

Decision No. 44796

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of PACIFIC GAS AND ELECTRIC COMPANY, a corporation, for an order of the Public Utilities Commission of the State of California granting and conferring upon applicant all necessary permission and authority to carry out the terms and conditions of a written contract with HENRY A. FREY, ISABELL FREY and HENRIETTA HANKS, doing business under the fictitious name and style of FREY WATER COMPANY, a partnership, dated March 7, 1950 (Exhibit No. 1 hereof). (Water)

Application No. 31370.

Ralph W. DuVal, for applicant;
Isabell Frey, for Frey Water Company.

O P I N I O N

Pacific Gas and Electric Company, a corporation, by the above-entitled application filed May 5, 1950, requests an order of the Commission authorizing it to carry out the terms and conditions of a contract, dated March 7, 1950, with Frey Water Company, a partnership. Said agreement relates to the supply of untreated water which the Frey Water Company intends to treat and resell within the limits of the Frey Subdivision and nearby territory near Weimar Sanitarium, Placer County, California. A copy of said contract is attached to the application, marked Exhibit No. 1, and by reference made a part hereof for all purposes. A public hearing on this application was held before Examiner Edwards on July 13, 1950, at Auburn, California.

The contract provides for delivery from Pacific Gas and Electric Company's Boardman Canal, such quantity of water as shall

be used for customers of the Frey Water Company, but not in excess of a rate of flow of 6 miner's inches (9.0 cubic feet per minute). Deliveries of water will be made at the point where the Frey Water Company's pipe line connects with said Boardman Canal, as more particularly shown on a map attached to the application and marked Exhibit "A." The necessary diversion works and measuring devices shall be installed, owned, maintained, and operated by Pacific Gas and Electric Company.

The Frey Water Company shall provide the necessary distribution system, including storage facilities and treatment necessary to serve potable water to its customers. The contract also provides that the Frey Water Company shall supply sufficient storage for 10 days' normal use for customers in the event that there is an insufficient supply of water in the Boardman Canal due to acts of God or temporary interruption in the flow of water in said canal for the purpose of cleaning, repairing, or maintenance. Initially, the storage should not be less than 10,000-gallon capacity.

The contract provides the following rates for service:

	Per Month		Equivalent Cubic Foot Rates	
	Miner's Inch-day	Rate per Miner's Inch-Day	Cubic Feet	Rate per 100 Cu.Ft.
First	30	\$1.00	64,800	4.63¢
Next	60	.75	129,600	3.47
Next	90	.60	194,400	2.78
Next	820	.50	1,771,200	2.31
Over	1,000	.45	2,160,000	2.08

Minimum charge: \$2.50 per month per miner's inch of maximum contract delivery capacity as provided in Section 1 of contract accumulative annually.

On the basis of 6 miner's inches maximum contract delivery, the monthly minimum charge is \$15 or \$180 per year.

The term of the contract is for one year from and after the date authority is granted by the Public Utilities Commission and thereafter shall continue in full force and effect until terminated by thirty (30) days' written notice by either party.

Isabell Frey, representing the Frey Water Company, testified that she had signed the contract but thought that there should be a little cheaper rate on the water. The Frey Water Company resells the greater portion of this water at the flat rate of \$2.50 per month per residence, and its monthly revenue totals approximately \$100. Water will cost this small utility an average of approximately \$19 per month under the proposed contract. Heretofore, the Frey Water Company has been purchasing water on the basis of Schedule No. 8 modified by Rule No. 21 which contains a multiplier on the first block where two or more parties receive water through a common distributary. This contract will result in a saving of approximately \$13 per month to the Frey Water Company compared to Pacific Gas and Electric Company Schedule No. 8 as modified by Rule No. 21, based on present number of consumers. However, if the Frey Water Company were to be treated as a single customer under Schedule No. 8 without Rule No. 21 being applied, the monthly cost of water would be even lower to the extent of approximately \$10 per month.

Investigation of this contract was made by an engineer in the Hydraulic Division of the Commission, who compared the contract rates with those under Schedules No. 6, No. 7, and No. 8. Charts showing these rates were presented as Exhibits 1 and 2 in this proceeding. Counsel for company objected to this comparison because Schedules No. 6 and No. 7 are for irrigation and treated water service, which are different types of service and asked that these comparisons be deleted from the chart. He also asked that the Schedule No. 8 curve which referred to a single customer be deleted. We see no reason for deleting these curves because they all refer to service which is basically obtained from the Boardman Canal and graphically depicts the company's filed rates. The three lower curves on Exhibit No. 1 are comparisons between single customer rates and indicate that Schedule No. 8 is somewhat higher than the irrigation rate (Schedule No. 6) but lower than the treated water

rate (Schedule No. 7). When Schedule No. 8 is multiplied in the first block by 36 customers times 1,000 cubic feet, it is higher than the proposed contract rate between 15,000 and 127,000 cubic foot monthly usage. The principal point of controversy is whether the Frey Water Company should be considered as a single customer or as a multiple number of customers in comparing the rates of Schedule No. 8.

Rule No. 21 was filed in 1940 following conferences of representatives of the consumers, the utility, and members of the Commission staff as provided by Decision No. 30780, under Amended Application No. 20858, dated April 11, 1938. The length of the first block of the rate is determined by multiplying the number of consumers by 1,000 cubic feet where two or more parties receive water on a common distributary. Company representatives claim that only a comparison of the proposed contract rate level with Schedule No. 8 as modified by Rule No. 21 is proper. The company questions that it obtains adequate return from any of the single customer rates and, particularly, where a number of customers are served on a common distributary.

With regard to Isabell Frey's statement that she thought the rates should be a little cheaper, a company official testified that the Frey Water Company representatives signed the contract without any protest. The Pacific Gas and Electric Company has offered to refund the difference between the proposed rates and those paid under Schedule No. 8 as modified by Rule No. 21 back to the first billing following the date of the first proposed contract, November 7, 1947.

Applicant's request for authority to carry out the terms of the first proposed contract between the two parties was denied by Decision No. 42583 of Application No. 28947, dated March 8, 1949. As of that time H. A. Frey had signed the contract. The testimony.

developed the fact that a mutual organization had been formed to distribute the water, which organization, however, was never completed. Since that time the Freys have formed a partnership to operate the water system as a public utility and are now interested in the approval of this resale contract.

Our earlier decision on this matter contained the following suggestions:

"The parties should undertake the development of a new basis for service of water to this subdivision. In doing so, every effort should be made to evolve a plan which will afford a basis for uniform treatment of all customers of a particular type or class receiving water. The use of special contracts to establish rates and conditions, under which any utility service is rendered, should be limited to extraordinary cases unless such contracts are provided for in rate schedules on file with the Commission. Filed schedules have the advantage of being available for inspection by any customer at the utility's offices."

While the instant contract does not measure up to all of the above suggestions, it does afford a more reasonable basis for the sale of water to the Frey Water Company and will be authorized.

Pacific Gas and Electric Company cannot render this resale service without an agreement as provided by its Rule and Regulation No. 18 and should file a schedule of rates for resale service and then refer to these rates in the contract rather than establish a special rate in each resale contract as they may occur in the future. The level of such a rate should be higher than that for a single customer on Schedule No. 8 in order to cover the extra demand and readiness-to-serve costs associated with service to more than one domestic customer, but should not be as high as Schedule No. 8 modified by Rule No. 21. This modification appears proper where a few retail customers are grouped on a common distributary, but not where the problems of resale are involved.

O R D E R

Pacific Gas and Electric Company, having applied to this Commission for an order authorizing it to carry out the terms and conditions of a contract for resale water service, a public hearing having been held, the matter having been submitted and now being ready for decision, therefore;

IT IS HEREBY ORDERED that applicant be and it is authorized to carry out the terms and conditions of the written contract, dated March 7, 1950, with Frey Water Company, and to render the service described therein, under the terms, charges, and conditions stated therein, subject to the following conditions:

1. Applicant shall file with the Commission within thirty (30) days after the effective date of this order, two certified copies of the contract as executed, together with a statement of the date on which the contract is deemed to have become effective.
2. Applicant shall notify this Commission of the date of termination of said contract within thirty (30) days from and after such date of termination.

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

Dated at San Francisco, California, this 19th day of September, 1950.

R. P. [unclear]
Justus F. Coakley
David H. Powell

Commissioners.