

Decision No. 57138

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of T. E. FINGER,
LAKE FOREST WATER SYSTEM,
to increase present established
rates for water service. }

Application No. 40020

O P I N I O N

In this application filed on April 18, 1958, T. E. Finger, doing business as Lake Forest Water Co., requests authority to increase rates for water service in Lake Forest Subdivision Unit No.1 and vicinity, Lake Tahoe, Placer County. The rates requested are estimated to increase revenues by about 32 per cent.

History of System

The application states that the water system was started in 1911 by a Mr. Matt Green when he filed for water rights on a spring which is still the main source of water supply for this utility. The Tahoe Realty Co. subsequently purchased the subdivision then known as Tahoe Island Park and renamed the area Lake Forest after re-subdividing the major portion thereof. In 1946 the Tahoe Realty Co. sold all of its right and title in the water system and spring to applicant. Water from the spring flows by gravity into two 10,000-gallon tanks and a supplemental water supply has been made available from Lake Tahoe since 1953 when facilities were installed to pump water from the lake directly into the system.

The only previous formal proceeding before this Commission involving this water utility operation was a request to establish rates, Application No. 30549 filed August 12, 1949. Pursuant to Decision No. 43750 issued February 1, 1950 thereon, original tariff schedules providing for water service by this system were duly filed and became effective on May 1, 1950.

The instant application indicates that improvements have been made since the original rates were established and that an increase in rates is necessary in order to permit financing of further improvements in the water system. It is also apparent from a review of the annual reports filed by this utility that the increase in operating expenses during recent years also contributes to its need for increased rates.

Customer Response

On August 7, 1958, a letter was sent to all customers of Lake Forest Water Co. by the Commission staff. This letter provided the customers with information concerning the requested rates, the revenue the company could expect if these rates were authorized and asked for any comments the customers might wish to make.

Six replies were received, four of which objected to increased rates and two of which indicated the utility's proposal was reasonable. Three of these customers complained of low water pressure and two of the same customers complained of dirty water.

Rates, Present and Proposed

The following tabulation is a comparative summary of the utility's present and proposed flat rates, all customers being presently served at flat rates:

	: Company			
	<u>Present Rates:</u>		<u>Proposed Rates</u>	
	<u>Summer</u>	<u>Winter</u>	<u>Summer</u>	<u>Winter</u>
	<u>Season</u>	<u>Season</u>	<u>Season</u>	<u>Season</u>
Each single family residential unit or commercial establishment	\$19.00	\$17.00	\$28.50	\$17.00
Motels or auto courts - first unit, including office and utility building....	20.00	18.00	30.00	18.00
Each additional unit	5.00	5.00	6.00	5.00
Irrigating each vacant lot - not over 6,000 square feet in area	9.00	-	9.00	-

Under the present rates, the summer season covers the months of May through September and the winter season the remaining seven months.

Under the proposed rates, the summer season is extended to include the months of April through October and the winter season is shortened to the remaining five months.

Summary of Showings

Supplemental information developed by the Commission's staff and confirmed by the owner of the utility indicates that the application of the proposed rates to the existing number of customers would produce an estimated \$2,930 in operating revenues, rather than the \$2,335 estimated in the application.

Operating expenses, exclusive of taxes and depreciation, have increased from \$856 in 1955 to \$1,602 in 1957. During this same period property taxes have varied from \$66 to \$73, and depreciation expense computed by the straight-line method has increased from about \$225 to \$300.

The utility plant has increased from \$5,917.40 as of December 31, 1948, to \$10,111.79 as of January 1, 1958. During this period the number of customers served has varied between 70 and 80; however, the use of water in the winter season has increased during recent years. The increase in utility plant represents improvements in the system, including the installation of the pumping facilities for the supplemental supply of water from Lake Tahoe.

The results of operation for the year 1958 at present rates and the rates proposed by applicant is summarized in the following tabulation using the revenues estimated by the staff, applicant's estimated operating expenses, including depreciation, an estimated amount for income taxes based on the resulting net revenue and a rate base of \$4,300 which was developed by adding to applicant's 1958 depreciated rate base of \$3,521.79 approximately \$500 for estimated additions and \$300 for materials and supplies for the same period.

<u>Item</u>	<u>Year 1958</u>	
	<u>Present Rates</u>	<u>Applicant's Proposed Rates</u>
Operating Revenues	\$2,220	\$2,930
Operating Expenses	1,800	1,800
Property Taxes	70	70
Income Taxes	10	170
Depreciation Expense	300	300
Total Expenses	<u>2,180</u>	<u>2,340</u>
Net Revenue	40	590
Depreciated Rate Base	\$4,300	\$4,300
Rate of Return	0.9%	13.7%

Findings and Conclusions

The results of operation tabulated above clearly show that the present rates are deficient but that the rates proposed by applicant are somewhat excessive.

The Commission has frequently said in rate proceedings that rate bases, rates of return and other pertinent data are valuable indices of earning requirements. The Commission has also said that it considers all available data without limitation to any single method or formula. The principal issue involved is that the final result be reasonable. Under these conditions a net revenue of \$475 per year to the applicant is justified, while it represents a return of 11.0 per cent on a very small rate base of \$4,300. The estimated results of operation for the year 1958 at the rates hereinafter authorized are as follows which we hereby find to be reasonable:

	<u>Estimated Year 1958 Authorized Rates</u>
Operating Revenues	\$2,800
Total Expenses	<u>2,325</u>
Net Revenue	475
Depreciated Rate Base	4,300
Rate of Return	11.0%

The rates hereinafter authorized have been modified as to form in order to provide a more equitable and complete flat rate schedule.

Applicant should proceed to eliminate any dirty water conditions and should make the necessary pressure checks to assure that all customers are receiving adequate quantities of water at their service connections.

O R D E R

The Commission having considered the request of applicant and being of the opinion that a public hearing is not necessary, therefore,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates, in so far as they differ from those herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS ORDERED that:

1. Applicant, T. E. Finger, doing business as Lake Forest Water Co., is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedule of rates attached to this order as Appendix A and, upon not less than five days' notice to this Commission and to the public, to make said rates effective for all service rendered on and after November 1, 1958.
2. Applicant, within sixty days after the effective date of this order, shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant.

- 3. Applicant shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant. Applicant shall submit to the Commission the basis for its remaining life depreciation accruals for the year 1958 on or before December 31, 1958 and shall thereafter review the accruals when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

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

Dated at San Francisco, California, this 7th day of October, 1958.

E. L. Fox
President

J. E. Mitchell

Paula J. [unclear]

Matthew [unclear]

Theodore [unclear]
Commissioners

APPENDIX A

Page 1 of 4

Schedule No. 1S

SEASONAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a seasonal basis.

TERRITORY

The unincorporated area known as Lake Forest Unit No. 1, and vicinity, located adjacent to State Highway No. 28 and approximately 2 miles northeast of the community of Tahoe City, Placer County.

RATES

Per Meter
Per Month

Monthly Quantity Rates:

First	500 cu. ft. or less, included in Seasonal Minimum Charge	
Next	500 cu. ft., per 100 cu. ft.	\$.40
Next	1,000 cu. ft., per 100 cu. ft.35
Over	2,000 cu. ft., per 100 cu. ft.30

Seasonal Minimum Charge:

	<u>Per Meter Per</u>		<u>Quantity Allowed</u>
	<u>Summer Season</u>	<u>Winter Season</u>	
	<u>Apr. 1 through:</u>	<u>Nov.1 through</u>	<u>Per Month for</u>
	<u>October 31</u>	<u>March 31</u>	<u>Seasonal Minimum</u>
			<u>Charge</u>
For 5/8 x 3/4-inch meter..	\$25.00	16.00	500 cu. ft.
For 3/4-inch meter..	30.00	20.00	1,000 cu. ft.
For 1-inch meter..	64.00	42.00	2,500 cu. ft.

APPENDIX A

Page 2 of 4

Schedule No. 1S

SEASONAL METERED SERVICE

SPECIAL CONDITIONS

1. The seasonal minimum charge is due in advance and entitles the customer to the quantity of water each month that corresponds to the seasonal minimum charge as shown above.
2. Customers may take service under this schedule for either or both seasons.
3. The charge for water used in excess of the quantity allowed each month for the seasonal minimum charge may be billed monthly, bimonthly, or quarterly at the option of the utility on a noncumulative monthly consumption basis.

APPENDIX A

Page 3 of 4

Schedule No. 25

SEASONAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated area known as Lake Forest Unit No. 1, and vicinity, located adjacent to State Highway No. 28 and approximately 2 miles northeast of the community of Tahoe City, Placer County.

RATES

Per Service Connection

Per Season

Summer Season :	Winter Season
Apr. 1 through:	Nov. 1 through
October 31 :	March 31

Seasonal Rates:

For a single family residence, business establishment, or the first occupancy unit of a motel or auto court including office, utility building and premises.	\$ 26.50	\$ 17.00
a. For each additional residential or occupancy unit or business establishment on the same premises and served from the same service connection	6.00	5.00
For irrigation of a vacant lot not exceeding 6,000 sq. ft. in area	9.00	-

Seasonal Minimum Charge:

For each 3/4-inch service connection	26.50	17.00
For each 1-inch service connection	40.00	30.00
For each 1 1/2-inch service connection	65.00	50.00

APPENDIX A

Page 4 of 4

Schedule No. 2S

SEASONAL FLAT RATE SERVICE

SPECIAL CONDITIONS

1. The seasonal minimum charge is due in advance.
2. A customer's bill will be computed using the seasonal rates but shall not be less than the seasonal minimum charge based on the size of service connection.
3. Customers may take service under this schedule for either or both seasons.
4. All service not covered by the above classifications will be furnished only on a metered basis.
5. Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1S, Seasonal Metered Service.
6. When a meter is installed at option of customer, metered service must be continued for at least 24 months before service will again be furnished at flat rates.