

**ORIGINAL**

Decision No. 68952

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
DONNER LAKE UTILITY COMPANY, a  
California corporation, for authority  
to increase rates for water service.

Application No. 41957

William J. Cashill, for applicant.

Patti N. Trowler, for Donner Lake Property  
Owners Association, protestant.

William Roche and Alfred V. Day, for the  
Commission staff.

O P I N I O N

Donner Lake Utility Company requests authority to eliminate its seasonal rate of \$24 and to inaugurate an annual minimum charge of \$72 per connection.

Following published notice, a public hearing was held before Commissioner Matthew J. Dooley and Examiner Thomas E. Daly on August 10, 1960, at Tahoe City and on August 11, 1960, at Donner Lake, the matter being submitted on the latter date upon the receipt of late-filed Exhibit No. 7, since filed and considered.

The following is a tabulation of applicant's present and proposed general metered rates.

Item	Present Rates		
	April 1 thru Nov. 30	December 1 thru Mar. 31	Proposed Rates
Monthly Quantity Rates	Per Meter Per Month	Per Meter Per Month	Per Meter Per Month
First 800 cu.ft. or less per month	(Included in Minimum Charge)		
Next 500 cu.ft., per 100 cu.ft.	\$ 0.20	\$0.20	\$ 0.25
Next 2,700 cu.ft., per 100 cu.ft.	.15	.15	.20
Next 4,000 cu.ft., per 100 cu.ft.	.11	.11	.15
Over 8,000 cu.ft., per 100 cu.ft.	.075	.075	.11
	<u>Per Meter Per Season</u>	<u>Per Meter Per Month</u>	<u>Per Meter Per Year</u>

Minimum Charge

For 1-inch meter .....			\$ 72.00
For 2-inch meter .....			108.00
All meters .....	\$24.00	\$3.00	-

SPECIAL CONDITIONS (Present Rates)

1. The minimum charge for the summer season is payable in advance on or before April 1.

2. Charges for water used in excess of the monthly allowance under the summer season minimum charge may be billed monthly, bimonthly or seasonally at the option of the utility on a noncumulative monthly consumption basis.

The following is a tabulation of applicant's present and proposed rates for general flat rate service.

Item	Present Rates		
	April 1 thru Nov. 30	December 1 thru Mar. 31	Proposed Rates
	Per Connection Per Season	Per Connection Per Month	Per Connection Per Year
1. For each single family residence including premises .....	\$24.00	\$3.00	\$72.00
2. Hotels, apartments or motels			
For the first occupancy unit including bathroom or running water .....	24.00	3.00	72.00
For the first room or unit ...			
a. Additional for each room with bathroom or running water .....	12.00	1.50	
b. Additional for each separate bathroom not included in above rates .....	12.00	1.50	
c. Each additional room or unit .....			36.00
3. For each gasoline service station .....	36.00	4.50	-

SPECIAL CONDITIONS (Proposed)

1. The annual flat rate charge is payable in advance in equal semiannual installments on or before January 1 and July 1 of each year.

2. Meters may be installed at option of utility or consumer for above classification, in which event service thereafter will be rendered only on the basis of general metered service rates.

Applicant has billed the single family residence flat rate schedule when service was requested at a vacant lot. It has not made additional charges when trailer coaches were parked along side single residences and it has billed commercial establishments other than hotels, apartments, motels and service stations as either single family residences or hotels.

Applicant proposes a flat rate for fire protection service in the event of the formation of a fire district. The rate would be \$5.00 per month for each 2-inch wharf-type hydrant with one outlet.

Applicant is a subsidiary of the Donner Lake Development Company, a Nevada corporation, with its office in Reno. The parent company has been actively engaged in the sale of real estate in applicant's service area. The management of applicant, including customer billing and accounting, is performed by employees of the Donner Lake Development Corporation. The costs of dual services are accordingly apportioned between the two companies.

The service area is divided into two units. The first, Unit No. 1, was certificated by Decision No. 50545 dated September 14, 1954. The second, Unit No. 2, was certificated by Decision No. 53159 dated May 28, 1956. The source of water for Unit No. 1 is from a well 150-feet deep. Water for Unit No. 2 is provided from a spring area. Donner Lake provides water for both units on a standby basis. Distribution is made to the entire system through approximately 60,000 feet of mains ranging in diameter from 2 inches to 6 inches.

Two chlorinating systems are used for purification. One is located at the springs for Unit No. 2 and the other is located at Donner Lake. At the present time applicant is in the process of installing two 50,000-gallon redwood tanks which will not only increase the storage capacity of both units, but should provide adequate pressure for future expansion. Controls should be installed at these two tanks to effect maximum savings of pumping power, and hence permit no discharge into Unit No. 2 under normal operating conditions. Applicant hereby is placed on notice that the Commission expects it to install such controls as soon as practicable upon the completion of any interfering highway work by the California Division of Highways.

As the following tabulation indicates, residential service is primarily on a seasonal basis.

<u>Item</u>	<u>Unit 1</u>	<u>Unit 2</u>	<u>Total</u>
Business - permanent	11	10	21
seasonal	3	2	5
Residential - permanent	25	62	87
seasonal	57	213	270
Hydrants	15	20	35

As justification for the proposed increase applicant asserts that its costs of operations have continuously and increasingly exceeded its income; that it suffered losses amounting to \$8,031.79 in 1957, \$7,049.47 in 1958 and \$11,509.04 in 1959; that a major part of the area served is hillside property with rocky terrain and boulders, requiring hand labor to install water lines and service connections, thus materially adding to installation costs; and that the area is subject to extreme winters with heavy snowfalls resulting in higher maintenance costs.

Exhibit No. 5 consists of the staff's determination of the utility's results of operation for the year 1959 as recorded and

adjusted and for the year 1960 as estimated under present rates and the proposed rates. A summary of earnings as determined by the staff follows.

<u>Item</u>	<u>1959 Adjusted</u>		<u>1960 Estimated</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$ 11,330	\$ 28,865	\$ 11,910	\$ 30,310
<u>Deductions</u>				
Operating Expenses	11,466	11,466	12,176	12,176
Taxes Other than Income	2,205	2,205	2,248	2,248
Depreciation Accrual	6,040	6,040	6,045	6,045
Income Taxes	100	3,098	100	3,331
Total Deductions	\$ 19,811	\$ 22,809	\$ 20,569	\$ 23,800
Net Revenue	\$ Loss	\$ 6,056	\$ Loss	\$ 6,510
Average Depreciated Rate Base	\$196,600	\$196,600	\$190,700	\$190,700
Rate of Return	Loss	3.1%	Loss	3.4%

During the course of the field investigation of applicant's system in May and June of 1960, plant and facilities were inspected, pressures checked, customers interviewed and company records were examined. The investigation disclosed, among other things, that several distribution lines in the system were undersized; that the frost line in the service area is approximately 30 inches and many of the distribution mains are not installed to the depths required by General Order No. 103; that there are several dead ends in the distribution system; that applicant has entered into certain main extension contracts not previously authorized in accordance with General Order No. 96 and that Units Nos. 1 and 2 are not integrated.

Since the investigation it has been determined that applicant has taken steps to alleviate contamination at the spring area, eliminate dead ends, increase storage capacity, lower mains to proper depths, replace undersized mains and to integrate Units Nos. 1 and 2.

Many consumers appeared and testified in the proceeding. They were of the opinion that the proposed \$72 annual rate was

excessive for seasonal and short-term customers. They preferred a monthly rate based upon actual use of the service. They voiced complaints concerning frequent interruptions in service, pipes improperly buried, inefficient service installation, improper management, unpotable water and lack of storage.

The record indicates that applicant is presently operating at a loss. It is true that the system primarily serves summer homes and its use therefore is seasonal. There is no doubt that it would be convenient if seasonal consumers could have the same rate advantage which they enjoy with their residential water services, but the fact is that the systems are not comparable. Applicant is entitled to an opportunity to earn a reasonable return on its investment after allowing for expenses that are not seasonal but annual. However, applicant's customers have a right to expect satisfactory water service and it is evident that in many instances applicant's service has not been satisfactory. In reviewing the record it appears that applicant is entitled to an increase in rates, but the Commission is of the opinion that the proposed rates would be excessive. Rather than an annual minimum charge of \$72 with a \$36 charge for each additional room or unit the Commission is of the opinion that an annual minimum charge of \$60 with a \$30 charge for each additional room or unit would provide applicant with a reasonable rate of return. An increase of such nature will be granted, but applicant will be required to comply with the provisions hereinafter set forth.

After consideration, the Commission finds and concludes that the increases in rates and charges authorized herein are justified, and the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

O R D E R

Application having been filed and the Commission being informed in the premises,

IT IS ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96, the schedule of rates attached to this order as Appendix A and, on not less than five days' notice to this Commission and to the public, to make such rates effective for all such services rendered on and after January 1, 1961.

2. On or before January 1, 1961, applicant shall file in quadruplicate with the Commission, in conformity with the provisions of General Order No. 96, a revised tariff service area map acceptable to the Commission, rules governing customer relations revised to reflect present-day operating practices, and sample copies of printed forms that are normally used in connection with customers' services. Such tariff service area map, rules 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 100 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the location and elevation of 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 accruals to depreciation reserve for primary plant accounts by dividing the original cost of utility plant, less estimated future net salvage less depreciation reserve, by the estimated remaining life of the surviving plant of the account; and shall use the

depreciation rates shown in Exhibit No. 7 for each primary plant account. Applicant shall review these rates 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 the Commission.

5. Applicant shall initiate a program to install at each service connection a practical shut-off device for turn on or off of water service. This program shall be accomplished within one year from the effective date of this order.

6. Alterations shall be made to the automatic controls of the pumps at the well and 1,500-gallon tanks in Unit No. 1, to the effect that the well pump does not start pumping until the booster pump has emptied the two 1,500-gallon tanks. These alterations shall be made as soon as practicable but by not later than January 1, 1961.

7. Within thirty days after the effective date of this order, applicant shall file, in accordance with the procedure prescribed by General Order No. 96, each main extension contract entered into prior to the filing with this Commission of a standard form of main extension agreement. Applicant is hereby enjoined and restrained from carrying out any contract or arrangement for extension of mains which deviate from its standard form of main extension agreement on file and in effect at the time unless the authorization of this Commission has been first obtained.

8. Within sixty days after the date hereof applicant shall submit to the Commission its present improvement and expansion



program to this water system. This report shall include construction details, expected improvements to service, anticipated costs, and probable scheduling of intended additional or replaced facilities for these quality, supply or distribution betterments.

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 October, 1960.

[Signature]  
President  
[Signature]  
[Signature]

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Commissioners

C. Lyn Fox  
Commissioner Theodore E. Jenner, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
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Schedule No. 1

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated area adjacent to U.S. Highway 40, located along the east and west ends of Donner Lake, Nevada and Placer Counties.

RATES

Per Meter  
Per Month

Monthly Quantity Rates:

First 800 cu.ft. or less .....	\$ 5.00 ✓
Next 500 cu.ft., per 100 cu.ft. ....	.25
Next 2,700 cu.ft., per 100 cu.ft. ....	.20
Next 4,000 cu.ft., per 100 cu.ft. ....	.15
Over 8,000 cu.ft., per 100 cu.ft. ....	.11

Annual Minimum Charge:

Per Meter  
Per Year

For 1-inch meter .....	\$ 60.00 ✓
For 2-inch meter .....	90.00 ✓

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

SPECIAL CONDITIONS

1. The annual minimum charge 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 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.

(Continued)

Schedule No. 1

ANNUAL GENERAL METERED SERVICE (Contd.)

SPECIAL CONDITIONS

2. When the annual minimum charge is paid in advance, charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly, or quarterly at the option of the utility on a noncumulative monthly consumption basis.

Schedule No. 2

ANNUAL GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished on an annual basis.

TERRITORY

The unincorporated area adjacent to U.S. Highway 40, located along the east and west ends of Donner Lake, Nevada and Placer Counties.

RATES

Per Service Connection  
Per Year

1. For each single family residence, including premises .....	\$ 60.00	✓
2. For each hotel, apartment, or motel, including first room or unit .....	60.00	✓
a. For each additional room or unit .....	30.00	✓

SPECIAL CONDITIONS

1. The annual flat rate charge applies to service connections not larger than one inch in diameter.
2. All annual service not covered by the above classifications will be furnished only on a metered basis.
3. Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished on the basis of Schedule No. 1, Annual General Metered Service.
4. The annual flat rate charge 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 the preceding 12 months may elect to pay the flat rate charge on a monthly basis equal to one-twelfth of the annual flat rate charge.