

ORIGINAL

Decision No. 43378

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 R. H. STROSNIDER (transacting
 business under the firm name and
 style of Tahoe Cedars Water Company)
 for authority to increase rates and
 for permission to extend the
 distribution system so as to serve
 an additional area.

Application No. 30070

Thomas Maul for applicant.O P I N I O N

Mr. R. H. Strosnider, doing business as the Tahoe Cedars Water Company, owns and operates a water system in and near the community of Tahoma, on the shore of Lake Tahoe, in Placer and El Dorado Counties. The above-entitled application was filed on February 15, 1949 seeking authority to increase rates and for a certificate of public convenience and necessity to extend the distribution system to serve an additional area. A public hearing on this application was held before Commissioner Craemer and Examiner Edwards at Tahoma on September 6, 1949.

Facilities for the production and distribution of water consist of two pumps, an 8,000-gallon tank and approximately eight miles of transmission and distribution mains. Water is obtained from Lake Tahoe by means of two 3-inch suction lines extending about 200 feet from the shore and pumped by 10 hp and 15 hp electrically operated pumps through 5,700 feet of four-inch main up to the covered, galvanized sheet iron storage tank located at an elevation of about 190 feet above the normal lake level. Water is delivered through 1800 feet of four-inch, 33,920 feet of two-inch

and 175 feet of 1½-inch pipe mains to approximately 86 customers, of whom about 16 are metered. Water service is rendered only during the summer season from May 15 to October 15, each year.

Applicant is requesting that the present seasonal flat rate of \$16 be raised to \$22.50; that the minimum seasonal charge for metered service be raised from \$16 to \$25, and that the quantity rates be increased by lengthening the blocks and raising the terminal block rate from 15 cents to 18 cents per 100 cubic feet. Applicant also requests permission to make an installation charge of \$10 for each meter.

In substantiation of the need for these increases, applicant testified that the cost of operation has increased considerably since the rates were set by the Commission in 1940. A loss of nearly \$1,700 was recorded in 1948. Also, the business has not shown an adequate return on the investment in previous years when small profits were reported.

In order to learn what effect the requested rates would have on the earnings of the system, the Commission delegated an engineer in its Hydraulic Division, Mr. E. R. Foster, to make a study of the operations of this system. After adjusting the utility's records to reflect a proper segregation of capital and operating expenses, he determined that the expenses in 1948 were some \$1,100 less than reported by the utility but still nearly \$300 in excess of the collectible revenues for the year. For 1949 a loss of \$30 was estimated on the present rates and under the requested rates a return of about 1.8% on a rate base of \$30,000.

The Commission's engineer recommended that the minimum seasonal charge for metered service should be no higher than the seasonal flat rate charge, and preferably should be a little lower to keep the rates in balance; that meters larger than ¾-inch

size should carry a higher minimum charge; and that the quantity rates should be reblocked and adjusted upward to cover pumping and distribution costs and to match the 40% increase in the flat rate requested by applicant. He also recommended that steps be taken to make the books and records of the utility conform to the "Uniform Classification of Accounts for Water Corporations" as prescribed by this Commission, which the applicant will be expected to do.

At the hearing, interest in the requested rate increase was manifested by several customers, some of whom asked questions or entered objections in the record. The principal subject of complaint was discoloration of the water. One customer stated current economic conditions did not warrant the proposed increase, said the application should have been filed three years ago when all other prices were rising. Another customer objected to the connection charge and another stated that the utility should have a fair return provided the quality of the water is improved.

Applicant answered the objections to the water discoloration by stating it was due to the rusting of black iron pipe originally installed in the system in 1930 by his predecessor. He stated that he is willing to change the pipe now if the customers are willing to pay the considerably higher rates that would result from the present day high costs of galvanized pipe and installation labor. No customers indicated willingness to pay still higher rates for the purpose of replacing the black iron pipe.

The Commission will not authorize service connection charges to be made, as it is a responsibility of the utility to bring the service to the customer's property line, and of the customers to install and pay for service pipe on their own property.

A certificate of public convenience and necessity covering the present area was granted to applicant on July 16, 1940 by Decision No. 33334 in Application No. 23162. The extension of the certificated area requested by applicant is to a small parcel of land including two new subdivisions and other unsubdivided territory covering an area roughly 1/4-mile wide by 3/8-mile long, lying west of the extension of First Avenue, between Lake Tahoe and the previously subdivided Tahoe Cedars Tract, and adjacent to the present service area. Installation of pipe in this area should improve the over-all service because it will eliminate some dead-end mains and provide more direct connections to the main line from the lake intake. A map showing this new territory on the existing Tahoe Cedars Subdivision map, is marked Exhibit 3 in this proceeding.

No one specifically objected to the granting of a certificate to extend the system to serve the additional area described above; however, one customer questioned the expansion costs. When the characteristics of the new area and its closeness to the existing mains was explained, this customer expressed the opinion that it would be beneficial to have the added customers in this area so the over-all and general costs of pumping and operation could be spread to the advantage of all customers.

In analyzing the record in this proceeding, and in reaching a conclusion as to the level of rates for the future, the objections of the customers as well as applicant's earning position will be given due consideration. Users have benefited as rates were not increased during the period of rising costs since 1940. The record shows that the utility is experiencing a loss on the present rate level.

The order herein will provide for rates which are estimated to increase revenues from both flat and meter rates approximately 40.6% or a total increase of \$780 annually, resulting in an estimated rate of return of 2.0% on a \$30,000 rate base. Under all the existing circumstances however, the rates as set up in the order herein are considered reasonable.

The certificate of public convenience and necessity granted 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.

O R D E R

Public hearing having been held on the above-entitled application, the matter having been submitted, and the Commission being fully advised,

IT IS HEREBY FOUND AS A FACT that the increases in rates authorized herein are justified, and that public convenience and necessity will require the extension of his public utility water system by R. H. Strosnider in El Dorado County into the area shown on a map marked Exhibit 3 in this proceeding; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted R. H. Strosnider, doing business as the Tahoe Cedars Water Company, to extend and operate this public utility system for the distribution and sale of water within the territory hereinbefore described.

IT IS HEREBY FURTHER ORDERED that applicant shall:

1. File in quadruplicate with this Commission within thirty (30) days after the effective date of this order in conformity with General Order No. 96, the

schedule of rates shown in Exhibit A, attached hereto, to be charged for all water service rendered to customers on and after the first day of January, 1950.

2. Within thirty (30) days after the effective date of this order, file with the 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 revised boundaries of the service area and the location thereof with respect 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. Within sixty (60) days after the effective date of this order, 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 revised boundaries of 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 Los Angeles, California, this 11th
day of October, 1949.

A. Z. [Signature]
Justin J. [Signature]
Harold A. [Signature]
Kenneth [Signature]
Commissioners

Schedule No. 1

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all unmeasured water service rendered to domestic or residential consumers during the season of five months from May 15 to October 15.

TERRITORY

In the subdivided areas known as Tahoe Cedars Tract, Tahoe Cedars Addition, Pomin Park, Tahoe Cedars Addition No. 2, and Wilson Subdivision No. 1, and adjacent unsubdivided areas, in Placer and El Dorado Counties, near the unincorporated community of Tahoma on the shore of Lake Tahoe.

RATES

For Service
Per Season

For each residence, permanent or temporary \$22.50

SPECIAL CONDITIONS

1. The entire seasonal rate is payable in advance, on or before May 15 of each year.

2. A meter may be installed upon any service at the option of either the utility or the customer, the size of meter to be that specified by the customer, and thereafter service rendered at the general metered service rates. If the meter is installed at the option of the utility, the entire installed cost thereof shall be borne outright by the utility. If installed at the option of the customer, the actual installed cost of the meter shall be deposited with the utility by the customer and the amount so deposited shall be returned to the customer as credits on all water service bills at the rate of thirty per cent (30%) of such bills, both seasonal charges and monthly charges for additional water consumed until completely repaid.

Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all measured water service rendered during the season of five months from May 15 to October 15.

TERRITORY

In the subdivided areas known as Tahoe Cedars Tract, Tahoe Cedars Addition, Pomin Park, Tahoe Cedars Addition No. 2, and Wilson Subdivision No. 1, and adjacent unsubdivided areas in Placer and El Dorado Counties, near the unincorporated community of Tahoma on the shore of Lake Tahoe.

RATES

Per Service
Per Season

Minimum Charge:

For 5/8-inch or 3/4-inch meter	\$21.00
For 1-inch meter	30.00
For 1 1/2-inch meter	55.00

The Seasonal Minimum Charge will entitle the consumer to the following quantity of water:

	<u>Per Month</u>
Through 5/8-inch or 3/4-inch meter	1,000 cu. ft.
Through 1-inch meter	1,500 cu. ft.
Through 1 1/2-inch meter	3,000 cu. ft.

Quantity Rates:

In excess of quantity entitlement for Seasonal Minimum Charge,	
Up to 4,000 cu. ft. per month, per 100 cu. ft.	\$ 0.35
Next 6,000 cu. ft. per month, per 100 cu. ft.25
Over 10,000 cu. ft. per month, per 100 cu. ft.18

SPECIAL CONDITIONS

1. The entire Seasonal Minimum Charge is payable in advance, on or before May 15 of each year.
2. Charges for use of water in excess of monthly entitlement are payable upon presentation of monthly bills based on meter readings showing consumption of such additional water.