

Decision No. 59722**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the CARNELIAN BAY WATER
COMPANY, a corporation, for permission
to increase rates for water service.

Application No. 41217

O P I N I O N

In this application, filed June 11, 1959, Carnelian Bay Water Company, a California corporation, requests authority to increase rates for water service in the community of Carnelian Bay, situated on the shores of Lake Tahoe, Placer County. The utility furnishes water service to approximately 82 customers during the summer season and 18 during the winter season, all of whom are on unmetered service. The rates requested are estimated to increase revenues by about 18.9 per cent.

The application further states that the projected earnings under the proposed rates for the test period, 1958 adjusted, as related to plant and equipment justify the rate increase sought.

History of System

The original system was installed about 1910 to serve the community of Carnelian Bay, which is a subdivision of Section 22, T 16 N, R 17 E, M.D.B. & M., comprising about 104 acres divided into approximately 200 lots. Carnelian Bay Water Company, applicant herein, was formed in 1929 to purchase this system and by

Decision No. 21590, dated September 21, 1929, in Application No. 15835, was authorized to effect the purchase and to issue stock.

The Commission subsequently granted an increase in rates by Decision No. 43208, dated August 16, 1949, in Application No. 30032, which rates are those presently in effect.

Description of System

The principal source of supply for Carnelian Bay Water Company is Watson Lake Creek, from which it has a right to take not to exceed 40 cubic feet of water per minute and which has its origin in Watson Lake. In 1914, the utility constructed a diversion dam across the creek, and improved it in 1928 to presently impound approximately 60,000 gallons of water. From the reservoir, water is delivered by gravity through about 1,800 feet of transmission mains to a point on State Highway No. 28 and thence distributed through approximately 11,360 feet of distribution pipe varying from 1½ inch to 4 inches in diameter.

To supplement the Watson Lake Creek supply two small pumping plants were constructed to take water from Lake Tahoe, each with a suction line extending into the lake about 300 feet. These pumps are automatically controlled by pressure switches and both discharge into a 300-gallon steel pressure tank and thence to the distribution system.

Rates, Present and Proposed

The following tabulation is a comparative summary of applicant's present and proposed rates.

FLAT RATES

	<u>Per Service Connection</u> <u>Summer Season</u> <u>April 1 to September 30</u>		<u>Per Service Connection</u> <u>Winter Season</u> <u>October 1 to March 31</u>	
	<u>Present</u> <u>Rates</u>	<u>Applicant's</u> <u>Proposed</u> <u>Rates</u>	<u>Present</u> <u>Rates</u>	<u>Applicant's</u> <u>Proposed</u> <u>Rates</u>
For a residence, store or other place of business	\$25.00	\$30.00	\$40.00	\$45.00
For each additional residential or business unit	12.50	15.00	20.00	25.00
For each hotel or motel, including accommodations for owner and his family	25.00	30.00	40.00	45.00
For each additional rentable room	1.25	2.50	2.00	2.50
	<u>Per Service Per Month</u>		<u>Per Service Per Month</u>	
For each automobile house trailer.....	-	8.00	-	10.00

Customer Response

Following field investigation of applicant's operations and accounting records by members of the Commission's engineering and accounting staff, a letter was sent to each of applicant's customers on December 24, 1959. This letter provided the customers with information concerning the present and requested rates, together with a comparison of earnings at such rates for the estimated years of 1959 and 1960, and asked for any comments the customers might wish to make.

Of the 82 letters sent to the customers, only four replies were received. One responder objected to any increase, claiming

that the proposed rates are still discriminatory to the summer residential customers in the same manner as the present rates. Another objected to the increase unless the utility was willing to sell additional water for landscape irrigation. The third agreed to the increase but complained of the poor billing and collecting practices of the company, while the fourth agreed that the increase was warranted.

Service Improvements

During the course of its investigation, the staff discussed the matter of service improvements with applicant. In the originally installed system, mains were not laid to the depths now recommended in paragraph IV, 3, a of General Order No. 103. In 1959, about 925 feet of mains were replaced at lower depths at a total cost of about \$2,440.

In the improvement program for 1960, applicant plans to replace and lower about 965 additional feet of mains, to install a hypochlorinator, and to purchase a 5-acre tract along Watson Lake Creek and install thereon another impounding dam, and to replace the existing facilities used to pump water from Lake Tahoe. This program is estimated to cost a total of \$7,645 and is further explained in the following paragraphs.

Applicant advises that in this improvement program the replacement of 965 feet of 2-inch galvanized steel pipe is required along sections of Flick, Tallac and Olive Streets in order to adequately serve some 26 customers either now taking or desirous of obtaining winter service. Since the present mains are very old and near the surface, it is necessary to renew several mains below

frost level for winter service to these customers. These mains are to be installed by October 1, 1960 at a cost of approximately \$2,400, according to applicant.

In compliance with an order issued by the Placer County Health Department, a hypochlorinator has been ordered and is scheduled to be installed by April 1, 1960, at an estimated cost of \$1,245. This unit is to be installed at the intersection of Tallac Street and California Street in order to purify the water supply from either the reservoir or the lake.

In order to use the 40 cubic feet of water per minute entitlement from Watson Lake Creek, the utility intends to construct a second storage reservoir at a higher elevation than the present one. A 5-acre tract of land will be purchased along Watson Lake Creek and a 60,000-gallon reservoir and an earth filled dam will be constructed thereon during 1960. Total expenditures for these facilities are estimated at \$2,000.

The utility also intends to replace both motor and pump sets now used to pump water from Lake Tahoe with a single new pump and motor unit. This installation is expected to be accomplished by July 1, 1960 at an estimated expenditure of \$2,000.

In its summary of the results of operation for the adjusted year 1958 and the estimated years 1959 and 1960, the staff has included amounts in rate base which it believes appropriate to cover the net cost of the 1959 and proposed 1960 improvements after allowance for the retirement of existing equipment. In the Commission's opinion, it is proper to reflect these additions and retirements, which do not pertain to customer growth, in the rate bases for all

three years in order to place them on a comparable basis for evaluating applicant's rate proposal.

Summary of Showings

The application shows a rate of return for the test year 1958 of 5.25 per cent based on the rates requested by applicant and a rate base of \$13,574.59. Applicant did not compute rates of return for the years 1959 and 1960.

The Commission staff developed rates of return for the year 1958 adjusted and the years 1959 and 1960 estimated, at both the present rates and at the rates proposed in the application. The staff's results reflect the full year effect of the inclusion in the rate bases and expenses of certain recommended improvements hereinbefore discussed, and were based on a physical examination of the water system properties, a study of applicant's operations, a review of the data furnished in the application, a review of the information in the Commission's files, particularly the appraisal made in connection with Application No. 30032, and several discussions in person and by correspondence and telephone with applicant's officers and accountants and certain of its customers. Applicant has agreed that the staff's computations reasonably reflect the results of operation for this utility system for the adjusted year 1958 and the estimated years 1959 and 1960, as set forth in the following tabulation:

Item	1958 Adjusted		1959 Estimated		1960 Estimated	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$ 2,720	\$ 3,325	\$ 3,000	\$ 3,565	\$ 3,520	\$ 4,165
Oper. & Maint. Expenses	2,030	2,030	2,155	2,155	2,455	2,455
Taxes Other Than Income	165	165	185	185	250	250
Depreciation	407	407	409	409	410	410
Income Taxes	105	260	145	315	190	285
Total Expenses	2,707	2,862	2,894	3,064	3,305	3,400
Net Revenue	13	373	106	501	215	765
Av. Depreciated Rate Base	15,965	15,965	15,675	15,675	15,325	15,325
Rate of Return	0.1%	2.3%	0.7%	3.2%	1.4%	5.0%

Findings and Conclusions

The results of operation in the foregoing tabulation clearly show that the present rates are deficient and that the rates proposed by the applicant will not produce an excessive or unreasonable return on its investment.

The Commission finds and concludes that the staff's estimates of revenues, expenses, and rate bases, as hereinbefore developed, reasonably reflect the results of applicant's operations for the adjusted year 1958 and the estimated years 1959 and 1960. Since 1960 will be the first year in which revised rates can become effective, the Commission concludes that the increased rates hereinafter authorized are expected to produce a net revenue for the year 1960 of \$765, representing a rate of return of 5.0 per cent on a depreciated rate base of \$15,325, which rate of return and rate base are hereby adopted as reasonable for the purpose of this decision.

To the extent that the estimated costs of certain plant improvements have been included in the rate base hereinabove adopted, the order will require applicant to make such installations within a reasonable period of time.

The billing and collecting practices of this company should be improved, particularly with respect to applicant's neglect in mailing bills in advance for flat rate water service. In the order which follows this utility will be required to file revised rules governing customer relations in order to reflect present-day operating practices.

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 the present rates, insofar as they differ from those herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS ORDERED that:

1. Applicant 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 April 1, 1960.

2. Within forty-five days after the effective date of this order, applicant shall file in quadruplicate with this Commission,

in conformity with the provisions of General Order No. 96 and acceptable to the Commission, rules governing customer relations revised to reflect present-day operating practices, a revised tariff service area map and current sample copies of printed forms normally used in connection with customers' services. Such rules, tariff service area map and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Within sixty days after the effective date of this order, applicant 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 applicant.

4. Beginning with the year 1960, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 2.3 per cent. This rate shall be used until review indicates it should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method when major changes in utility plant composition occur and at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

5. On or before March 31, 1960, applicant shall have installed and placed in operation a chlorinating unit to treat water from all sources of supply. Within fifteen days after the installation and placing in operation of the chlorinating unit, the

utility shall so notify the Commission in writing.

6. Applicant shall have installed in accordance with General Order No. 103 and shall have placed in operation the following improvements to the water system by not later than October 1, 1960, and, within fifteen days after the installation and placing in operation of each category of said improvements, shall notify the Commission in writing of the completion thereof:

- (a) Replace the existing main from the intersection of Tallac and Olive Streets, a distance of 225 feet along Tallac Street in a southerly direction.
- (b) Replace the existing main from the intersection of Olive and Tallac Streets, a distance of 515 feet along Olive Street in an easterly direction.
- (c) Replace the existing main on Flick Street between Tallac and Center Streets, a distance of 225 feet.

7. On or before July 1, 1960, applicant shall have replaced the two obsolete pumping units now used to take water from Lake Tahoe with one new pumping unit and shall notify the Commission in writing within fifteen days after the installation and placing in operation thereof.

8. On or before October 1, 1960, applicant shall have completed the installation of a new dam to impound water in Watson

Lake Creek and within fifteen days after the dam has been completed and placed in operation shall so notify the Commission in writing.

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

Dated at San Francisco, California, this 29th day of February, 1960.

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

APPENDIX A

Schedule No. 2S

SEASONAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Carnelian Bay and vicinity, Lake Tahoe, Placer County.

RATES

	<u>Per Service Connection Per</u>	
	<u>Summer Season</u>	<u>Winter Season</u>
	April 1 Through September 30	October 1 Through March 31
For a single family residential unit, store or business establishment	\$30.00	\$45.00
For each additional residence or business establishment located on the same premises and served from the same service connection	15.00	25.00
For each hotel or motel including office or manager's living quarters	30.00	45.00
For each additional rental room	2.50	2.50
	<u>Per Service Connection</u> <u>Per Month</u>	
For each house trailer	8.00	10.00

SPECIAL CONDITIONS

1. Customers may take service under this schedule for either the summer season, the winter season or for both seasons.
2. The seasonal charge is payable in advance on or before the initial day of the season.