

Decision No. 43016

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the APPLICATION of
CLEAR LAKE PARK WATER COMPANY for
AUTHORITY TO INCREASE RATES, for
ADEQUATE DEPRECIATION ALLOWANCES and Application No. 29943
for an AMENDED CERTIFICATE OF PUB-
LIC CONVENIENCE AND NECESSITY.

James M. O'Brien and R. W. Katerndahl,
for applicant; E. Meybem, for Lake Shore
Volunteers Fire Association.

O P I N I O N

Clear Lake Park Water Company, a corporation, is a public utility engaged in furnishing domestic and commercial water service in an area which extends about seven miles along and away from the shores of Clear Lake in Lake County, comprising generally an area from a subdivision designated as Clearlake Park Beaches on the northwest to and including the so-called Austins Athletic and Country Club Tract No. 1 on the southeast. In the application, this Commission is asked for authority to increase rates and depreciation allowances established by previous Commission order, and is further requested to issue an amended certificate of public convenience and necessity.

A public hearing was held in this matter at Clearlake Park on April 29, 1949 before Examiner Ross.

At the hearing an amendment to the application was filed, comprising a detailed description of the area for which an amended certificate is desired. It was also requested at the hearing that the original application be deemed amended to delete the prayer for a change in depreciation allowances to reflect the replacement cost of depreciable property.

HISTORY

Applicant was declared a public utility by this Commission in its Decision No. 28476 (Case No. 4022), dated December 30, 1935, but no certificate of public convenience and necessity was issued at that time or has been since for the territory then served by applicant. Applicant acquired the Austins Public Utility Water System on October 28, 1936, as authorized by this Commission's Decision No. 29094 (Application No. 20639), dated August 31, 1936, and Decision No. 29319 (Application No. 20869), dated November 30, 1936, together with the certificate of public convenience and necessity covering this latter area issued by this Commission in its Decision No. 23615 (Application No. 17226), dated April 20, 1931. Applicant in the current proceeding asks for a so-called amended certificate which will cover the entire service area to which it desires to commit itself, replacing the existing certificate for the Austins area and covering as well the remainder of the territory not presently certificated.

PHYSICAL PLANT

With the exception of the Pine Dell service area at the northwesterly extremity, which is an isolated system with its own 10-hp motor and pump drawing water from the lake, the remaining integrated and major portion of the service territory is provided with water by three pumps in Clearlake Park taking water from the lake through a four-inch intake about 60 feet out from the lake shore. Storage facilities include a 42,000-gallon steel tank in the Pine Dell area, two 42,000-gallon steel tanks in Clearlake Park, and an unused 26,000-gallon open concrete reservoir in the latter area which could be reconditioned and returned to service. These storage facilities are located at elevations which range from 260 to 340 feet above Clear Lake.

Approximately 385 customers are served through about 74,400 feet of mains varying in size from 3/4-inch to four-inches in diameter.

RATES

All service is rendered under metered rates. A few services are still unmetered and billed the minimum charge, however, due to the recent growth of the system and the fact that meters were not available during and immediately following the war. There are five fire hydrants on the system, installed recently by the local fire district.

Pertinent data on present rates are shown in the following tabulation:

:	:	Clearlake Park & Pine Dell Areas	:	Austins Area	:
:	:	Summer Residents	:	Permanent: Summer	:
:	:	May-September:October-April:Residents:Residents:Residents:	:		:

Date Present Rates

Became Effective

January 1, 1936

May 1, 1931

Decision No.

28476

23615

Dated

December 30, 1935

April 20, 1931

Proceeding No.

Case No. 4022

Application No. 17226

Number Customers 12-31-48

116

87

85

97

Minimum Charge

\$18 per year

\$1.75 per month*

\$6 per year

\$1.50 per month*

Monthly Quantity Rates per 100 Cubic Feet

First	50 cubic feet	(Min. Chg.)	(Min. Chg.)	(Min. Chg.)
Next	450 "	(Min. Chg.)	\$0.35	(Min. Chg.)
"	500 "	\$0.30	.30	\$0.30
"	1,000 "	.25	.25	.25
Over	2,000 "	.20	.20	.20

Monthly Quantity Rates per 1,000 Gallons

First	1,000 gallons	(Min. Chg.)	(Min. Chg.)
Next	2,000 "	\$0.50	(Min. Chg.)
"	3,000 "	.40	\$0.40
Over	6,000 "	.35	.35

*Minimum charge for 5/8 by 3/4-inch meter. Higher minimum charges are provided for larger meters. The volumes shown as being included in the minimum charge reflect the charge for a 5/8 by 3/4-inch meter only; the higher minimum charges for larger size meters include larger volumes.

The rates requested by applicant are outlined briefly in the following tabulation:

				All Areas	
				Summer Residents	Permanent Residents
Minimum Charge				\$24 per yr.	\$2.25 per month*
<u>Monthly Quantity Rates per 100 Cubic Feet</u>				(Min. Chg.)	(Min. Chg.)
First	500	cubic feet		\$0.45	\$0.45
Next	500	"	"	.35	.35
"	500	"	"	.30	.30
"	1,000	"	"	.25	.25
"	1,500	"	"	.20	.20
"	3,000	"	"	.15	.15
Over	7,000	"	"		

*Minimum charge for 5/8-inch meter. For 3/4-inch meter, \$3.50; for 1-inch meter, \$4.00; for 1 1/2-inch meter \$5.50; for 2-inch meter, \$7.50. The larger minimum charges include correspondingly larger volumes in the minimum charge.

RESULTS OF OPERATION

Both applicant's president and the Commission's staff presented fairly detailed data relative to the recorded and estimated operations of the company under present and proposed rates. There was essential agreement between the parties as to the gross revenue that would have been derived by application of the proposed rates to calendar year 1948 water use as recorded, the company computing \$12,720 and the staff \$13,000. For the estimated immediate future, the company in its application forecast that its proposed rates would gross about \$13,240, and the staff estimated about \$13,670 for the year 1949.

Relative to expenses, applicant computed the amount of gross revenue it considers as proper, and which it desires to approximate through its rate proposals, by starting with its recorded operating expenses for the year ending September 30, 1948, \$6,954,^{1/} and adding thereto certain items of increase in expenses which are alleged to be reasonable for the immediate future period. These added items are

^{1/} The amount of \$7,250 shown at page 1 of Exhibit C of the application includes \$296 of interest payments not properly chargeable to operating expenses.

salaries \$1,500, depreciation on existing facilities \$300, and depreciation on an estimated \$8,500 of proposed additional facilities \$340, making a subtotal of \$9,094. Applicant then added \$4,027 for return at 7% on an estimated total capital of \$57,521, (excluding allowance for working capital), and \$322 for increase in income and franchise taxes, yielding a total gross revenue requirement of \$13,443. A recapitulation indicates applicant thereby estimates operating expenses and depreciation for the immediate future period at \$9,417 under the rates proposed. The Commission's staff estimated operating expenses for 1949 under proposed rates at \$8,980, including the salary increase of \$1,500 proposed by applicant which the staff deemed to be reasonable.

The over-all difference by which the company is higher than the staff in estimated operating expenses, \$433, is accounted for primarily by a difference in depreciation expense and tax allowances, and, secondarily by other relatively minor upward and downward adjustments. Both parties used the 5% sinking fund method. The staff included \$930 for depreciation. No specific depreciation allowance was set out by applicant, but the amount can be approximated by taking the 1948 reported figure of \$1,266 and adding \$640 for certain increases itemized heretofore, yielding an approximate total of \$1,806 or a difference of \$876 by which the company is higher than the staff. Taxes, on the other hand, were estimated by the company to be \$373 lower. The witness for the staff indicated that the staff's depreciation allowance was predicated upon a year-end total capital of \$56,638, which is very nearly the same as the company's \$57,521; however, considerably longer lives were assigned than currently used by the company. The reason given for the longer lives was that the age of a considerable portion of the depreciable capital is already almost equal to the life used by the company, and in the judgment of the staff, retirement of such facilities is not imminent.

Two obvious errors in the adjustment of commercial expense and in the year 1948 average rate base appearing in the staff's exhibit have been corrected for the purposes of this opinion, and, accordingly, the net revenue as contained in the staff report will be adjusted downward by \$163.25 and the 1948 average rate base will be taken as \$48,221.

The staff's major items of adjustment for the year 1948 expenses reflect, under general expense, the allocation to the year 1948 of certain bonuses, insurance payments and legal fees charged to 1948 expenses but applicable in part to other periods; under depreciation, the computation of the annuity upon the basis of longer lives, in general, than used by applicant; and under taxes, allocation to the year 1948 of various taxes charged to 1948 but in part applicable to other periods. The remaining smaller adjustments need not be discussed here.

There is shown in the tabulation which follows the summarized results of operation for Clear Lake Park Water Company for the adjusted year 1948 under the rates proposed, and for the estimated year 1949 under present rates and proposed rates, respectively, all such figures reflecting the inclusion of the salary increases proposed by applicant. This tabulation includes the results of both the staff's and applicant's testimony.

Including Applicant's Proposed Salary Increases:				
	Present	Proposed Rates	Est. Proposed	Increase 1949:
	1948	1948	1949	Over Present
	Estimated	Adjusted	Estimated	Rates
<u>Revenue</u>				
C.P.U.C. Staff	\$ 9,379	\$13,000	\$13,669	\$4,290
Applicant	No estimate	12,720.35	13,243	No estimate
<u>Operating Expenses</u>				
<u>C.P.U.C. Staff</u>				
E1-21 Source, Pumping, Purification	2,030	1,958.38	2,030	-
E22-33 Transmission and Distribution	990	985.99	990	-
E34-35 Commercial	1,773	1,770.75	1,773	-
E36-49 General	1,542	1,541.17	1,542	-
E52 Depreciation	930	762.00	930	-
Subtotal	7,265	7,018.29	7,265	-
E50 Taxes	684	1,560.00	1,715	1,031
Total Expenses - CPUC	7,949	8,578.29	8,980	1,031
Applicant	No estimate	No estimate	9,417	No estimate
<u>Net Revenue</u>				
C.P.U.C. Staff	1,430	4,421.17	4,689	3,259
Applicant	No estimate	No estimate	3,826	No estimate
<u>Rate Base</u>				
<u>C.P.U.C. Staff</u>				
Fixed Capital	52,267	45,558	52,267	-
Materials and Supplies	2,200	2,655	2,200	-
Working Cash	500	500	500	-
Advances in Aid of Construction	(612)	(492)	(612)	-
Total Average Rate Base - CPUC	54,355	48,221	54,355	-
<u>Applicant (Per Application)</u>				
Fixed Capital	57,521.22	49,021.22	57,521.22	-
Materials and Supplies	2,416.26	2,416.26	2,416.26	-
Cash and Equivalents	3,716.94	3,716.94	3,716.94	-
Total End-Year Rate Base-Appl.	63,654.42	55,154.42	63,654.42	-
<u>Rate-of Return</u>				
C.P.U.C. Staff	2.63%	9.17%	8.63%	-
Applicant	No estimate	No estimate	6.01%	No estimate

(Negative Figure)

The staff's adjustments to reported capital as of December 31, 1948, amounting to \$(1,029.98) reflect increases in certain capital items in the Pine Dell area to adjust them to an original cost basis, reinstatement of organization costs erroneously written off, elimination of certain nonoperative tanks, pumps and lands, and retirement of services no longer in operation. The staff estimated that net additions for the year 1949 would reasonably amount to \$8,745, yielding a fixed capital at the end of 1949 of \$56,638.

A review of applicant's testimony and exhibits shows that, it in effect urged that an upward adjustment of \$463.49 be applied to the

December 31, 1948 reported capital of \$48,921.40. Certain of these items of adjustment were included by the Commission's staff, but the staff's adjustment is \$1,493.47 lower than applicant's in the aggregate.

The Commission's staff contended that the so-called Pine Dell area should be accorded separate treatment from the remainder of the company's service territory. This contention was based upon the allegation that this area reflects much higher investment and operating cost per customer, and lower average revenue per customer, due in large part to its being in an early development stage. Further it is a physically isolated system. The staff's report showed results of operation for the Pine Dell area separately in an effort to substantiate this claim. The following adjusted tabulation sets forth the results for Pine Dell and for the remaining or Clearlake Park - Austins area:

	:Including Applicant's Proposed Salary Incre:			
	: Present : Proposed Rates :			
	:Rates-1949: 1948 : 1949 Estimated :			
	:Estimated : Adjusted : Total :Per Customer*:			
<u>Revenue</u>				
Pine Dell Area	\$ 365	\$ 425	\$ 477	\$ 26.50
Clearlake Park - Austins Area	9,014	12,575	13,192	34.53
Total Revenue	9,379	13,000	13,669	34.17
<u>Operating Expenses</u>				
Pine Dell Area	885	886.17	950	52.78
Clearlake Park - Austins Area	7,064	7,692.12	8,030	21.02
Total Expenses	7,949	8,578.29	8,980	22.45
<u>Net Revenue</u>				
Pine Dell Area	(520)	(461.17)	(473)	(26.28)
Clearlake Park - Austins Area	1,950	4,882.88	5,162	13.51
Total Net Revenue	1,430	4,421.71	4,689	11.72
<u>Rate Base</u>				
Pine Dell Area	5,739	5,150	5,739	318.83
Clearlake Park - Austins Area	48,616	43,071	48,616	127.27
Total Average Rate Base	54,355	48,221	54,355	135.89
<u>Rate of Return - Per Cent</u>				
Pine Dell Area	(9.06)%	(8.95)%	(8.24)%	
Clearlake Park - Austins Area	4.01	11.34	10.62	
Composite Rate of Return	2.63%	9.17%	8.63%	

(Negative Figure)

*Based on customers estimated for 1949:

Pine Dell Area	18
Clearlake Park - Austins Area	382
Total Customers	400

CERTIFICATE

Applicant requests that it be granted a certificate of public convenience and necessity covering an area shown in detail on a map filed as an exhibit in this proceeding and further legally described by tract titles and lot numbers in an amendment to the application. Reference is made to those documents for the exact area, but it may be approximately described according to tract titles with the limitation that all areas at an elevation over 150 feet above the zero marker on the so-called Rumsey gauge^{2/} not presently served by the company are proposed to be excluded. Subject to this limitation, the tracts included are, in northwest-southeast sequence, Clearlake Park Beaches, Pine Dell, Pirates Cove Subdivision No. 1, Clearlake Park Subdivision No. 3 and Resubdivision, Clearlake Park Subdivision No. 2 and Resubdivision, portion of Clearlake Park Subdivision No. 5, portion of Clearlake Woods, Clearlake Harbor, portion of Clearlake Woodlands Tract No. 2, Clearlake Woodlands Tract No. 3, portion of Clearlake Woodlands Tract No. 4, Clearlake Woodlands Tract No. 5, Burney and Blackett Subdivision, Austins Athletic and Country Club Tract No. 2, Austins Athletic and Country Club Villas Tract No. 1, the so-called Austins Resort property, the so-called Whitcome Corral property, Austins Athletic and Country Club Tract No. 1, and the so-called Collin property.

The reason propounded by applicant for asking that areas at an elevation above 150 feet be excluded from the certificated area was that satisfactory service could not be rendered above that elevation with existing storage and pipe line facilities. The lower of the two 42,000-gallon storage tanks in the Clearlake Park Austins area is 260 feet above zero on the gauge, and it was contended that the difference in head of 110 feet or 47.7 pounds per square inch was necessary to provide sufficient pressure differential to take care of friction

^{2/} A legally established reference point, used for measuring the water level in Clear Lake.

losses and still yield a satisfactory pressure at the point of service. It was maintained that considerable investment would be required to supply any new customers above the 150-foot level and also would place a heavy additional burden upon the existing ratepayers.

Although no protest was made to the granting of the certificate in general, objection was raised to this areal limitation at the hearing, and later in a filed brief, by Mr. E. Meybem on behalf of the Lake Shore Volunteers Fire Association as domestic and commercial water users. Although no present applicants for service would be injured by this elevation restriction, it was Mr. Meybem's position that there might be potential injury by virtue of the fact that the lots excluded would become practically unsalable. He was of the opinion that satisfactory service could be rendered up to an elevation of 225 feet, or with a head of 35 feet or 15.2 pounds per square inch pressure differential between the lower storage tank and point of service.

SERVICE MATTERS

The principal service deficiencies brought up at the hearing were continuing inadequacy of pressure between 4 p.m. and 8 p.m. in the summer months and outages of several hours duration on several occasions. These deficiencies were emphasized as constituting not only a great inconvenience but as well a serious hazard in case of fire. Complaints were also registered of sediment and algae in the water during the summer months. A petition with 107 signatures was filed as an exhibit alleging these service inadequacies and asking that this Commission take steps to have them remedied. Seventeen letters from individual water customers were also filed, most of which alleged the same service problems as covered by the petition, and in addition some of them requested that certain dead-end mains be flushed frequently. It was also claimed in some of these letters that water was not available for unreasonably long periods when mains were repaired, and that the mains were not flushed adequately after such

repairs. It was complained that certain mains do not have adequate cover to prevent the water from becoming unpleasantly warm in the summer months.

It was further alleged by some complainants that in certain instances restrictions had been placed at the point of service connection to the main, but applicant's president denied knowledge of such.

It was suggested by Mr. Meybem that, in order to remedy the major service complaints, applicant install a number of additional shut-off valves on the existing mains, install a settling tank at the outlet of the main pump, that considerable additional storage capacity be provided, that the existing storage tanks be properly roofed and cleaned out periodically, and that a filtration plant be installed to remove vegetable matter. Mr. Meybem, a registered civil engineer, estimated the magnitude of the necessary capital expenditures at about \$10,000. A customer suggested that automatic controls or a signal system from the storage tanks to the operator's residence be installed to assure a reasonable volume of water in storage at all times.

It was volunteered that a well claimed to deliver from 25 to 50 gallons per minute in the service territory might be connected for at least temporary relief. Applicant's president indicated he was currently investigating the well and if tests were satisfactory would make any reasonable arrangements to secure the additional supply.

Applicant's president stated that, in addition to the probable connection of the above well, the company is planning to electrify the Pine Dell plant, now operated by a gasoline engine, and to provide automatic controls at that point, to install at Clearlake Harbor a gasoline-engine driven pump, together with necessary suction and pressure piping, and to return to service a 26,000-gallon concrete reservoir which has been decommissioned for a number of years because of the loss of its roof by fire.

Mr. Meybem registered an objection to the noise that the proposed gasoline engine would make, but it was pointed out that this engine, in addition to providing more capacity, would serve as a standby unit to the present electrically driven pump in the event of electric power failure.

BRIEFS

Provision was made at the hearing for filing briefs, and such have been received both from applicant and from Mr. Meybem on behalf of the Lake Shore Volunteers Fire Association.

Applicant in its brief contends that the amount shown by the Commission's staff for property taxes during the year 1948 is understated by \$106.62, stating that applicant's books show the entire tax for the 1947-1948 period as being accrued during 1947 whereas for 1948 only the first half of the 1948-1949 property taxes were accrued. Impliedly, the last half of the latter tax is \$106.62. The amount shown as "accrued" for property taxes in the company's 1948 annual report to this Commission, a part of this record by reference, is \$100.32, and that same amount has been included in the staff report. The 1948 annual report also shows the amount "paid" for property taxes as \$192.12, made up of \$91.80 for the last half of the 1947-1948 period and \$100.32 for the first half of the 1948-1949 period. Considering the year 1948 as a starting point from which to estimate 1949 as the test period for earnings, it would appear that the actual accruals should have been adjusted upward by \$91.80 yielding \$192.12 as representative of actual taxes incurred during the calendar year 1948. The results of the staff's report will be so adjusted for purposes of consideration in this opinion.

Applicant questions the staff's determination of the reserve for depreciation, pointing out that the staff's estimate of reserve is much higher than indicated by applicant's records. A review of applicant's annual reports for the past few years indicates that interest

has not been credited to the reserve, the company's reserve being solely an accumulation of 5% sinking fund annuities for each year. The staff in computing the reserve appropriately credited interest to each end-of-year accumulation.

In answer to a further question in applicant's brief, the staff's reasoning in going to a longer life of the properties for depreciation purposes than currently used by the company has been set forth heretofore under the discussion of results of operation. The lives used by the staff are not set forth in years in the report, but the annuity factors are, and these can be converted into years with the use of any 5% sinking fund annuity table. The composite life of all depreciable property used by the staff for the estimated year 1949 was about 28 years. Applicant's statement in its final brief that "...the 25-year life requires 47.73 years to amortize..." is entirely unwarranted and incorrect, and indicates further that the interest factor in sinking fund depreciation has been ignored.

Applicant objects strongly to the staff's proposal to exclude the Pine Dell area from consideration in the current proceeding, contending that the small added burden when spread over the remainder of the system would "...not be noticeable to other consumers..." Applicant further argued that no sufficient basis had been given justifying the separation.

Applicant's brief further contends that an allowance of \$2,000 for materials and supplies and \$2,000 for working cash should be made. In the application the actual amounts so carried for these items as of September 30, 1948 were \$2,416.26 and \$3,716.94, respectively, and have been so shown in foregoing tabulations.

Mr. Meybem's brief on behalf of certain customers concurs with the staff's recommendation that the Pine Dell area be excluded from consideration in the determination of the proper rate level in this proceeding, and urges that a return of not over 6.5% on the

remainder of the system be allowed. In addition to the items of improvement recommended at the hearing, Mr. Meybem in his brief strongly urged the installation of a new and supplemental supply line from the Clearlake Park area to the Austins area. His position expressed in the brief relative to elevation to which service reasonably could be extended by the company has been amply covered under the certificate section of this opinion.

CONCLUSIONS

A relatively large number of issues have been raised in this proceeding. The major issues may be summarized as follows, together with this Commission's conclusions thereon:

1. Proposal to Exclude Pine Dell Area From Consideration in the Determination of Proper Rates in this Proceeding.

The record affords ample evidence of the great differences between the isolated Pine Dell area and the remainder of the service territory in terms of per-customer revenue, expenses and capital. The low level of such unit revenue and the exceedingly high level of unit expenses and capital per customer in Pine Dell relative to the rest of the territory clearly indicate that facilities are installed in Pine Dell beyond the reasonable needs of this area for some time to come. It is the judgment of this Commission that it would be unfair to burden customers, in Pine Dell or elsewhere on the system, by requiring them to provide operating expenses, depreciation and a full return on such capital installed ahead of any foreseeable need in the near future. Accordingly, the Commission will set rates upon the basis of the reasonable future operations of the Clearlake Park - Austins area, although such rates likewise will be applied to Pine Dell, thereby in effect making allowance for reasonable operating expenses and depreciation and return on a reasonable rate base in the Pine Dell area. The electrification of the Pine Dell plant, scheduled by applicant for the immediate future, should, according to the staff's testimony, reduce operating

expenses in this area to such a point that no out-of-pocket loss will result from the operation of the area. In 1948 the Pine Dell area incurred \$492.46 in pumping expenses, or \$30.78 per customer, while the remainder of the system incurred \$1,066.13 in such expense, or \$2.86 per customer. Pine Dell pumping expenses should be greatly reduced below that experienced in 1948 when the projected electrification is completed. Increased revenues from this area, to the extent that additional customers are connected in the future, should ultimately yield applicant a reasonable return on the Pine Dell capital, at which time such capital will be fully justified.

2. Rate Base to be Used.

The differences in end-of-year fixed capital for the entire system as testified to by applicant and the staff, respectively, are not excessive. Applicant has estimated fixed capital at the end of 1949 as \$57,521 whereas the staff shows \$56,638, indicating that the staff has essentially concurred with applicant on the reasonableness of the rather major capital additions scheduled for the year 1949. The difference of \$883 is accounted for largely by staff adjustments to capital as of the end of 1948. As to materials and supplies, there is likewise little difference. The working cash shown by applicant in the application was \$3,716.94, and in its final brief was \$2,000. The Commission's staff derived a working cash allowance of \$500 on the basis of two months' operating expenses, excluding depreciation, taxes and purchased power, and one month's purchased power cost, less certain average amounts accrued for taxes ahead of payment. For the purpose of this proceeding an allowance of \$500 is considered reasonable.

It is likewise concluded that the staff's method of including average capital in rate base is proper for this proceeding, rather than using end-of-year fixed capital, for the reason that the average capital correctly reflects the full year's operations. Accordingly, the staff's undepreciated rate base for the estimated year 1949, restricted to the Clearlake Park-Austins area, of \$48,616 will be used.

3. Operating Revenues and Expenses to be Adopted.

The staff's estimate of operating revenue under the rates proposed for 1949 for the system is \$13,669 as against applicant's estimate of \$13,243. The staff's operating expenses are \$8,980 under the proposed rates whereas applicant's are \$9,417. The major differences, occurring in depreciation expense and taxes, have been discussed under the section covering results of operation. The Commission will adopt, for purposes of this opinion, the staff's results on revenues and expenses, limited to the Clearlake Park-Austins area, of \$13,192 and \$8,030, respectively, with the further provision that \$91.80 be added to the staff's estimated expenses to reflect properly a full year's ad valorem taxes in accordance with the discussion under the section on briefs. Accordingly, the test net revenue for the estimated year 1949 of \$5,070 will be adopted, which would yield a 10.43% return on the capital base of \$48,616 under the rates proposed by applicant.

4. Rates to be Ordered.

It is concluded that the rates requested by applicant would yield an excessive return. However, applicant is entitled to certain relief and the order herein will provide for rates, to be applicable over the entire system of the company, which will increase revenues in the Clearlake Park-Austins area approximately \$1,820 annually and in the Pine Dell area approximately \$50 annually. This results in an estimated return of 6.5% on the Clearlake Park-Austins area and a system return of approximately 6.2%.

5. Certificate

It is concluded that it is in the public interest that a certificate be granted applicant covering the area described in detail in the amended application and, further, that the exclusion of areas not now served located higher than 150 feet above the zero level on the Rumsey gauge is reasonable and proper based upon the record in this proceeding. It is the Commission's opinion that in this instance

the total pressure differential of 47.7 pounds available between the lower storage tank and the 150-foot level above zero on the Rumsey gauge is reasonably required to provide for pipe friction through properly-sized piping and for adequate pressure at all points of service.

The certificate of public convenience and necessity issued herein is subject to the following provisions 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.

6. Service Matters.

Relative to service complaints arising from improper operation of the system, such as those including undue delays in restoring service and failure to flush mains adequately after repairs, inadequate flushing of dead-end mains, permitting tanks to go dry through inadvertence, and inadequate cleaning of storage tanks, this Commission is of the opinion that steps should be taken by applicant to secure dependable supervision of local operations. The allowance made in operating expenses as adopted for rate determination of \$1,500 for increase in salaries, should provide for adequate local supervision and thereby eliminate major causes for complaints of this nature.

Relative to service deficiencies attributable to physical plant, several improvements have been suggested by customer representatives. Likewise, applicant is on record as having in immediate prospect certain improvement projects, the estimated cost of which have been included in the 1949 capital base. Applicant will be required to submit monthly progress reports in writing to this Commission, setting forth the description, estimated cost, estimated completion date and end-of-month status of each of the major improvement projects to which

applicant has committed itself on this record and which are enumerated in the following order. Applicant is further urged to give serious consideration to those additional improvements suggested by customers which are necessary to render proper utility service.

O R D E R

The above-entitled application having been considered, public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT:

1. That public convenience and necessity will require the operation of a public utility water system by Clear Lake Park Water Company in the area shown on a map filed as Exhibit 1 of this proceeding and more fully described in the amended application, excluding areas not presently served at elevations in excess of 150 feet above the Rumsey gauge on Clear Lake.
2. That the increases in rates authorized herein are justified; therefore,

IT IS HEREBY ORDERED:

1. That a certificate of public convenience and necessity be and it is granted Clear Lake Park Water Company to operate a public utility water system within the territory hereinbefore described.
2. That the existing certificate of public convenience and necessity held by Clear Lake Park Water Company covering the Austins area of service, originally granted by this Commission in Decision No. 23615 and transferred to applicant by Decisions Nos. 29094 and 29319 be and it is revoked.
3. That applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with this Commission's General Order No. 96, the schedule of rates shown in Exhibit A attached hereto, and on not less than five (5) days' notice to this Commission and the public, to make said rates effective for service rendered on and after the first day of August, 1949.
4. That applicant shall file with this Commission monthly progress reports until the following improvements have been placed in operation, unless otherwise ordered by this Commission:
 - a. Installation of six-inch pump, prime mover, piping and other facilities at Clear Lake Harbor.
 - b. Connection and utilization of the so-called Serra water well.
 - c. Electrification of the pumping plant in the Pine Dell area, including installation of automatic controls.
 - d. Construction of a new roof on the 26,000-gallon concrete reservoir, and placing this reservoir in active service.

5. That applicant, within forty (40) days after the effective date of this order, shall file with this Commission four copies of a suitable map or sketch, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon by distinctive markings the boundaries of its present 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.
6. That applicant, within forty (40) 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 presently 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 filing 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 after the date hereof.

Dated at San Francisco, California, this 2nd day of

June, 1949.

R. B. Anderson
Justus J. Calver
Robert L. Kelle
Harold H. Kula
Frederick P. Patten
Commissioners.

Schedule No. 1

PERMANENT RESIDENT METERED SERVICE

APPLICABILITY

Applicable only to bona fide permanent residents, stores and other business establishments.

TERRITORY

In the entire service area of Clear Lake Park Water Company which includes the Austins, Clearlake Park and Pine Dell areas.

RATES

Minimum Charge:		Per Meter Per Month
For	5/8 x 3/4-inch meter.	\$1.80
For	3/4-inch meter.	2.50
For	1-inch meter.	4.00
For	1 1/2-inch meter.	5.50
For	2-inch meter.	7.50

Quantity Charges:

First	500 cubic feet or less	1.80
Next	1,500 cubic feet, per 100 cubic feet30
Next	2,000 cubic feet, per 100 cubic feet25
Next	3,000 cubic feet, per 100 cubic feet20
Over	7,000 cubic feet, per 100 cubic feet15

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

Schedule No. 2

SEASONAL RESIDENT METERED SERVICE

APPLICABILITY

Applicable to all customers other than those to whom Permanent Resident Rates are applicable.

TERRITORY

In the entire service area of Clear Lake Park Water Company which includes the Austins, Clearlake Park and Pine Dell areas.

RATES

Annual Minimum Charge, based upon 5/8 x 3/4-inch meter, which will entitle the customer to 400 cubic feet of water each month of the calendar year \$19.00

Quantity Charges:

Per Meter
Per Month

First	400 cubic feet included in minimum charge	
Next	600 cubic feet, per 100 cubic feet	\$0.40
Next	1,500 cubic feet, per 100 cubic feet30
Next	2,500 cubic feet, per 100 cubic feet25
Next	3,000 cubic feet, per 100 cubic feet20
Over	8,000 cubic feet, per 100 cubic feet15

Charges for excess monthly consumption may be billed monthly, January 1 or May 1 at the option of the company.

The foregoing Summer Resort Annual Minimum charge shall be due and payable in advance on January 1 of each year but may, at the option of the customer, be paid in two equal installments on January 1 and May 1 of each year.