

Decision No. 43208

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
Carnelian Bay Water Company, for an
order of the Public Utilities Commission
authorizing an increase of rates.

Application No. 30032

A. M. Smith, H. Huemader, Preston Smith,
Mrs. E. Hair, Mrs. Sarah D. Barbash, and
William Snair for applicant.

O P I N I O N

Carnelian Bay Water Company, a California corporation, is engaged in the business of selling and distributing water to the public for domestic use and other purposes in the unincorporated town of Carnelian Bay, Placer County, California, a summer resort community on the shore of Lake Tahoe. The above-entitled application seeks authority to establish a schedule of proposed rates for winter season and all-year water service and to increase the rates for summer season service. A public hearing in this matter was held before Commissioner Craemer and Examiner Edwards at Tahoe City on July 8, 1949.

Facilities for the production and distribution of water consist of a diversion dam and reservoir on Watson Creek, a small pumping plant to take water from Lake Tahoe, 2060 feet of transmission pipe, and approximately 9,300 feet of distribution pipe varying from 1½ inch to four inches in diameter. Applicant has acquired the right to divert 40 cubic feet of water per minute from the creek, the dam impounding approximately 60,000 gallons of water in the reservoir, from which it is delivered by gravity through the transmission pipe to the distribution mains. The pumping plant is used to supplement the creek water in times of shortage caused by drought or unusually heavy

consumption. The original system was installed about 1910. There are now approximately 60 customers receiving water on a summer season basis.

Applicant is requesting that the present base summer season flat rate of \$20 per year be raised to \$25, but at the same time it is proposing to increase the length of summer season service from four months to six months. It proposes to render winter season service during six months at a base rate of \$40 per season. At the hearing, applicant requested the establishment of a rate for a secondary residence or business on the same premises furnished through a single service. The present method of handling such a condition is to charge each additional usage at one-half the rate prescribed for the primary usage. Applicant is also proposing a summer season rate of \$22.50 and a winter season rate of \$40 for a lodging house or hotel, with additional charges of \$1.50 and \$2, respectively, for each rentable room.

In support of the need for these increases, applicant's witness testified that labor and material costs have shown a substantial increase since 1926, when the present level of rates was established by the Commission's Decision No. 16805, dated June 14, 1926 in Application No. 12158, and that to render winter service, it will be necessary to bury the mains to a depth of two feet and insulate the pump house and valves in order to prevent freezing. Many of the lines were not buried when originally installed, but were laid on the ground or supported on rocks. The ground is rather rocky, and the applicant indicated that a considerable portion of the new three-inch mains will cost as much as \$3.30 per foot installed. There will be extra expenses in connection with maintaining and operating the system on a year-round basis, but applicant could not give any estimate as to the probable cost.

In order to learn what effect the proposed rates would have on the earnings of the system, an engineer in the Commission's Hydraulic Division made a study of the operations of this system and

presented a report in evidence. He found that the new rates would increase the rate of return from 2.65% to 3.79% on a rate base of \$13,500 if only summer season customers are served. If all-year service is rendered and a minimum of ten winter customers is served, a rate of return of 3.97% on the increased rate base of \$16,250 was estimated. This report showed that, in the past, the profits reported by the utility have fluctuated, and have averaged less than \$300 per year for the last two or three years.

At the hearing, interest in the proposed rate increase was manifested by several customers, as well as the officers and directors of the utility, all of whom are themselves owners of homes supplied with water by the utility. No particular objection was made to the proposed rate increase. Customers stated that the water was of good quality and pressure was adequate. Of prime consideration was the problem of the cost of burying the mains and service pipes. Applicant's budget for 1949 provides for an expenditure of approximately \$2,500 in order to replace part of the transmission line from the reservoir to the town and to make necessary system extensions. It may be necessary to expend more money than this in order to bury the new pipe and lower some of the existing mains to render year-round service. In order to obtain capital for these extensions and improvements, the utility must borrow money from the bank on short-term notes at 6% interest rate.

In analyzing the record in this proceeding, and in reaching a conclusion as to the rates for the future, the customers' as well as the utility's problems have been given due consideration. Users have benefited over a long period of years in that rates have not been increased during a period of rising costs. Customers who desire winter service are aware of the extra costs involved in so far as new capital and maintenance expenses are concerned. Therefore the utility will not be required to render winter service except on an agreement basis with a minimum of ten customers.

From a review of the record, the Commission believes that applicant requires higher rates for the water service to be rendered if the system is to be placed on a sound financial basis and needed improvements financed. The rates provided by the order herein will increase the annual revenues approximately \$300 for summer service and about \$700 for all-year service if winter service is rendered to ten customers, and are estimated to produce net revenues which will result in a rate of return of nearly 4% on the rate base.

O R D E R

Carmelian Bay Water Company, a corporation, having applied for authority to adjust and increase the rates charged for water service rendered to its customers in the unincorporated community of Carmelian Bay, Lake Tahoe, in Placer County, a public hearing having been held, evidence having been introduced, the Commission having considered the evidence, and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates authorized herein are justified; therefore,

IT IS HEREBY ORDERED that Carmelian Bay Water Company:

1. Is authorized to file in quadruplicate after the effective date of this order, in conformity with General Order No. 96, the schedules of rates shown in Exhibit A attached hereto and shall, upon not less than five (5) days' notice, make said rates effective for service rendered on and after the first day of October, 1949.
2. On and after October 1, 1949, shall render water service to such of its customers as may so apply for service of water during the winter season; provided, however, that the utility shall not be required, unless by its option it may so elect, to render winter season water service to less than ten bona fide customers.
3. Within thirty (30) days after the effective date of this order, shall file four sets of rules and regulations governing relations with its 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 by distinctive markings the

boundaries of the present service area and the location thereof with respect to the immediately 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.

4. Within sixty (60) days after the effective date of this order, shall file 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 being 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 16th day of August, 1949.

R. B. Johnson

Dr. A. H. ...

Harold P. ...

Commissioners.

Schedule No. 1

SUMMER SEASON FLAT RATES

APPLICABILITY

Applicable to all unmeasured water service rendered during the summer season of six months from April 1 to September 30.

TERRITORY

In and in the vicinity of the unincorporated community of Carnelian Bay, Lake Tahoe, in Placer County.

RATES

| | <u>Per Service Per Season</u> |
|--|-----------------------------------|
| For each residence, permanent or temporary, and for each store or other place of business | \$25.00 |
| For additional residences or places of business located on the same premises as the main customer and supplied through the same service connection, per additional unit | 12.50 |
| For each hotel or lodging house, including accommodations for owner and his family | 25.00 |
| Additional, for each rentable room | 1.25 |

SPECIAL CONDITIONS

The summer season rate is payable in advance on or before April 1 of each year.

Schedule No. 2

WINTER SEASON FLAT RATES

APPLICABILITY

Applicable to all unmeasured water service rendered during the winter season of six months from October 1 to March 31.

TERRITORY

In and in the vicinity of the unincorporated community of Carmelian Bay, Lake Tahoe, in Placer County.

RATES

| | <u>Per Service Per Season</u> |
|---|-----------------------------------|
| For each residence, permanent or temporary, and for each store or other place of business | \$40.00 |
| For additional residences or places of business located on the same premises as the main customer and supplied through the same service connection, per additional unit. . . | 20.00 |
| For each hotel or lodging house, including accommodations for owner and his family. . . | 40.00 |
| Additional, for each rentable room | 2.00 |

SPECIAL CONDITIONS

The winter season rate is payable in advance on or before September 1 of each year.

Unless application is made and payments in advance are received from at least ten customers on or before September 1 of any year, the Utility may, at its option, refuse to render service of water for the ensuing winter season. Upon electing such option and refusal, the Utility will return all winter season advance payments, if any, to the applicants for winter service on or before September 15 of such year.