

**ORIGINAL**Decision No. 57626

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the LINKFORD )  
 WATER CO. to increase annual )  
 water rates )

Application No. 40287

O P I N I O N

In this application filed July 23, 1958, Fred W. Links and Thomas H. Mugford, a copartnership doing business as Linkford Water Company and supplying domestic water service in the vicinity of Carnelian Bay, Lake Tahoe, Placer County, ask the Commission for authority to increase the rate for service to users from \$16.00 per season to \$20.00 per season effective for the 1958 season. Applicants state they furnish service to nine customers.

History and Description of System

The service area of this utility is situated easterly of and immediately adjacent to the Carnelian Bay Post Office and covers approximately 12 acres of land subdivided into 28 lots. A certificate of public convenience and necessity to operate a public utility water system was granted to Fred W. Links and Thomas H. Mugford by Decision No. 29294, dated November 23, 1936, in Application No. 20673. Applicants' present rate was authorized by Decision No. 40341, dated June 3, 1947, in Application No. 28143.

The water supply is obtained from Lake Tahoe. A pump operated by a 1-horsepower electric motor lifts the water approximately 120 feet to a 2,000 gallon redwood storage tank from which the water is distributed through approximately 2,000 feet of 2-inch pipe.

Revenues, Expenses and Earnings

Applicants, in Exhibit B of the application, show an accumulated gross income of \$588.90 for the five years 1953 through 1957, an average of about \$118 per year, and list accumulated expenditures for the same five-year period of \$612.36. The income for 1957 is shown as \$114.90 with expenditures of an identical amount. Based on service to nine customers, gross revenues at the rates proposed would amount to \$180 per year. Applicants' plant as of December 31, 1957, is stated to be \$1,225.92 with the related reserve for depreciation reported as \$45.61. ✓

A review of the annual reports filed with the Commission by this utility indicates that only nominal amounts have been charged for the operation and maintenance of the system and that in most years it has charged little or no depreciation expense. On this basis, the revenues would not much more than cover expenses, including depreciation accruals, at the proposed rate and would leave little for return on even the small investment involved here. ✓

It is apparent from examination of the annual reports and from correspondence with applicants that the utility has not had sufficient earnings in the past to cover expenses including depreciation. As a consequence, an adequate depreciation reserve has never been maintained by applicants. The general manager of the utility has advised us by letter that the two owners have agreed to meet any operating deficits or necessary replacements by donations as required. In view of this statement and the level of the rate proposed it would appear that no useful purpose would be served at this time to require applicants to appropriately restate their depreciation reserve and accrue depreciation at a rate consistent therewith. Applicants should establish a proper and adequate depreciation account and

should regularly accrue sufficient amounts in this account to write off the original cost of the plant in service, less salvage, by the end of its useful life. It is expected that applicants will forthwith take such steps as will accomplish this obligation.

#### Customer Response

On September 15, 1958, a letter was sent to each of the nine customers of Linkford Water Company by the Commission staff. This letter provided the customers with information concerning the requested rate, a comparison of revenues at the present and proposed rates and asked for any comments the customers might wish to make.

Only one reply to this letter was received. This customer did not object to the rate increase but requested that the present service period of June 1 through September 30 be lengthened to start about May 1 or May 15 and end November 1.

Applicants' practice has been to activate the system as weather conditions permit on May 15 and to drain the system by no later than October 12. It appears that it would not be practical to extend seasonal service because the system was not designed for winter use. Applicants' present practice should therefore be continued.

#### Findings and Conclusions

As mentioned heretofore, applicants' recorded expenses have exceeded revenues in recent years, even without the inclusion of a reasonable amount for depreciation. Therefore, in this instance we do not feel that it is practicable to attempt either to establish a rate base or to relate net revenues thereto for the purpose of rate fixing in this proceeding. No customers have offered an objection to the proposed rate.

In view of these circumstances it appears that this is not a matter in which a public hearing is necessary and that applicants' rate increase should be granted.

Applicants request that the increased rate be effective for the 1958 season. As the applicants did not file their application until July 23, 1958, and since the Commission does not fix rates retroactively, this portion of applicants' request will be denied.

O R D E R

The above-entitled application having been filed with the Commission, and the Commission having considered the matter and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increase in rate authorized herein is justified and that the present rate, in so far as it differs from that herein prescribed, for the future is unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

1. Fred W. Links and Thomas H. Mugford, a copartnership doing business as Linkford Water Company, are authorized to file in quadruplicate with this Commission after the effective date of this order and on or before January 1, 1959, in conformity with General Order No. 96, the rate schedule shown in Appendix A attached hereto and, upon not less than five days' notice to the Commission and to the public, to make said rate effective for service rendered on and after the commencement of the 1959 season.

2. Applicants, within sixty days after the effective date of this order, shall file in quadruplicate with this Commission in conformity with the provisions of General Order No. 96, rules acceptable to the Commission governing customer relations revised to reflect present-day operating practices, together with four copies of an

acceptable tariff service area map. Such rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Applicants, 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 200 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 applicants.

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

Dated at San Francisco, California, this 25<sup>th</sup> day of November, 1958.

E. Lynn Fox  
President

W. L. ...

Walter ...

Frederic ...

Commissioners

APPENDIX A

Schedule No. 2SR

SEASONAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Certain unincorporated territory located adjacent to and north of State Highway 28 and easterly of Carnelian Bay Post Office, Lake Tahoe, Placer County.

RATE

Per Service Connection  
Per Season

Seasonal Charge:

For each single family residence,  
including premises, for the 4-month  
period June 1 through September 30 ..... \$ 20.00

SPECIAL CONDITIONS

1. The seasonal charge is due in advance.
2. Weather conditions permitting, the utility may commence service prior to June 1 and may continue service later than September 30, but in no event is it intended that service commence prior to May 15 nor continue later than October 12.