

Decision No. 41971

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Lake Gregory Water
Company for a Certificate of
Convenience and Public Necessity.

ORIGINAL
Application No. 28694

Application of Lake Gregory Water
Company for authority to increase
public utility water corporation
rates.

Application No. 29436

Gordon, Knapp and Hennessy, by
Wyman C. Knapp, for applicant;
Thelma M. Babcock, interested
party; F. E. Sylvester, interested
party; H. L. Sarver, interested
party.

O P I N I O N

Lake Gregory Water Company, a corporation, engaged in the business of furnishing public utility water service in a mountain resort area in the vicinity of Lake Arrowhead, San Bernardino County, approximately 20 miles distant from the city of San Bernardino, asks this Commission to make its order granting applicant a certificate of public convenience and necessity authorizing applicant to extend its water service to certain additional tracts of land, and authorizing applicant to increase its rates for all water sold in its entire service area.

Public hearings were held at San Bernardino before Examiner Thompson, the two matters being consolidated for the taking of evidence and for decision thereon.

Lake Gregory Water Company was organized primarily for the purpose of developing and furnishing an adequate supply of water, for

domestic and other purposes, to aid in the sale of subdivided property in the vicinity of Lake Gregory, San Bernardino County. By Decision No. 34162 dated May 6, 1941, in Application No. 24084, this company was granted a certificate of public convenience and necessity to render water service in Tract Nos. 1863, 1902, 2143, 2518, 2598, 2616, and 2626, San Bernardino County.

Applicant now requests a certificate of public convenience and necessity to render service in Tract Nos. 1968, 2209, 2683, 2723, 2727, 2736, 2744, 2870, 2871, 2872, 3016, 3107, and 3108, all of which are adjacent to or near the existing service area. Applicant alleges that no public utility service of water other than that offered by applicant is available to residents of the proposed service area. Applicant further states that all pipe lines and facilities are and will be located on private property, or in easements provided for that purpose, thus requiring no franchise for the present or contemplated operations.

Applicant's present water supply is obtained from five springs. Two other springs are owned by the company, but are as yet undeveloped. Water flows by gravity to five storage tanks having a total capacity of 794,000 gallons. Applicant proposes to install a new storage tank of 300,000 gallons capacity at a higher elevation in order to serve prospective consumers who will be located above the level of the existing tanks. This will require a booster pump for delivering water from the springs to the proposed tank.

Applicant testified that during the summer of 1947 it was necessary to purchase emergency water from the Crestline Mutual Water Company. To augment its future supply applicant has selected a well site near the edge of Lake Gregory, and proposes to install a pumping plant there when the water requirements demand it. It appears that there are sufficient supplies of water both present and prospective

to serve the reasonable demands of all consumers of the service area proposed herein. The distribution system consists of about 87,870 feet of pipe ranging from six inches to one-half inch in diameter. This includes the system in the proposed area which has already been installed as well as the system in the existing service area.

Exhibit 12 introduced in evidence by applicant, shows the fixed capital in service on December 31, 1947 was \$134,006. Mr. Everett L. Clark, as engineer for applicant, testified that his study of the original cost of fixed capital in service as of December 31, 1947 showed it to be \$148,735, a segregation of this amount by accounts being presented as Exhibit 11.

The record includes a statement by applicant, which discloses that in the 20 tracts comprising 562 acres of land in the present and prospective service areas, there are all together 3,316 lots, of which 1,947 are deeded, 802 are under contract of sale, and 567 are described as still open. A total of 188 consumers are now being served by applicant.

It appears from this evidence that applicant's service area is very sparsely built up, and there arises a question as to what proportion of the presently installed distribution facilities may be considered as economically used and useful in supplying present consumers. One of the Commission's engineers testified that, out of the total tangible capital of \$147,039 as submitted by applicant in Exhibit 11, he would estimate \$58,299 as not being used and useful in present water service. However, since applicant does not request rates to produce revenues sufficient to render any return on the investment, no finding will be made in this proceeding as to the amount of fixed capital in service to be included in any rate base.

Exhibit 8 shows the recorded revenues as \$2,364, and expenses, not including any depreciation allowance, as \$1,209 for the

year 1947. Applicant testified that this amount for operating expenses does not represent the true cost of operating the water system as many of the charges have not been properly allocated between the water utility system and the Lake Gregory Land Company.

Applicant, in its Exhibit 12, estimated immediate future average annual operating expenses, before depreciation, at \$7,297. The witness for the Commission's staff introduced into the record his Exhibit 14, with an estimate of operating expenses, before depreciation, of \$6,327. From the record as submitted, it is evident that some increase in rates for this utility is justified. Applicant's proposed rate schedules, as shown in Exhibit 12, will be adjusted and the Commission will authorize the flat and meter rate schedules set forth in the Order herein, which will produce an annual gross revenue increase of approximately \$1,290.

Considerable feeling was expressed by consumers attending the hearing that the water service was inadequate, particularly in the service area known as the Valley of the Moon. It was alleged that this condition was caused primarily by too many consumers being connected to lines of insufficient size and capacity. Applicant testified that considerable improvement had already been made in the system serving this area and that it is intended to make all further changes and additions required to render satisfactory service. The Commission will expect these improvements to be made to the extent necessary to furnish a reasonably adequate water service to all present and future consumers. The Commission will also require applicant to keep his records in accordance with the Uniform Classification of Accounts for water corporations.

The Commission has considered the request for a certificate of public convenience and necessity to render water service in the

proposed service area, and is of the opinion that it should be granted, subject to the following provision of law:

"That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity, in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right."

The Commission has also considered the request for an increase in water rates and, upon the facts presented, is of the opinion that an increase is justified to the extent set forth in the schedules contained in the Order herein.

O R D E R

Applications as entitled above having been filed with the Public Utilities Commission of the State of California, public hearings having been held thereon, the matters having been duly submitted and the Commission now being advised fully in the premises,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require and will require Lake Gregory Water Company, a corporation, to construct, maintain and operate its public utility water system, extended to render water service in Tract Nos. 1968, 2209, 2683, 2723, 2727, 2736, 2744, 2870, 2871, 2872, 3016, 3107, and 3108, in San Bernardino County, which are located near or adjacent to the applicant's existing service area, the entire area comprising 20 tracts as shown on the map designated as Exhibit A attached to Application No. 28694, and which map is hereby made a part hereof by reference, and

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and it is, hereby granted to Lake Gregory Water Company to extend its water service to and within the area herein described.

IT IS HEREBY FURTHER FOUND AS A FACT that the rates now charged by Lake Gregory Water Company, a corporation, for water supplied to its customers in certain tracts of land located in the vicinity of Lake Gregory, San Bernardino County, are unjust and unreasonable in so far as they differ from the rates established herein; that the rates herein established are just and reasonable rates to be charged for the service to be rendered; that the increase in rates 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 FURTHER ORDERED as follows:

1. That Lake Gregory Water Company, a corporation, be and it is hereby authorized to file in quadruplicate with the Public Utilities Commission of the State of California, within ten (10) days from the effective date of this Order, the schedules of rates set forth in Exhibit A attached hereto and made a part hereof, said schedules of rates to be charged for all service rendered on and after October 1, 1948.
2. That Lake Gregory Water Company shall render water service in its entire service area under the rules and regulations heretofore filed and within forty (40) days from the effective date of this Order shall file with this Commission four (4) copies of a suitable map or sketch, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive marking the boundaries of its service area, and the location thereof with reference to the immediate surrounding territory; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

3. That Lake Gregory Water Company shall, within sixty (60) days from the date of this Order, file with this Commission four (4) copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the territory served. This map should be reasonably accurate, show the source and date thereof and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service; provided, however, that such map shall not be construed as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

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

Dated at San Francisco, California, this 24th day of

August, 1948.

R. F. [Signature]
Justice J. [Signature]
[Signature]
Harold P. [Signature]
[Signature]
Commissioners.

EXHIBIT A

Schedule No. 1

ANNUAL FLAT RATES

APPLICABILITY

Applicable to unmeasured water service for household residential purposes only.

TERRITORY

Entire area of service in unincorporated San Bernardino County territory at and near Lake Gregory as shown on the map included in the Tariff Schedules of the Company.

RATES

	<u>Per Annum Per Unit</u>
For a single family residence on one lot	\$ 24.00
For each additional single family residence on same lot	18.00

SPECIAL CONDITIONS

1. Flat rates for each year, January 1 to December 31, shall be due and payable on or before January 10, and shall become delinquent on February 1 of that year.
2. A meter may be installed on any flat rate service at the option of the Company or of the customer.

Schedule No. 2

ANNUAL METER RATES

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Entire area of service in unincorporated San Bernardino County territory at and near Lake Gregory as shown on the map included in the Tariff Schedules of the Company.

RATES

Quantity Rates:	<u>Per Meter Per Year</u>
First 4,800 cubic feet, or less	\$ 24.00
Next 2,200 cubic feet, per 100 cubic feet30
Over 7,000 cubic feet, per 100 cubic feet20
Annual Minimum Charge per Meter:	
For 5/8 x 3/4-inch meter	24.00
For 1-inch meter	30.00
For 1 1/2-inch meter	40.00
For 2-inch meter	60.00

The Minimum Charge will entitle the consumer to the quantity of water which that annual minimum charge will purchase at the Quantity Rates.

EXHIBIT A

Schedule No. 2

ANNUAL METER RATES (Continued)

SPECIAL CONDITIONS

1. The annual minimum charge per meter for each year, January 1 to December 31, shall be due and payable on or before January 10, and shall become delinquent February 1 of that year.
2. Multiple dwelling projects operated as a single enterprise may be served through a single master meter. A separate meter is required for each commercial establishment.
3. Meters will be read on or about the last day of March, June, September, and December, and within ten (10) days thereafter each customer having used water in excess of that quantity which his annual minimum charge will purchase, will be rendered a statement, payable upon presentation, which will show the meter readings and the charges due at the annual quantity rates.