmission and distribution pipe lines. This map should be reasonably accurate and show the source and date thereof.

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 12th day of January, 1942.

[Signature]
[Signature]
[Signature]
 COMMISSIONERS.