

ORIGINAL

Decision No. 40926

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of
CAMP ROSE COMPANY, for authorization
to increase water rates to consumers.

Application No. 28277

John A. Condit, for applicant.
E. Wallis Tarratt, for consumers.

O P I N I O N

Camp Rose Company, a corporation, operates a water system supplying water for domestic purposes in a subdivided area bordering on the Russian River, about two miles east of the city of Healdsburg, in Sonoma County. In this proceeding the Company asks the Commission for authority to increase rates, alleging that the system for ten years last past has been operated at a loss, which has been borne personally by Mr. R. C. deLong and Verna Ray deLong, his wife, president and secretary, respectively, of the Company; that the system was installed to serve summer residents only, but during the last four years the houses within the tract have been occupied during the entire year, increasing the operating cost of the system; and, that owing to the flood damaging the system in 1937, applicant was compelled to borrow \$1,800 to make the necessary replacements and repairs to the property but the existing rates do not produce sufficient revenues to provide for repayment of the loan.

A public hearing in the proceeding was held at Healdsburg before Examiner Stava.

Camp Rose Company was incorporated in 1908 for the purpose, among other things, of developing land and constructing and operating water systems. The Company originally subdivided 160 acres of land into 375 lots and installed a water system to aid in the sale thereof. The present system serves 76 customers in an

area embracing 212 lots. Water mains were removed from one 50-lot section because no homes ever were built therein. Another area containing 47 lots was never piped, the remaining 66 lots have been deeded to the State, location thereof being on a hillside too steep for satisfactory residential use. The tract was developed for summer homes and vacation occupancy and called Camp Rose. In recent years, however, the general housing shortage has changed the character of the community, until at present it is largely a permanent suburban residential area.

The original source of water supply for this project was a spring located outside the tract, subsequently abandoned in lieu of a new supply developed from two tunnels on the tract. These tunnels, however, failed to produce sufficient water and in 1921 an additional supply was obtained from a well dug near the river. This well was destroyed by the 1937 flood and thereafter all pumped water has been obtained by pumping directly from the river.

The service area is steep and hilly, the difference in elevation between the river and the highest operative storage tank being 600 feet. The service area is divided into two zones. Water from the river is elevated 100 feet by pumping into a 8,500-gallon storage tank, supplying the lower zone. From this tank the water is boosted 500 feet into a 4,500-gallon storage tank serving the upper zone. The river pump is controlled automatically but for reasons not satisfactorily explained, the booster pump is still inefficiently and expensively operated manually. The water is distributed through 11,920 feet of small and inadequately sized mains, from one to two inches in diameter. The lack of proper main capacity is the major cause of the poor service existing on this system.

A fire in 1945 destroyed 14 homes on the tract, in a section supplied from the upper zone, balanced by an 8,500-gallon tank. Three homes have been rebuilt this year in the burned-out area and now are being inadequately served from the existing pipelines, no effort having been made to operate the third zone booster pump, or the 8,500-gallon tank.

The present 76 customers are all served at flat rates under a schedule established by the Commission in its Decision No. 974S, issued November 11, 1921, providing for an annual charge of \$15 for each residence. Applicant charges \$20 per year for apartments and cabins, and courts, served through a single service

connection. The Commission in this proceeding is asked to establish an annual flat rate of \$34 per customer.

Mr. R. C. deLong, president of Camp Rose Company, testified that the present rate was satisfactory when established in 1921, when the tract was a summer resort colony consisting of 60 cabins and houses occupied only six weeks to not more than three months during the summer season. At that time water was partially supplied by gravity and pumping costs were a small item of operating expenses. Under these conditions the rate produced sufficient revenue to meet operating expenses and to provide a return on the investment. He stated further, however, the character of the service has gradually changed and of the 76 customers now being served, 43 are permanent, the balance being summer and weekend residents. During the war practically all houses on the tract were occupied throughout the year. The increased demand necessitated the installation of larger pumps which with higher costs of labor and material, doubled maintenance and operating expenses. The Company furthermore also suffered a severe annual loss in revenue after a brush fire destroyed 14 dwellings on the tract in 1915.

Mr. deLong compared the results of operation of the system for the year 1922 with the last 11 years when losses began to occur. These figures appear in the Company's annual reports and are summarized in the following tabulation together with his estimate of 1947 operations under the requested rate.

	: 1922 :	: 1936 :	: 1938 :	: 1940 :	: 1942 :	: 1944 :	: 1946 :	: Estimated :
	: 1922 :	: 1936 :	: 1938 :	: 1940 :	: 1942 :	: 1944 :	: 1946 :	: 1947 :
Fixed Cap.	\$4,096	\$7,597	\$8,046	\$8,269	\$8,439	\$8,779	\$9,006	\$9,006
Oper. Rev.	900	1,350	1,170	1,335	1,260	1,260	1,080	2,454
Oper. Exp.	725	1,305	1,080	1,365	1,288	1,282	1,436	1,822
Net Revenue	175	45	106	(30)	(22)	(22)	(356)	632
No. of Cust.	60	90	73	89	84	84	72	76
				(Red Figure)				

From the testimony it appears that in 1937 flood waters destroyed the Company's pumping plant, pump house and connecting mains which were replaced at a cost of \$1,800 which amount the Company was forced to borrow. No payments have been made on the principal of the note but the interest payments and losses sustained by

system operations have been paid from the private funds of Mr. and Mrs. deLong.

Mr. John D. Reader, one of the Commission's engineers, presented a report setting forth the estimated historical cost of the physical properties to be \$8,177 as of August 6, 1947; revenues for the year 1947 at present rates \$1,220, and \$2,536 at proposed rates. He estimated the reasonable operating expenses at \$1,525, including an allowance of \$90 for depreciation computed by the 5% sinking fund method. Using the above figures, operations for 1946 under present rates indicate a loss of \$305, but a net revenue of \$233, under the proposed rate, or a net return of 10.19%. Mr. Reader recommended the installation of meters to control extravagant use of water and also to provide nondiscriminatory charges for apartments and cabin courts not covered by the flat rate schedule. Mr. Reader included \$90 per year in operating expenses to amortize the \$1,800 flood expenditure over a period of 20 years.

The principal differences in the estimates of the two witnesses is due to the method of providing depreciation. Mr. deLong included an allowance of \$540, which is 6% on the book value of the system, to provide funds for repayment of the \$1,800 indebtedness and also to recoup past losses in operation. This allocation for such purposes obviously is not proper.

Considerable dissatisfaction was registered by many of the consumers who testified that the quality of the water was poor, that the water was unsafe and often highly discolored. Frequent interruptions in service have occurred, lasting as long as three consecutive days. Failure to make prompt repairs to pumping equipment and leaks became a general practice. Negligence in cleaning out pipelines after making main repairs has resulted in large quantities of muddy water being distributed throughout the system. The policy of the Company in refusing to serve water for flower, garden and lawn irrigation has resulted in great dissatisfaction, and according to several residents has adversely affected property values. Most consumers demanded that they be given sufficient water to landscape their properties and irrigate flowers and gardens to make their homes look more attractive and for this reason demanded that the present unauthorized restrictions of service to

household use only, be abolished immediately. The demand also was made that the working pressures be increased throughout the system, especially in the higher elevations of Camp Rose where there is seldom any water at all.

Certain consumers requested an extension of service into the burned-out area, principally along Madrone Avenue where there are several desirable building sites. Witnesses testified that many new homes would be constructed in the service area of this utility if adequate water service would be made available and claim that the addition of new consumers with the accompanying additional revenue is made impossible by the refusal of Mr. deLong to extend mains in the area formerly supplied in the third operating zone. A general request was made by the consumers for the installation of meters which would provide a method of checking carelessness and waste of water and would conserve enough water to provide a more generous supply to all consumers.

Mr. deLong in reply to these charges stated that several interruptions were caused by breakdowns in pumping equipment and inability to obtain with dispatch proper repair parts. The burning-out of motors, and the breaking of pipelines by the County grading equipment caused other serious service interruptions. However, Mr. deLong testified that he was not able to finance the cost of completely metering the system and installing larger mains, and furthermore he did not consider it an obligation on the part of the utility to provide water service for lawn and garden irrigation, nor to spend money to install mains large enough to provide water for such purposes.

The manager of this water system most unfortunately has misconstrued his duties and obligations to his consumers as the operator of a public utility. The members of the public served by this utility are entitled to continuous and adequate water of good quality at satisfactory working pressures throughout each twenty-four hours of every day of the year, subject, of course, to emergency interruptions. The consumers are entitled to sufficient water to sprinkle and irrigate lawns, gardens and shrubbery. This Commission never has authorized applicant to limit its water service strictly to interior household use for cooking, washing and sanitary purposes only. Such restrictions are authorized by this Commission only in cases

of extreme emergencies, such as abnormal drought or disaster. No rational excuse for inadequate water deliveries can exist on this system where the water is pumped directly from the Russian River and all required water is readily available.

In spite of the contentions of Mr. deLong that he must and does devote his entire time to the operation of this small water system serving but 76 consumers, the evidence shows that actually the pumping equipment, tanks and distribution mains are in a serious state of disrepair through neglect and improper maintenance. In addition to this no attempt has been made to install a larger feeder main to relieve the shortage of water throughout the entire system even under present restricted service. No effort has been made by the operators to put back in service the high level tank which would vastly improve service and provide much needed carry-over storage. This latter neglect has prevented the addition of many new consumers, - people who are anxious, ready and willing to build new homes in Camp Rose, new consumers who would add substantial new revenues to the Company.

It is clear that applicant should receive more money, if it is to provide a satisfactory water service to its consumers. It is equally true that the water users are entitled to more water, and better service than they are now receiving, and are entitled also to a schedule which should eliminate present unfair discrimination. To this end this Company will be expected to install automatic control on all pumping units not so equipped at present, and place in service the storage tank heretofore supplying the burned-out area. Service should be extended without delay to new applicants in this latter area under the utility's regular extension rules. The same policy must, of course, be followed throughout the rest of the territory served, as well. All attempts to limit consumers to water for interior household use only, must be discontinued at once. In the event the increased schedule of rates authorized in the following order fails to yield a reasonable return after installation of the improvements outlined above, this Company then may again apply to the Commission for adjustment of rates.

O R D E R

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

IT IS HEREBY FOUND AS A FACT that the rates now charged by the Camp Rose Company, a corporation, for water delivered to its customers in Camp Rose, County of Sonoma, are unjust and unreasonable in so far as they differ from the rates herein established; that the rates herein established are just and reasonable rates to be charged for the service to be rendered; that the increase in charges authorized by this decision is hereby found to be justified; and, basing its Order upon the foregoing findings of fact and upon the further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Camp Rose Company be and it is hereby authorized and directed to file in quadruplicate, in conformity with this Commission's General Order No. 96, within thirty (30) days from the date of this Order, the following schedule of rates to be charged for all water service rendered its customers on and after December 1, 1947:

Schedule No. 1

ANNUAL FLAT RATES

Applicability:

Applicable to residential service rendered on an unmeasured basis.

Territory:

In and in the vicinity of the town of Camp Rose, located on the Russian River near the City of Healdsburg, Sonoma County.

Rates:

Per Year

Annual charge for the calendar year, payable in advance	\$24.00
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Schedule No. 2

METER RATES

Applicability:

Applicable to residential service, apartment buildings, cabin courts, auto courts and similar classes of demand.

Territory:

In and in the vicinity of the town of Camp Rose, located on the Russian River near the City of Healdsburg, Sonoma County.

Rates:

Annual charge for the calendar year, entitling the customer to 400 cubic feet of water per month, payable in advance \$24.00

For all water used in excess of 400 cubic feet per month, the following Quantity Rates shall apply:

First 400 cubic feet, included in annual charge	\$2.00
Next 600 cubic feet, per 100 cubic feet40
Next 1,000 cubic feet, per 100 cubic feet35
Over 2,000 cubic feet, per 100 cubic feet25

A meter may be installed by the company or shall be installed upon demand of the consumer.

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 November 1947.

Harold P. Kula
Justice J. C. Cullen
W. H. F. F. F.
A. E. J. J. J.

Commissioners.