

DECISION NO. 44319**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of  
THE LUCERNE WATER COMPANY of LUCERNE,  
CALIF.

Application No. 31004

Paul B. Strong, for himself.O P I N I O N

Paul B. Strong, doing business as Lucerne Water Company, asks the Commission for authority to increase the rates for water service at Lucerne, located on Clear Lake in Lake County. Applicant alleges that the income produced by the present rates is not adequate to pay operating expenses and provide a sufficient return on the invested capital to make possible the financing of a required filter plant; and that the differential between flat and meter rates has resulted in loss in revenues through greater demand for metered service. Applicant asks that the present \$2.25 flat rate for domestic service be increased to \$3 per month and that the minimum charge for a 5/8 by 3/4-inch meter be increased from \$1.75 per month to \$2.50 per month. Under the proposed rates quantity charges would be reduced through three blocks to 20 cents per 100 cubic feet for all water used over 5,000 cubic feet per month.

A public hearing in this proceeding was held on May 4, 1950, at Lucerne before Examiner MacKall.

This water system was installed originally by the Clear Lake Beach Company in 1925 as part of a comprehensive recreational development along the northeasterly shore of Clear Lake. At the present time, there are 174 consumers, 48 of which receive flat rate

service. The water supply is obtained by pumping from Clear Lake and, while chlorinated, is of such poor quality that applicant has been required by the local and state health department officials to install filtration equipment without delay.

The rates now in effect on this system were established by the Commission in Decision No. 41808, dated July 7, 1948. Applicant testified that the revenues received in 1949 were considerably less than anticipated in the said decision and that with the installation of a filter plant, his operating expenses will be considerably greater.

The Commission's staff engineer adjusted the system rate base capital of \$28,250, determined in the above Decision No. 41808 to reflect net additions and betterments and estimated that with the installation of the new filter plant at a cost of \$5,500, this figure would be increased to \$35,267. This amount appears fair and reasonable and will be used for the purposes of this proceeding.

The net revenue for 1949 amounted to \$1,602 under existing rates. The net revenues for the year 1950 are estimated to be \$1,059 under present rates, and \$2,503 under rates proposed by applicant. This results in rates of return of 3% and 7%, respectively, with required improvements installed.

According to the evidence presented, Clear Lake is quite shallow in the Lucerne area. In the summer and fall the water has usually high turbidity caused by wind and wave action, and also contains considerable algae. Consumers and applicant agree that the quality of the water should be improved by filtration. The local county and the state health authorities have directed the immediate installation of filtration equipment. However, the earning position of this system has been such that applicant has been unable to borrow the money necessary to make the installation. Consumers at

the hearing were generally agreeable to paying reasonably increased rates provided the proposed filter plant would insure satisfactory and potable water. The schedules of rates established in the following order are substantially those proposed by applicant, and should yield sufficiently increased revenues to place the earnings of the utility on a sound financial basis. In applying seasonal schedule, applicant will prorate charges as of July 1, 1950, thus providing a charge of \$10 for the remainder of the 1950 summer season.

### O R D E R

Paul B. Strong, doing business as Lucerne Water Company, having applied to this Commission for an order authorizing increases in rates and charges, a public hearing having been held, and the matter having been submitted for decision,

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

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order in conformity with the Commission's General Order No. 96, the schedules of rates shown in Exhibit A attached hereto and, after not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after July 1, 1950.
2. Applicant, within forty (40) days from the effective date of this order, shall file with this Commission four sets of rules and regulations governing customer relations, 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 boundary of applicant's 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 portion thereof.
3. Applicant, within forty (40) 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

Schedule No. 1

GENERAL FLAT RATES

APPLICABILITY

Applicable to consumers who reside in the service area permanently and who have so resided for a period of 12 or more consecutive months.

TERRITORY

In and in the vicinity of the unincorporated town of Lucerne in Lake County.

RATES

	<u>Per Month</u>
For 3/4-inch domestic service.....	\$3.00
For 3/4-inch service to restaurants and service stations.....	3.50

Schedule No. 2

SUMMER RESIDENTS SEASONAL FLAT RATE

APPLICABILITY

Applicable to consumers not permanent residents of the service area who require water service during the summer or vacation period only.

TERRITORY

In and in the vicinity of the unincorporated town of Lucerne in Lake County.

RATES

For service through a 3/4-inch connection during the summer season period April 1 to September 30, payable in advance.....	\$20.00
For service during additional months the general flat rate of \$3.00 per month will apply.	

Schedule No. 3

GENERAL METER RATES

APPLICABILITY

Applicable to consumers who reside in the service area permanently and who have so resided for a period of 12 or more consecutive months.

TERRITORY

In and in the vicinity of the unincorporated town of Lucerne in Lake County.

RATES

Minimum Charges:	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter.....	\$2.50
For 3/4-inch meter.....	2.75
For 1-inch meter.....	3.00
For 1 1/2-inch meter.....	3.50
For 2-inch meter.....	4.50
For 3-inch meter.....	6.50

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

Quantity Rates:

First 400 cu. ft. included in minimum charges.	
Next 600 cu. ft., per 100 cu. ft.....	\$0.30
Next 4,000 cu. ft., per 100 cu. ft.....	.25
Over 5,000 cu. ft., per 100 cu. ft.....	.20

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

400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of various properties of applicant.

- 4. Applicant, within thirty (30) days after the effective date of this order shall file plans, including cost estimates for the installation of a filter plant, to be installed and in proper operation on or before August 15, 1950, and shall file with this Commission a progress report on the installation of said filter plant on August 1, 1950, and August 15, 1950; provided, however, that in the event said filter plant is not installed and in proper working order, as directed above, the Commission reserves the right to cancel, by supplemental order, said schedules of rates established herein, and direct that the schedules of rates presently effective be again placed in full force and effect.

The effective date of this order shall be ten (10) days after the date hereof.

Dated at San Francisco, California, this 20<sup>th</sup> day of June, 1950.

[Signature]

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Commissioners.