

Decision No. 44978

BEFORE THE PUBLIC UTILITY COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION OF
 W. F. HAM and FRANK GLOBIN FOR AUTHORITY
 TO W. F. HAM TO SELL, TRANSFER AND ASSIGN
 TO FRANK GLOBIN CERTAIN ASSETS AND
 PROPERTIES, INCLUDING THE CUSTOMERS,
 GOODWILL, DISTRIBUTION SYSTEM AND MAINS,
 AND APPURTENANT EASEMENTS FOR SEWERS,
 RIGHTS OF WAY AND WATER LINES, OF THAT
 CERTAIN PUBLIC UTILITY WATER SYSTEM IN
 THAT CERTAIN SUBDIVIDED TRACT KNOWN AS
 BIJOU PINES, LYING BETWEEN AL TAHOE AND
 BIJOU ON THE SOUTH SHORE OF LAKE TAHOE
 IN EL DORADO COUNTY, CALIFORNIA, AND
 OWNED BY SAID W. F. HAM.

Application No. 31743

IN THE MATTER OF THE APPLICATION OF
 FRANK GLOBIN TO EXTEND THE SCHEDULE OF
 RATES OF THE FRANK GLOBIN UTILITY TO
 WATER AND SERVICE FURNISHED BY APPLICANT'S
 SAID UTILITY TO CONSUMERS OF BIJOU PINES
 WATER COMPANY, EL DORADO COUNTY,
 CALIFORNIA.

Application No. 31761

Wilke and Fleury by Sherman C. Wilke,
for applicants.

O P I N I O N

By the above-entitled applications, W. F. Ham asks authority to sell his public utility water system in Bijou Pines on the south shore of Lake Tahoe, and Frank Globin seeks permission to buy said system and to serve the customers thereof at the same schedules of rates now in force and effect on the water utility system presently operated by said Frank Globin in the area adjacent to and to the west of the Bijou Pines system.

A public hearing on the two applications was held before Commissioner Craemer and Examiner Emerson on October 6, 1950, at Bijou, El Dorado County, California, at which time the matters were submitted for decision.

W. F. Ham, or his predecessors in interest, have continuously operated a water utility system in Bijou Pines since about 1929, using as a source of water two wells within the subdivision. From these wells, water was pumped to a pressure tank and through some 4,400 feet of 3½-inch O.D. and 4,200 feet of 2½-inch O.D. distribution mains to serve 117 customers and 10 fire hydrants. The wells have become inadequate and the pumps have become damaged as the result of pumping sand. In order to correct such conditions, it would be necessary to drill new wells and install new pumping equipment; and W. F. Ham has declared that it is not possible for him to undertake, or expend the funds necessary for, the drilling of new wells or the installation of all new pumping facilities. Because of complete water supply failure in August, 1950, an emergency and standby supply of water was obtained from the neighboring system of Frank Globin by the installation of approximately 400 feet of pipe necessary to tie the two systems together.

The water system of Frank Globin serves domestic, business, and industrial water users in and adjacent to the townsite of Al Tahoe, the utility service area extending northeasterly to the boundary of the Bijou Pines subdivision served by W. F. Ham. Water used by the Globin system is obtained by diverting a portion of the natural flow of Cold Creek into two earthen reservoirs of approximately 10 million gallons storage capacity, 150 feet above the

level of Al Tahoe. By deed and riparian rights, Frank Globin is entitled to one-third of the stream flow of Cold Creek. Such supply is adequate for the Globin and Ham systems. From the reservoir outlet, water is transmitted approximately $3\frac{1}{2}$ miles to Al Tahoe by means of a 10-inch main laid 4 or more feet below the ground surface and located in a private right of way owned by Globin.

The Globin system now supplies year-round service while the Ham system only holds itself out to serve during the summer season, though it has been requested also to supply winter service. Upon receiving authorization to transfer ownership, Globin intends to rehabilitate the Ham system by enlarging certain mains and lowering all mains below the frost line so as to make all-year service available to Bijou Pines. The cost of such rehabilitation has been estimated to run between \$20,000 and \$25,000, and it is planned to complete such work by June, 1951. An agreed price of \$4,000, payable as \$3,000 in cash upon approval of the sale by the Commission and \$1,000 from collections by Ham for his 1950 season operations, has been set for the present Bijou Pines system, and a copy of the bill of sale is attached to Application No. 31743 as Exhibit "B" thereof.

The Frank Globin system has four rate schedules now on file which were made effective on July 15, 1950, pursuant to Decision No. 44320 in Application No. 31109. Schedules No. 1 and No. 2 are flat and meter rates, respectively, and are on a seasonal basis; that is, a summer season from May 1 to October 31, and a winter season from November 1 to April 30. Schedule No. 3 is for fire hydrant service and is on a monthly basis. Schedule No. 4 is a rate for winter week-end service during the temporary

period of November 1, 1950, to April 30, 1951. Applicant Globin has asked that these rates be applied to the Bijou Pines area at the time the system is acquired. Objection to the rates was made by three persons. One stated that he will be unable to pay \$40 for a summer season's supply which he has previously received for \$20. One stated that his and six other families used water from their individual wells during part of each year. The third objector is not a customer of any water utility but stated that, as a Fire District taxpayer, he opposes the established fire hydrant rate of the Frank Globin utility and that he based such opposition on the inadequacy of water for fire protection purposes.

With respect to the objection as to the rate for fire hydrant service, it was agreed at the hearing that the Commission would obtain a copy of and review the fire flow tests made by the Board of Fire Underwriters of the Pacific on August 1, 1950, in the Al Tahoe District of the Lake Valley Fire District. The report on such tests is now before us and shows that, during a three-hour period and under normal conditions of an average static pressure of 40 psi, "pressure at weak point in high value district at which 200 g.p.m. is available" is 35.6 psi. The report also shows that, depending upon location, computed flows available for pumping engines ranged from a minimum of 126 g.p.m. to a maximum of 720 g.p.m. at 20 psi.

In respect to rates, it is noted that for the Ham system, the reported net profit on an estimated fixed capital of \$9,500 was \$121.15 for 1950 operations up to the time the water supply failed in August. Such a return is obviously less than adequate even for a system not faced with major repairs to badly damaged pumps. A Commission engineer, at the hearing, presented

as an exhibit a copy of his report of an investigation of the Ham and Globin systems made during the month of September, 1950. For the combined systems, the report indicates an estimated average depreciated rate base of \$96,323 as of June 30, 1951. Estimated 1951 revenues are shown to be \$15,500 and estimated operating expenses for the same period are shown as \$10,700. Using such figures, a rate of return of 4.98% is indicated. Applicant Globin testified that an estimated revenue of \$14,291 was expected for the same period but that no expense estimate had been made by him. Such an annual revenue if applied to the staff rate base and expense estimates would develop a return of 3.72%.

The rates presently in effect on the Globin system were established by this Commission, after public hearing and due study and consideration, as just and reasonable rates for such system. It is our opinion that the application of such rates to the system which Globin will buy from Ham will not unreasonably affect the stability of the utility when both systems are operated as one. However, in view of the inadequacy of the present Ham system and the rehabilitation work to be undertaken by Globin before such system will receive water service equivalent to that enjoyed on the present Globin system, the Globin rates will not be applied to the Ham system until said rehabilitation and improvement work is completed.

The action taken herein shall not be construed to be a finding of the value of the property herein authorized to be transferred.

O R D E R

The above-entitled applications having been filed with and considered by this Commission, a public hearing having been held, the matter having been submitted and it appearing to the Commission that the proposed transfer will not be adverse to the public interest; therefore,

IT IS HEREBY FOUND AS A FACT that the rates and charges authorized herein are justified.

IT IS HEREBY ORDERED that W. F. Ham may, on or after the effective date hereof, and on or before March 31, 1951, sell and transfer the herein described public utility property to Frank Globin pursuant to the agreement of sale and purchase embodied in the application.

IT IS HEREBY FURTHER ORDERED that on or before the date of actual transfer, W. F. Ham shall refund all deposits which customers are entitled to have refunded; and that any unrefunded deposits shall be transferred to and become the obligation for refund of Frank Globin.

IT IS HEREBY FURTHER ORDERED that Frank Globin shall file with this Commission, within thirty (30) days after the date of sale authorized herein, a certified copy of the bill of sale and deed by which the property is transferred, and also a written statement indicating the date upon which control and possession of said W. F. Ham's water system was assumed.

IT IS HEREBY FURTHER ORDERED that Frank Globin shall, as of the date of transfer, adopt the rates, rules and regulations of W. F. Ham now legally on file with this Commission as the rates, rules and regulations effective for the transferred system until

such time as the work of rehabilitating said system is completed; whereupon, after not less than ten (10) days' notice to this Commission and to the public, Frank Globin shall cancel said adopted rates, rules and regulations, and place in effect for the entire system the presently filed rates, rules and regulations of said Frank Globin.

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

Dated at San Francisco, California, this 8th day of November, 1950.

[Signature]
Justin Z. Calves
Wesley Powell
Harold H. Hill
[Signature]
Commissioners.