

ORIGINAL

Decision No. 42154

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of Georgia L. Lambert for permission to increase the minimum rate for water from \$18.00 to \$20.00 and the rate for excess water from 25¢ to 50¢ per thousand gallons.

Application No. 29306

Georgia L. Lambert, applicant, for herself;
Charles B. Moore, for Lake Tahoe Park Association

O P I N I O N

Georgia L. Lambert, doing business as Tahoe Park Water System is engaged in furnishing public utility water service to residents of Tahoe Park Tract and Miramar Heights Tract, Placer County, at Lake Tahoe. In this application Georgia L. Lambert requests authority to increase rates, stating that her last year's operation resulted in a net loss, and that under present rates a further loss will result during the current year.

A public hearing was held in this matter at Tahoe City before Examiner Ross.

This water system was acquired by applicant on April 20, 1946 from William J. G. Lambert, by this Commission's Decision No. 38682 (Application No. 27196), dated February 13, 1946. The system originally was installed in 1908 by William J. G. Lambert and A. K. Detwiler, who jointly placed the system, together with certain real property, in trust with Bank of Italy (now Bank of America National Trust and Savings Association, successor). The Bank of Italy and its successor continued as trustee until after the death of A. K. Detwiler in 1929. In 1935 the trustee transferred the water system to William J. G. Lambert in accordance with this

Commission's Decision No. 27704 (Application No. 19784), dated January 28, 1935. This water system was declared to be a public utility by this Commission's Decision No. 21879 (Case No. 2722), dated December 7, 1929.

Applicant serves water to 88 customers including four commercial summer resort establishments with a total of 40 rental units. Water is obtained from a spring whence it flows into three 10,000-gallon redwood stave storage tanks located at an elevation above most of the service territory. From the tanks water is distributed to consumers through 22,000 feet of distribution mains varying in size from one to 3½ inches in diameter. Applicant maintains a 7½ horsepower pumping unit by means of which water can be pumped from the lake to augment the spring supply. An automatically-controlled booster pump is used to deliver water to several residences located at an elevation above the storage tanks.

The rate presently in effect was authorized by this Commission's Decision No. 21879 (Case No. 2722), dated December 7, 1929. This present rate provides for advance payment of \$18 per year as a "...minimum seasonal or yearly charge..." entitling the user to not more than 7,500 gallons of water per month, with excess usage billed at the rate of \$0.25 per 1,000 gallons. Initially in the instant application it was requested that the seasonal or minimum charge be increased to \$20 and that the rate for usage over 7,500 gallons per month be raised to \$0.50 per 1,000 gallons. At the hearing, applicant asked, in view of anticipated further increases in expenses, that still greater but unspecified increases be authorized by this Commission, and that volumes in the new rates be expressed in cubic feet rather than gallons. Applicant now has a total of 38 meters installed. Less than this number of customers are supplied metered service, however, due to the fact that each of the commercial customers has a bank of such meters. The majority of

residential customers are in effect rendered flat rate service under the seasonal or annual minimum charge in the present meter rate. At the hearing, applicant also asked the Commission to establish a commercial meter rate, to be applied to resorts and other commercial enterprises, and to define the premises to which service will be rendered under a single seasonal or annual minimum charge.

Applicant submitted an itemized list of the fixed capital in the water system, the historical cost of which she estimated to be about \$22,300 at the time of the hearing. Applicant also indicated that a total of approximately \$2,290 had been billed through August, 1948, with some additional billings yet to be rendered in September for water used in excess of the quantity allowed for the minimum charge. No estimated revenues under proposed rates were presented by applicant. A detailed list of expenses as estimated by applicant for the year 1948 amounted to a total of about \$2,800 including taxes and depreciation. Applicant acknowledged that some of the \$1,500 item for labor in her estimated expenses would apply to improvements and replacements, which should, accordingly, be excluded from operating expense.

Mr. V. R. Muth, one of the Commission's engineers, submitted tabulations showing that for the year 1947 the gross revenues were \$1,905, with expenses of \$2,390 resulting in a net operating loss of \$485. For the same period, at the rates proposed by the applicant, the Commission's engineer estimated gross revenues at \$2,360 and expenses of \$2,290 including a 5% sinking fund depreciation annuity of \$340. A rate base of \$21,580 as of August 20, 1948 was obtained by adding to the estimated original investment of \$21,180 the appraisal of materials and supplies amounting to \$400. On the basis of the requested rates, the estimated net revenue for 1947 would have been \$70, yielding a net return of thirty-two hundredths of one per cent (0.32%) on the rate base of \$21,580.

There were several complaints aired at the hearing relative to interruptions in water service last winter. Applicant brought out that the unusually light snow cover during the coldest part of the winter of 1947-1948 resulted in freezing certain water mains which would have been protected by a heavy blanket of snow during a normal or average winter. Applicant stated, however, that she believed herself to be obligated to provide "seasonal" service only, which she contended did not include the winter period. She further stated that, although in the past customers have had the benefit of precautionary winter maintenance performed for the sole purpose of minimizing winter damage to the water system, such continuous winter service was only incidental, and she declined to acknowledge any future obligation to guarantee continuous winter service.

Several of applicant's customers maintained that they had been assured of continuous winter service in the past, and there were others who indicated they had understood that winter service was not guaranteed. A number of customers, including a representation of the commercial establishments, expressed themselves as strongly desiring continuous winter service and being willing to pay rates necessary to provide such service. The value of winter service in terms of fire protection even to those customers not visiting their cabins during the winter was strongly emphasized.

Questioned on the probable additional capital investment and operating expense required to render continuous winter service, applicant replied that she was unprepared to make any such estimates.

The expense items as listed by applicant, not being according to the system of accounts prescribed by this Commission, preclude direct detailed comparison with the staff's expense estimate, but applicant did acknowledge that certain items listed by her as expense were more properly chargeable to capital. The only revenue estimates under rates initially requested were presented by the staff.

The figures on historical cost of capital presented by applicant and by the staff are in reasonably close agreement in total. For the above reasons, it is believed proper to use the results of the Commission staff's study for the purpose of testing earnings. These results clearly show that applicant is entitled to a rate increase beyond that requested initially in this application, and the order will provide for the authorization of rates which will increase annual gross revenue by \$750. As requested by applicant, these rates to be ordered include meter rates for domestic and commercial service, express volumes in cubic feet instead of gallons, and clearly define the season during which applicant is committed to provide service.

Although the request was made by several customers at the hearing that this Commission order applicant to provide water service throughout the winter, it is concluded that in this proceeding and upon this record the Commission cannot issue such an order. It is believed that the additional capital investment and operating expenses involved in guaranteeing winter service would be great in relation to these items under present operations, and, accordingly, a material increase in operating revenue would have to be forthcoming to justify the service. The increase in rates necessary to provide a reasonable return on the additional capital costs and to defray the additional operating expenses would be of such magnitude that it is concluded the notice to the public in this proceeding was not sufficiently broad to include the consideration of such a possibility, and that, accordingly, certain persons who might have been in attendance at a hearing of such broad scope were not present. For these reasons it is concluded that the Commission should not attempt to determine such question in this proceeding.

O R D E R

Good cause appearing,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Georgia L. Lambert, doing business as Tahoe Park Water System, for water delivered to her customers in Tahoe Park Tract and Miramar Heights Tract, Placer County, Lake Tahoe, 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 rates authorized by this decision is hereby found to be justified; 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 as follows:

1. That Georgia L. Lambert, doing business as Tahoe Park Water System, be and she is hereby authorized to file in quadruplicate, in conformity with this Commission's General Order No. 96, within thirty (30) days after the effective date of this order, the schedule of rates in Exhibit A appended, to be charged for all water service currently billed after said effective date.
2. That Georgia L. Lambert, doing business as Tahoe Park Water System, within thirty (30) days after the effective date of this order, shall file with this Commission four sets of rules and regulations governing water service furnished to her customers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of the area served and the location thereof with reference to the immediate surrounding territory; provided, however, that such map or sketch shall not be considered as a final or conclusive determination or establishment of the dedicated area of service.

3. That Georgia L. Lambert, doing business as Tahoe Park Water System, within sixty (60) days after the effective date of this order shall file with this Commission four 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 shall 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 thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment in whole or in part of the dedicated area of service.

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

Dated at San Francisco, California, this 26th day of October 1948.

R. E. Ingram
Justice J. Cooney
Joseph Powell
Harold A. Kula
Samuel H. Potter
Commissioners.

EXHIBIT A

Schedule No. 1

SEASONAL METER RATES

APPLICABILITY

Applicable to all seasonal water service furnished at meter rates.

TERRITORY

In Tahoe Park Tract and Miramar Heights Tract, Placer County, Lake Tahoe.

RATES

Minimum Seasonal Meter Charges:

Payable on or before May 1. Service will be furnished only during the months from May to September, both inclusive.

	<u>Per Meter</u> <u>Per Season</u>
For 5/8 x 3/4 inch meter.	\$24.00
For 3/4 inch meter.	32.00
For 1 inch meter.	48.00
For 1 1/2 inch meter.	72.00
For 2 inch meter.	96.00

The minimum charge will entitle the consumer to the quantity of water which that seasonal minimum charge will purchase at the quantity rates.

Quantity Rates:

First 800 cubic feet per month included in annual charge.	
Next 1,200 cubic feet per month, per 100 cubic feet. . .	\$ 0.30
Next 2,000 cubic feet per month, per 100 cubic feet. . .	.25
Next 6,000 cubic feet per month, per 100 cubic feet. . .	.20
Over 10,000 cubic feet per month, per 100 cubic feet. . .	.15

Schedule No. 2

FLAT RATES

APPLICABILITY

Applicable to all seasonal water service furnished at flat rates.

TERRITORY

In Tahoe Park Tract and Miramar Heights Tract, Placer County, Lake Tahoe.

RATES

For each single family dwelling during the months from May to September, both inclusive, per season. \$24.00

SPECIAL CONDITIONS

A meter may be installed at the option of either the customer or the utility.