

Decision No. 55597**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SLIDE INN IMPROVEMENT ASSOCIATION,)
Complainant,)

vs.)

J. R. MILLS and GWENDOLYN MILLS,)
Defendants,)

Case No. 5801

Hardin & Gorgas by E. L. Gorgas
for respondents.
Allen Cook and Lucien Berthier
for Slide Inn Improvement
Association.
Robert C. Moeck for the Commission
Staff.

SECOND INTERIM ORDER

The respondents were declared to be a public utility water system by Decision No. 54141, dated November 27, 1956 in this proceeding. The matter was reopened for the purpose of considering rates, service and quality of water. A further public hearing was held at Sonora on June 27, 1957 before Examiner Power. At the conclusion of this hearing the matter was resubmitted.

The Slide Inn Water Co., owned by respondents, serves about seventy premises on both sides of State Highway No. 108 (Sonora-Mono Highway). The location is just east of Long Barn and about 20 miles east of Sonora, county seat of Tuolumne County. The terrain is mountainous with a substantial variation in elevation throughout the system.

The system now installed consists of two wells, one 12,000 gallon storage tank, and approximately 3,800 feet of small pipe, none of it over two inches in diameter. Because of certain inadequacies in this system it is appropriate to discuss service before rates in this opinion.

This system began as a resort system serving a handful of customers. Within the past five years, however, it has acquired a permanent population. If one may judge from the mail notice, Exhibit No. 23, the majority of customers have their permanent residences elsewhere. There are, however, certain persons who rent property in the service area and among the permanent customers are a cafe, a bar, and a gasoline service station.

The minimum requirements of a seventy-service system for water supply are far in excess of what this utility presently can provide. General Order No. 103 of this Commission would require approximately 125 gallons per minute for a fully metered, seventy-service system. When flat rates are assessed, as is the case here, about 300 gallons per minute would be required. Both figures are minimums. The two wells produce only thirty gallons per minute between them. To be sure, the system has 12,000 gallons of storage capacity. This would help, if well filled, but the demand of the businesses and permanent residents will frequently be enough to keep the storage tank from filling up. The deficiency in pipe diameters is a serious one.

Without further laboring of the physical deficiencies of the system it will be apparent that a substantial addition to utility plant is indicated. Respondent Mills testified that he had acquired a tank from the dam contractors operating in the area. The capacity of this tank is slightly larger than the one now installed.

The staff witness presented an appraisal as of December 31, 1956 of the utility property, together with an estimate of 1957 additions. As of December 31, 1956 he estimated the physical properties at \$7,515 and the associated depreciation reserve requirement at \$1,803. This appraisal will be adopted by the Commission and the

utility authorized to use it and the related depreciation reserve requirement figure in setting up its books of account as of December 31, 1956.

The estimated additions shown in the staff study require certain corrections. The study shows a figure of \$1,500 for an additional tank based on the cost of such tanks when new. Respondents were able to acquire a used tank at a figure of \$500 shortly before the hearing which, with an estimated cost of erection of \$500, would total \$1,000. Thus the tank figure is over-stated by \$500. The figure for distribution mains contains \$1,725 for a proposed 3" line. The following order will prohibit the construction of this line in the proposed location (it is intended to serve an extension of the service area). As an offset to these overstatements there is only an understatement of \$100 in the estimated value of the well lot.

From what has been said it is apparent that the conditions for determining rates which might be expected to provide a reasonable return to the utility for a reasonable period of time do not exist. It is presently impossible to determine what the value of an adequate plant would be and what level of rates would yield an adequate return on it.

The Commission therefore finds and concludes:

1. That the water supply of respondents is inadequate.
2. That pipe diameters in respondents' distribution system are inadequate.
3. That water from the so-called "creek" well is subject to possible pollution and requires chlorination.
4. That the value of a utility plant capable of supplying adequate water service to present customers is not ascertainable at the present time.
5. That respondents have sustained a net loss on operations in 1956.
6. That respondents will sustain a net loss in 1957 at present rates.

7. That the rates established by the following order are fair and reasonable rates on a temporary basis only and that the Commission will again review the utility's rate structure when the cost of improving the water system is known.

The following order will authorize a flat rate charge of \$40 per year for a single residence or business establishment and a charge of \$30 for each additional residence or business establishment on the same premises and served from the same service connection. It is apparent that this increase will do little, if anything, more than eliminate losses.

The evidence revealed that a dispute existed between the respondents and one customer. This illustrated the fallacy of basing rates on a "per unit" basis. Flat rates should be on a "per service" basis. It also illustrates the need for meter rates to be adopted at the option of either customer or utility. The premises involved in the dispute is used for a commercial venture. It is usually better to measure water to business establishments. In the present case both sides might welcome such a solution. The following order will provide for flat rate charges only for service connections 3/4" and smaller.

The order will require engineering studies to be made with a view to increasing the water supply. The Commission suggests that such study include the feasibility of developing the spring which is the source of Sugar Pine Creek. Such studies should also include the possibility of one or more wells. The new tank now owned by respondents should be installed as soon as possible. If and when it is possible to do so, the creek well should be eliminated from this system. The trunk line, connecting the present wells and storage tank should be increased in diameter to 4 inches as soon as possible. Other lines should be enlarged as needed and as funds permit.

SECOND INTERIM ORDER

The above-entitled proceeding having been considered, public hearings having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. a. Respondents are authorized and directed to file within 30 days after the effective date of this order the rates set forth in Appendix A attached to this order, together with rules and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rates, rules and tariff service area map shall become effective on five days' notice to the Commission and to the public after filing as hereinabove provided.
- b. Respondents shall file within forty days after the system is placed in operation under the rates and rules authorized herein four copies of a comprehensive map, drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the tract of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of respondents.
- c. Respondents shall base the accruals to depreciation upon spreading the original cost of the plant, over the estimated remaining life of the property; respondents shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission. In complying with this requirement respondents may use the amounts of the staff appraisal and depreciation reserve requirement as of December 31, 1956 contained in Exhibit No. 21 in evidence in this proceeding.

2. That respondents shall, within 90 days after the effective date of this order, submit in writing to this Commission a report in which is outlined a program for the improvement of the water supply, storage and distribution facilities such that on or before October 15, 1958 respondents' water service shall fully meet the requirements of this Commission's General Order No. 103.

3. Respondents shall, on or before February 28, 1958, and every 90 days thereafter, until completed, submit a written report with this Commission as to the status of the improvements included in the

program as discussed in paragraph 2 above, together with such additional items as the size, capacity and depth of any well or wells; other sources of water supply developed and the quantity of water obtained therefrom; the size and capacity in gallons per minute of any pumping units installed; the limits of the operating pressures of the system; the capacity of any additional storage tanks installed; and the length, type and diameter of new mains.

4. Respondents shall not extend water service to any consumer not served by it on or before June 27, 1957 without further order of the Commission.

IT IS FURTHER ORDERED that Case No. 5801 is hereby continued pending further appropriate action by this Commission.

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

Dated at Los Angeles, California, this 24th day of September, 1957.

[Signature]
President
[Signature]
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A
Page 1 of 3

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Slide Inn, located adjacent to State Highway 108, approximately 20 miles east of Sonora, Tuolumne County.

RATES

Per Meter
Per Month

Monthly Quantity Rates:

First	800 cu. ft. or less	\$	3.25
Next	2,200 cu. ft., per 100 cu. ft.35 ✓
Next	7,000 cu. ft., per 100 cu. ft.25 ✓
Over	10,000 cu. ft., per 100 cu. ft.20 ✓

Annual Minimum Charge:

Per Meter
Per Year

For	5/8 x 3/4-inch meter	\$	39.00
For	3/4-inch meter		57.00
For	1-inch meter		90.00
For	1½-inch meter		162.00
For	2-inch meter		204.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during the 12-month period commencing January 1 and are due in advance. A customer who has established his permanency by having paid for service during each of the preceding 12 months may elect to pay the annual minimum charge on a monthly basis equal to one-twelfth of the annual minimum charge.

APPENDIX A
Page 2 of 3

Schedule No. 1 (Cont'd.)

GENERAL METERED SERVICE

SPECIAL CONDITIONS (Cont'd.)

2. The charges for water used in excess of the monthly allowance under the annual minimum charge will be billed monthly on a noncumulative monthly consumption basis.

3. For initial service connected after January 1 the annual charge will be prorated on the basis of the number of months remaining in the year, any portion of a month being treated as a whole month.

Schedule No. 2

GENERAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

The unincorporated area known as Slide Inn, located adjacent to State Highway 108, approximately 20 miles east of Sonora, Tuolumne County.

RATES

	<u>Per Service Connection</u> <u>Per Year</u>
For a single family residence, or business establishment	\$40.00 ✓
a. For each additional residence or business establishment on the same premises and served from the same service connection	30.00

SPECIAL CONDITIONS

1. The above flat rate charges apply to service connections not larger than 3/4-inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. A meter may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.
4. The above flat rate applies to service during the 12-month period commencing January 1, and is due in advance. A customer who has established his permanency by having paid for service during each of the preceding 12 months may elect to pay the annual minimum charge on a monthly basis equal to one-twelfth of the annual minimum charge.