

Decision No. 40613

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
EUELL Y. GRAY, dba POLLOCK PINES WATER
COMPANY, for authority to increase
rates, Pollock Pines, El Dorado County.

Application No. 28372

Henry S. Lyon, for Applicant.

CRAEMER, Commissioner:

O P I N I O N

Euell Y. Gray, operating a public utility water system under the firm name and style of Pollock Pines Water Company, in and in the vicinity of the unincorporated town of Pollock Pines, El Dorado County, asks the Commission to establish an increased schedule of rates for water service.

Applicant alleges that owing to the rapid growth of the community of Pollock Pines, he must spend a sum in excess of \$12,000 to provide additional water supplies, pumping equipment, storage tanks and distribution pipe lines, and that the rates at present in effect will not produce sufficient revenue to equal maintenance and operating expenses. The application further alleges that 75 per cent of the customers are favorable to an increase in the minimum monthly charges from \$1.50 to \$3.00 for domestic service and from \$2.00 to \$4.00 for commercial establishments, provided an adequate supply of water is obtained.

A public hearing in this matter was held at Pollock Pines.

Pollock Pines is a subdivision consisting of 137 lots and has a total area of approximately 40 acres. It is located approximately 14 miles east of the City of Placerville on the Placerville-Tahoe Highway.

Water is obtained from four springs located in the southeast corner of the northeast quarter of Section 36, T. 11 N., R. 12 E., M.D.B. & M., on property owned by applicant. A temporary supply now is obtained from adjacent property and piped

to one of the springs through 5,600 feet of 1½-inch pipe. Water from the springs is lifted by pumping against a head of 275 feet through 1,700 feet of 1½ and 2-inch pipe into a 9,000-gallon tank. Distribution is by gravity through 7,870 feet of 1 and 1½-inch pipe lines to an average of 65 to 70 customers. Water also is delivered from this tank to a 5,000-gallon elevated tank on Lot 16, supplying one section of the service area. Twenty-two customers are served at meter rates, the balance at flat rates. The present pumping equipment can deliver 16,000 gallons per day when water is available.

The present schedule of rates was established by the Commission in its Decision No. 32551, dated November 14, 1939. The flat rates provide for a charge of \$1.50 per month for domestic service, \$2.00 per month for commercial service and \$6.00 per month for emergency service to the Pollock Pines School District. The meter rates provide for a \$1.50 minimum monthly charge with an allowance of 500 cubic feet of water, and 25 cents per 100 cubic feet for all water used in excess of 500 cubic feet.

Mr. Gray testified that the revenue derived from the sale of water for the first six months of 1947 totalled \$633 and that the expenditure for electric power alone for this period was over \$50 per month and will be increased by additional pumping installations. He claims that the operation of the system requires his full time, resulting in an out-of-pocket operating loss. The annual reports filed with the Commission show the following results of operation for the years that he has operated the property:

<u>ITEM</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>
Fixed Capital	\$3,500.00	\$4,892.00	\$7,237.00
Operating Revenue	853.85	879.96	1,277.87
Operating Expenses	<u>679.32</u>	<u>700.34</u>	<u>2,282.71</u>
Net Operating Revenue	174.53	179.62	(1,004.84)
Rate of Return	4.99%	3.67%	(13.89%)

(Red Figures)

Mr. Gray has acquired property containing a spring which he plans to develop through an infiltration gallery. Water from this source would require

pumping against a 300-foot head through approximately 1,700 feet of pipe to reach the present distribution system. Mr. Gray stated that he expected this source would provide the community with sufficient water for some time in the future. The estimated cost of improvements for Pollock Pines and Fresh Pond areas total \$12,109 detailed as follows:

<u>POLLOCK PINES</u>	<u>Amount</u>	<u>Total</u>
One 5-horsepower electric pump	\$ 750	
4,300 feet of 3 and 4-inch pipe	2,080	
Excavating and concreting gallery	2,000	
Installing pump	200	
4,000 feet of 2-inch casing	1,100	
Labor and rights of way	350	
60,000-gallon concrete tank	<u>3,500</u>	
Total Pollock Pines	\$9,980	
 <u>FRESH POND</u>		
One 15-horsepower electric pump	\$1,259	
700 feet of 4-inch pipe	420	
Installing pump	300	
Labor and rights of way	<u>150</u>	
Total Fresh Pond	\$2,129	\$12,109

Mr. Gray proposes to develop the water supply first and progressively install larger mains to replace the existing small and inadequate pipe lines.

A report presented by Mr. John D. Reader, one of the Commission's engineers, showed the estimated cost of the fixed capital installed and the estimated operating revenues and operating expenses for 1947. This report also gives the estimated results of operating the system during 1947 under the present and the requested rates, based upon the present investment in fixed capital and also upon the assumption that the proposed improvements, amounting to \$8,060, were installed and in operation. No allowance was included in the latter for the cost of replacing the distribution mains in Pollock Pines. Mr. Gray proposes to develop the new source of water supply before enlarging the mains. The additional pump and pipe included in Mr. Gray's estimated improvements are for the purpose of supplying the Fresh Pond area entirely separate from the Pollock Pines System.

Proposed Improvements - Pollock Pines:

10 x 20-foot pump house	\$ 500
Excavating and concrete lining 10 x 10-foot infiltration gallery, 20 feet deep	2,000
One Fairbanks-Morse plunger pump and 5-horsepower motor installed	550
Switches and wiring	150
1,700 feet of 3-inch pipe to Pollock Pines distribution system	1,360
60,000-gallon concrete storage tank on Lot 92	<u>3,500</u>
Total Additions	\$8,060

Retirements - Pollock Pines:

Three small springs adjacent to the main spring	\$1,555
Jacuzzi 1 1/2 x 1-inch pump with 1/4 horsepower motor	128
5,600 feet of temporary 1 1/2-inch pipe to leased spring	<u>1,581</u>
Total Retirements	\$3,264

Net Additions \$4,796

The following tabulation summarizes the above figures and shows the estimated rates of return:

POLLOCK PINES - PRESENT SYSTEM

	<u>Under Present Rates</u>	<u>Under Requested Rates</u>
Estimated Operating Revenues	\$1,266	\$2,364
Estimated Operating Expenses	<u>1,441</u>	<u>1,642</u>
Estimated Net Operating Revenue	(175)	722
Fixed Capital as of June 5, 1947	10,538	10,538
Estimated Rate of Return	(1.66%)	6.85%

POLLOCK PINES - WITH PROPOSED NET ADDITIONS

	<u>Under Present Rates</u>	<u>Under Requested Rates</u>
Estimated Operating Revenues	\$1,464	\$3,156
Estimated Operating Expenses	<u>1,842</u>	<u>2,190</u>
Estimated Net Operating Revenue	(377)	966
Estimated Fixed Capital	15,334	15,334
Estimated Rate of Return	(2.46%)	6.30%

Red Figures

The operating expenses reported by the company for 1946 include approximately \$1,200 actually spent for capital items, but do not include any charges for Mr. Gray's time and labor for operation of the system. The sum of \$10,538 shown by Mr. Reader for fixed capital in service in 1947 includes the above capital items improperly charged to operating expenses and also 5,600 feet of 1½-inch pipe installed subsequent to the filing of the company's 1946 annual report.

Consumers complained of poor and continuously interrupted service and insufficient water; that the pipe lines are too small and worn-out; and, that Mr. Gray has not fulfilled his promises to provide an adequate water supply. They objected to any increase in the water rates until the system is satisfactorily improved. Certain consumers operating auto courts objected to pay a \$1.50 minimum charge for each unit and because the water is delivered through a single service connection they demanded metered service so that the charges would be based on the quantity of water consumed. The Commission's order herein will provide for measured service to auto courts.

The evidence presented in this proceeding indicates that the present rates do not yield sufficient revenue to pay bare operating costs. The objections of many consumers that improvements should be made before a substantial rate increase is authorized has much merit. However, Mr. Gray cannot be expected to invest the considerable capital now absolutely necessary while presently operating at a loss. Under the circumstances an interim increase in the rates will be granted at this time which will bring in sufficient additional revenue to assure continued operation of the system without the present accumulating deficit. When the service has been improved sufficiently to so warrant, applicant may then file the necessary petition for further hearing herein when a permanent rate structure will be established. Under these circumstances Mr. Gray will be expected to take immediate steps to replace the existing inadequate water mains.

Applicant asked to be granted a certificate to serve a tract of land known as Fresh Pond. This territory is approximately 2½ miles east of applicant's

service area and presently is the site of the large saw mill and log pond of the Placerville Lumber Company, together with some sixty cottages occupied by company employees. The saw mill, log pond and employees now receive water from the Pacific Gas and Electric Company through its El Dorado Ditch. Applicant proposes to obtain his water supply from the Pacific Company through an agreement whereby he will exchange the water so acquired with his own spring water to be delivered to Pacific Gas and Electric Company at the forebay of its local power house. However, no final agreement has been entered into for this exchange of water or for any water to date of hearing. The evidence on the amount of water required for the industrial and domestic load was uncertain and wholly insufficient. The record conclusively shows that negotiations for this new service have not as yet reached a stage of certainty that would warrant approval at this time. Application to serve water in the Fresh Pond area, therefore, will be denied without prejudice at this time.

The record shows that a public utility district recently has been formed embracing a large portion of applicant's present as well as proposed service area. This district is called the Pollock Pines Fresh Pond Public Utility District. No evidence was presented as to the district's plans, if any, for serving this territory, or of its present financial ability to provide funds to install the necessary water production and distribution facilities. The ability of this district to offer service in the near future is indefinite and thus is no obstacle to applicant's presently proposed operations.

The following form of Order is recommended:

O R D E R

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

IT IS HEREBY FOUND AS A FACT that the rates now charged by Euell Y. Gray, doing business as Pollock Pines Water Company, for water supplied to his customers in and in the vicinity of Pollock Pines, El Dorado County, are unjust and unreasonable in so far as they differ from the rates established herein, and that the rates herein established are just and reasonable rates to be charged for the service to be rendered, and basing its Order upon the foregoing findings of fact and upon further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Euell Y. Gray, doing business as Pollock Pines Water Company be and he is hereby authorized to file with the Public Utilities Commission of the State of California, within sixty (60) days from the date of this Order, the following schedule of rates to become effective on and after the first day of September, 1947.

Schedule No. 1

FLAT RATES

Applicability:

Applicable to all water service rendered on a flat rate basis.

Territory:

In and in the vicinity of Pollock Pines, El Dorado County.

Rates:

	<u>Per Month</u>
Residences	\$2.25
Commercial and business establishments	2.75
For emergency service to Pollock Pines School District, to be charged only for those months during which the school actually uses water through the service	6.00
Service to auto courts, bungalow courts and other commercial enterprises will be furnished at metered rates.	

Schedule No. 2

METER RATES

Applicability:

Applicable to all water service rendered on a metered basis.

Territory:

In and in the vicinity of Pollock Pines, El Dorado County.

Rates:

Per Meter
Per Month

Minimum Monthly Charges:

5/8 x 3/4-inch meters	\$2.00
3/4-inch meters	2.50
1-inch meters	3.50

Each of the foregoing Minimum Monthly Charges will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the following Monthly Quantity Rates:

Monthly Quantity Rates:

First 500 cubic feet or less	\$2.00
Next 1,500 cubic feet, per 100 cubic feet30
Over 2,000 cubic feet, per 100 cubic feet25

Meters may be installed at the option of either the company or the consumer.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Public Utilities Commission of the State of California.

Dated at San Francisco, California, this 12th day of August, 1947.

Harold H. Kuls
Justus F. Cravens
W. H. Howell
A. E. [unclear]
[unclear]
Commissioners.

