

ORIGINALDecision No. 69693

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Earl B. and Ethel B. Marr }
 DBA Tahoe Cedars Water Co., Tahoma, Calif. }
 to deviate from their filed tariff main }
 extension rule to require a payment equal }
 to the pro rata cost of the installation }
 of new mains necessary to provide winter }
 water service and to execute contracts }
 for refund of advances. }

Application No. 47446
 (Filed March 29, 1965)

Earl B. Marr, for himself and his wife, applicants.

Louis J. Celia, for Tahoe Cedars Property Owners'
 Association; Robert W. Cushman, L. S. Fraychineaud
 and Wiley Watkins, for themselves; interested parties.

W. B. Stradley, for the Commission staff.

O P I N I O N

Earl B. Marr and Ethel B. Marr, husband and wife, doing business as Tahoe Cedars Water Company, seek authority to deviate from their filed main extension rule in regard to extensions made to provide winter^{1/} water service within the portion of their service area which now is eligible only for summer^{1/} service.

Public hearing on this application was held before Examiner Catey in Homewood on June 21 and 22, 1965. Notice of hearing had been published and sent to customers by applicants in accordance with this Commission's rules of procedure. In addition, applicant notified other property owners who would be affected by the proposed deviation but who were not yet customers. The matter was submitted on June 22, 1965.

^{1/} As used herein, "winter" refers to the seven-month period, October 15 through May 14, and "summer" refers to the five-month period, May 15 through October 14, as defined in applicant's tariffs.

The only testimony presented was that of one of the applicants. Cross-examination of the witness by the various parties was primarily to clarify the details of his requested deviation and to point out possible inequities in those details. No protest was made by any of the parties against applicants' basic proposal.

Applicants' Operations

Applicants are a public utility serving water in Tahoe Cedars Tract and vicinity, located on both sides of State Highway No. 89 near the community of Tahoma, on the westerly shore of Lake Tahoe in El Dorado and Placer Counties.

A major portion of applicants' system was installed by various previous owners during the early development period of the Tahoe Cedars Tract. At that time, there being little or no winter use of residents' summer cabins, the original water system was not designed to provide winter service. The distribution mains are only 12 inches to 18 inches deep, whereas a depth of about 36 inches is necessary to prevent freezing of the water in the mains. Until fairly recently, applicants' tariffs provided only for summer season service, and still so provide in areas where winter service mains have not been installed.

More recent main extensions into contiguous tracts not previously served have been designed to permit winter service. On March 2, 1964, a schedule of flat rates for winter service was filed by applicants. That schedule is applicable only to those areas wherein winter service mains have been installed.

Proposed Financing of Winter Service Mains

The record herein shows that a major portion of applicants' system has not been dedicated to public use during the winter season and that some, but not all, of applicants' summer customers want winter service. Applicants are willing to provide winter service, but are not

in a position to finance the cost of a somewhat duplicating winter system paralleling the present summer system. Many of the potential winter customers have expressed a willingness to advance funds for construction of facilities to make winter service available to them.

All of the parties agree that the following fundamental principles should apply to any plan for financing the cost of winter service mains:

1. Provision for winter service should not work to the detriment of summer users, in such matters as rates, service, and requirement of an advance for construction.
2. A "master plan" should be devised to prorate advances and refunds equitably throughout the present summer season service area.
3. There should be no unjust discrimination between those who request winter service initially and those who wait until some later time for such service.
4. If some customers advance more than their share to expedite construction, their excess advances should be refunded before refunds are made to those advancing only their proportionate share of the entire cost of the winter mains.
5. The plan must be equitable but some precision can be sacrificed, in the interest of simplicity, in determining amounts of refunds payable to those who advanced construction funds.
6. If the location of a summer customer's service connection is changed to accommodate his request for winter service, the utility should be responsible for moving its own facilities and the customer should be responsible for his own plumbing changes.
7. If the location of a summer customer's service connection is changed to accommodate the utility (such as to permit abandonment of summer season mains) the utility should bear the cost of moving its own facilities and also the customer's piping changes.

Applicants' Exhibit No. 4 shows that the estimated total cost of winter mains for the 1,200 lots in the present summer service area will be about \$137,000. The winter mains are shown on the master plan map, Exhibit No. 5. Applicants estimate that over half of the lot owners ultimately will request winter service, resulting in about a \$200 investment in winter mains per winter customer. Exhibit No. 4 shows that, under applicants' estimated rate of customer growth, all of the winter mains will have been installed by 1968 and all advances related thereto will have been refunded by 1979. Under these circumstances, to avoid income tax complications which could have an adverse effect on customers' water rates, no time limit will be placed on refunds.

Applicants' proposed method of financing winter service mains by means of customers' construction advances, subject to refund, is set forth in Exhibit No. 2. The plan, in summary form, is as follows:

Advances

1. An individual or group of individuals requesting extension of winter service mains to supply a "project area" (defined by the applicant for the extension) would advance the cost of the extension, notifying the utility of the portion advanced by each member of the group.
2. Until all construction advances were refunded in full, any customer requesting winter service would advance \$200 per lot (6,250 square feet) as his share of the construction cost, unless he already had advanced at least that amount as an applicant for the winter main extension.

Construction Fund

1. After advances in a given project area were refunded to the extent that no individual had a remaining unrefunded advance of more than \$200 per lot, the \$200 per lot advanced by subsequent new winter customers would be accumulated in a construction fund to assist in financing additional extensions to other project areas.
2. The utility would add to the construction fund 22 percent of all revenue received from customers served by winter mains.

Refund of Advances

1. Individuals whose unrefunded advances were more than \$200 per lot for a given project area would receive, prorata, the \$200 per lot advanced by new winter customers in the same project area.
2. After all winter service mains had been installed, the 22 percent-of-revenue funds formerly accumulated in the construction fund would thenceforth be distributed, prorata, in the same manner as in the preceding paragraph, until no unrefunded advances in the particular project area exceeded \$200 per lot.
3. After all winter mains had been installed, and after no unrefunded advances exceeded \$200 per lot, the \$200 per lot advanced by new winter customers in the same project area, together with the 22 percent-of-revenue funds, would be distributed, prorata, to all individuals whose advances had not yet been refunded in full.

Discussion

Applicants' plan requires nothing from customers not interested in winter service. The advances inherent in the plan will tend to keep applicants' rate base from becoming unreasonably high. Present summer service mains would be kept in operation until such time as all or most users request year-round service. It thus appears that the proposal would not work to the detriment of summer users.

The numerous "project areas" proposed by applicants, when used in computing both advances and refunds, do not conform with a "master plan" concept. The plan authorized herein modifies the one proposed by applicants to prorate more equitably the advances and refunds throughout the present summer season service area.

Applicants' proposal of a \$200 advance from all customers requesting winter service would avoid unjust discrimination between those who request winter service initially and those who wait until some time later for such service. The proposed "construction fund"

would, however, favor those who request extensions at a later date, to the detriment of those who had advanced funds for previous extensions. The plan authorized herein does not provide for a construction fund.

Applicants' proposed "project areas" for determining refunds would result in refunds to individuals in some such areas who would have advanced only \$200 per lot while there still would be individuals in other such areas whose advances would exceed \$200 per lot. The plan authorized herein will tend to equalize the level of advances by placing a higher priority on refunds of advances in excess of \$200 per lot, regardless of the "project area" in which the lots are located.

Applicants' proposed refund plan would require keeping rather voluminous records of revenues and post-construction advances in each "project area" but, as hereinbefore discussed, would not necessarily result in an equitable distribution of refunds. The plan authorized herein provides for refunds based upon total revenues and post-construction advances throughout all "project areas."

In accordance with accepted utility practice, applicants will require a winter service customer to make whatever changes are necessary in his own plumbing. To avoid misunderstandings, the order herein requires applicants to state this on their winter service application form. Applicants intend to pay for the cost of moving their own facilities and also the customer's piping if the location at a summer customer's connection is changed to accommodate the utility and the customer does not wish to receive winter service.

One of the appearances suggested that a "front-footage" basis, rather than the area of the lot, be used for establishing the minimum advance for a given lot. There appears to be no justification, from the standpoint of equitable distribution of construction costs, for using a "front-footage" basis. For example, the owner of a pie-shaped lot with the apex facing the street should advance the same

amount as the owner of an identical lot with the apex not facing the street, under a reasonable "master plan" approach. We find that applicants' proposal to define a lot as an area of 6,250 square feet, or major fraction thereof, is reasonable.

Another appearance suggested that the utility be required to submit a statement to individuals who had advanced the estimated cost of an extension, showing actual construction costs. This is required by applicants' present main extension rule, and the supplemental winter main extension rule authorized herein incorporates, by reference, all provisions of the present rule which are not in conflict with the supplemental rule.

Applicants do not now have a filed rate for metered winter service. The order herein will provide for such a rate, which rate we find to be reasonable and to bear a proper relationship to applicants' present flat rates for winter service and meter rates for summer service.

The Commission staff pointed out to applicants that the level of advances would soon exceed fifty percent of net plant, and that the uniform main extension rule for all water utilities requires that utilities with advances exceeding fifty percent of net plant obtain specific authorization to extend additional mains. This provision was incorporated in the rule because utilities with excessive advances often have difficulty making refunds of those advances. One of the applicants testified, however, that they do not depend solely on the earnings of the utility for their livelihood and that they are willing and able to use funds from other sources if cash generated by the utility operation is insufficient to cover refunds of advances. He also testified that applicants are aware that unrefunded advances will be a deduction from net plant for determining rate base in a rate proceeding. It thus appears that applicants are willing and able to

operate with a higher than normal level of advances; therefore, the plan authorized herein will exempt winter mains from the "Limitation of Expansion" provision of the normal main extension rule.

Inasmuch as the plan authorized herein differs somewhat from applicants' proposal, the effective date of the order herein will be deferred for a longer period than is customary. This will permit Commission review of any petitions filed by any of the parties requesting modification of the decision.

Findings and Conclusions

The Commission finds that:

1. a. It is reasonable for applicants to expand the applicability of their present water rates to cover winter service to their present summer service area. Under the circumstances outlined herein, the requirement of a \$200 refundable advance for each lot in that area, as a condition precedent to the initial rendering of winter service to that lot, is reasonable.
- b. The supplemental winter main extension rule prescribed herein is reasonable for applicants' present summer service area.
- c. The winter main extension contract form authorized herein is consistent with, and effectuates the provisions of, the supplemental winter main extension rule.
- d. Applicants' present service application form does not provide all of the information needed for initial winter service to a lot in the present summer service area.

e. Applicants' present tariff service area map does not clearly identify the boundaries within which the winter main extension rule authorized herein will apply.

2. It is not feasible for applicants to attempt to refile their tariff service area map each time a section of winter main is extended, but it will be practicable for them to keep a subsidiary map available for public inspection, showing availability of winter water service.

3. At such time as winter mains for the entire present summer service area have been installed and all advances relating thereto refunded, there will no longer be a need for the winter main extension rule and related items authorized herein.

The Commission concludes that the application should be granted to the extent and in the manner set forth in the order which follows:

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicants, Earl B. Marr and Ethel B. Marr, husband and wife, doing business as Tahoe Cedars Water Company, are authorized to file concurrently:

- (a) The revised rate schedules attached to this order as Appendix A.
- (b) The supplementary main extension rule attached to this order as Appendix B.
- (c) The main extension contract form attached to this order as Appendix C.
- (d) An appropriate form to be used by a customer in applying for initial winter service to any lot. Such form shall provide, among other things, that the customer shall be responsible for any necessary changes in his plumbing.

- (e) A revised tariff service area map clearly showing the boundaries of "Original Summer Service Area" to which Rule No. 15-A will apply.

The effective date of the new and revised tariff sheets shall be four days after the date of filing.

2. Applicants shall prepare, keep current, and make available for public inspection, a map clearly showing what lots can be provided with winter water service without further extension of winter water mains.

3. Applicants shall file in this proceeding, concurrently with the filing of their annual reports to this Commission, a summary, as of the end of the year, showing:

- (a) Total advances for construction which have been received for winter main extensions.
- (b) Total refunds of such advances.
- (c) Estimated additional advances required to complete the project.
- (d) Number of winter service customers within the former summer service area.

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

Dated at San Francisco, California, this 21st day of SEPTEMBER, 1965.

Frederick B. Hallock
President

[Signature]

George F. Crover

[Signature]

William L. Bennett
Commissioners

Schedule No. 1S

SEASONAL METERED SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated territory, including Tahoe Cedars Tract and vicinity, located on both sides of State Highway No. 89 near the community of Tahoma, El Dorado and Placer Counties.

RATES

Monthly Quantity Rates:	Per Meter Per Month	
	Summer	Winter
First 800 cu.ft. or less	\$ 5.25	\$ 6.75
Next 4,200 cu.ft., per 100 cu.ft.35	.45
Next 5,000 cu.ft., per 100 cu.ft.25	.30
Over 10,000 cu.ft., per 100 cu.ft.18	.20

Seasonal Minimum Charge:	Per Meter Per Season	
	Summer	Winter
For 5/8 x 3/4-inch meter	\$26.25	\$47.25
For 3/4-inch meter	30.00	54.00
For 1-inch meter	40.00	72.00
For 1 1/2-inch meter	60.00	108.00

The Seasonal Minimum Charges will entitle the customer to the following quantity of water each month: (1) in the summer season, the quantity which one-fifth of the summer seasonal charge will purchase at the summer season Monthly Quantity Rates, and (2) in the winter season, the quantity which one-seventh of the winter seasonal charge will purchase at the winter season Monthly Quantity Rates.

(Continued)

Schedule No. 1S

SEASONAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The summer season shall be the five-month period, May 15 through October 14; the winter season shall be the seven-month period, October 15 through May 14.
2. Each Seasonal Minimum Charge is due in advance.
3. Winter service is available only in that portion of the service area where winterized mains have been installed.
4. Within the area designated "Original Summer Service Area" on utility's filed tariff service map, each new customer for winter service shall advance, for each lot (defined as an area of 6,250 square feet or major fraction thereof) the amount of \$200, less any amount previously advanced relative to that same lot in connection with a winter main extension agreement in accordance with Rule No. 15-A. Advances made to qualify for winter service under this special condition are subject to refund in the same manner as advances made in connection with a winter main extension.
5. The charge for water used in excess of the quantity allowed each month for the Seasonal Minimum Charge may be billed monthly, bimonthly or seasonally at the option of the utility. When meters are read bimonthly or seasonally, the charge will be computed by multiplying the number of months in the period between readings by the number of cubic feet to which each block rate is applicable on a monthly basis.
6. The opening bill for metered service, except upon conversion from flat rate service, shall be the established Seasonal Minimum Charge for the service. Where initial service is established after the first day of any season, the portion of such seasonal charge applicable to the current season shall be determined by multiplying the seasonal charge by: one one-hundred-fifty-third ($1/153$) of the number of days remaining in the summer season and by one two-hundred-twelfth ($1/212$) of the number of days remaining in the winter season. The balance of the payment of the initial seasonal charge will be credited against the charges for the succeeding seasonal for which service is requested, except that if service is not continued for at least one corresponding season after the date of initial service, no refund of the initial seasonal charges shall be due the customer.

Schedule No. 2SR

SEASONAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated territory, including Tahoe Cedars Tract and vicinity, located on both sides of State Highway No. 89 near the community of Tahoma, El Dorado and Placer Counties.

RATES

	<u>Season</u>	
	<u>Summer</u>	<u>Winter</u>
For a single-family residential unit, either permanent or temporary	\$27.50	\$50.00
For each additional single-family residential unit, either permanent or temporary, located on the same premises and served from the same service connection .	17.50	31.50

SPECIAL CONDITIONS

1. The summer season shall be the five-month period, May 15 through October 14; the winter season shall be the seven-month period, October 15 through May 14.
2. Each seasonal charge is due in advance.
3. Winter service is available only in that portion of the service area where winterized mains have been installed.
4. Within the area designated "Original Summer Service Area" on utility's filed tariff service area map, each new customer for winter service shall advance, for each lot (defined as an area of 6,250 square feet or major fraction thereof) the amount of \$200, less any amount previously advanced relative to that same lot in connection with a winter main extension agreement in accordance with Rule No. 15-A. Advances made to qualify for winter service under this special condition are subject to refund in the same manner as advances made in connection with a winter main extension. (continued)

APPENDIX A
Page 4 of 4

Schedule No. 2SR

SEASONAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (Contd.)

5. All service not covered by the above classifications shall be furnished only on a metered basis.

6. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1S, Seasonal Metered Service, effective as of the fifteenth day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.

7. The opening bill for flat rate service shall be the established seasonal flat rate charge for the service. Where initial service is established after the first day of any season, the portion of such seasonal charge applicable to the current season shall be determined by multiplying the seasonal charge by: one one-hundred-fifty-third ($1/153$) of the number of days remaining in the summer season and by one two-hundred-twelfth ($1/212$) winter season. The balance of the payment of the initial seasonal charge shall be credited against the charges for the succeeding seasonal period for which service is requested, except that if service is not continued for at least one corresponding season after the date of initial service, no refund of the initial seasonal charges shall be due the customer.

Rule No. 15-A

MAIN EXTENSIONS - WINTER SERVICE

A. General Provisions and Definitions

1. Applicability

- a. All extensions of distribution mains to serve new winter customers in the "Original Summer Service Area" delineated on the utility's tariff service area maps shall be made under the provisions of this rule. Provisions of Rule No. 15, Main Extensions, shall apply where not in conflict with this rule.

2. Limitation of Expansion

- a. The provisions of Section A.2.a. of Rule No. 15 shall not apply to the extension of mains for winter service.

B. Extensions to Serve Individuals

(Extensions to serve individuals shall be made in the same manner as those to serve groups of individuals.)

C. Extensions to Serve Groups of Individuals

1. Advances

- a. Applicants for a main extension to serve new winter customers shall be required to advance to the utility, before construction of the main extension is commenced, the estimated reasonable cost of the extension to be actually installed, from the utility's nearest winter service mains.

2. Refunds

- a. The amount advanced under Section C.1.a. shall be subject to refund by the utility, in cash, without interest, to the party or parties entitled thereto as set forth in the following paragraphs. The total amount so refunded shall not exceed the total of the amount advanced. Refunds shall be made in annual payments.

(Continued)

APPENDIX B
Page 2 of 2

Rule No. 15-A

MAIN EXTENSIONS - WINTER SERVICE

C. Extensions to Serve Groups of Individuals - Contd.

2. Refunds

b. Total Annual Refunds - All Winter Main Extensions

- (1) The utility shall determine the revenue received annually from all customers in the "Original Summer Service Area" supplied by service pipes connected directly to winter service mains. The utility shall accumulate 22 percent of the revenue so received in a fund to be allocated annually to individuals entitled to refund of advances for winter main extensions, until all advances have been refunded.
- (2) The utility shall determine the advances received from customers annually pursuant to Special Condition No. 4 of Rate Schedules Nos. 1S and 2SR. The utility shall accumulate the advances so received in the fund referred to in the preceding paragraph.

c. Allocation of Refunds to Individuals

- (1) The utility shall determine annually the unrefunded amount of advance in excess of \$200 for each lot (defined as an area of 6,250 square feet or major fraction thereof) and shall determine the percentage relationship that each such excess advance bears to the total of all such excess advances. These percentage relationships shall be used to prorate total refunds from the sources named in the preceding subparagraphs b.(1) and b.(2).
- (2) After the unrefunded advances have all been reduced (on refunds made under the foregoing paragraph) to \$200 or less for each lot (as previously defined), the utility shall determine the unrefunded amount of advance for each lot, including those for which advances were made pursuant to Special Condition No. 4 of Rate Schedules No. 1S and 2SR, and shall determine the percentage relationship that each such advance bears to the total of all such advances. These percentages shall then be used to prorate total refunds from the sources named in the preceding subparagraphs b.(1) and b.(2).

Main Extension Contract

WINTER SERVICE MAINS

Utility

Tahoe Cedars Water Company
3104 Kerria Way
Sacramento, California 95821

Applicant (If more than one, see attached Exhibit C)

Name: _____
Home Address: _____
Tahoma Address: _____

Preliminary Statement

This contract is entered into pursuant to the requirement of, and in accordance with the various applicable provisions of, utility's winter service main extension rule in effect and on file with the California Public Utilities Commission, a copy of which rule is attached hereto and made a part hereof. This contract does not, therefore, require specific authorization of said Commission, to carry out its terms and conditions.

Purpose of Contract

Applicants hereby apply for a winter service water main extension. The facilities described in attached Exhibit B shall be installed by utility. Such facilities will be used for the purpose of furnishing public utility water service to that certain property delineated on that map attached hereto as Exhibit A.

Advance

Applicants shall advance the amount of \$ _____ to cover the estimated cost of facilities described in said Exhibit B, pursuant to Section C.l.a. of utility's filed Rule No. 15-A, Main Extensions - Winter Service, before construction of the main extension is commenced, subject to revision of the amount advanced to reflect adjusted construction costs as defined in utility's Rule No. 15, Main Extensions.

(Continued)

Main Extension Contract

WINTER SERVICE MAINS
(Continued)

Refunds

The amount advanced shall be subject to refund pursuant to Section C.2., Refunds, of utility's filed Rule No. 15-A, Main Extensions - Winter Service.

The effective date of this contract shall be _____, 19__.

Signatures

<u>Utility</u>	<u>Applicants</u>	<u>Date</u>
_____	_____	_____
_____	_____	_____
Date _____	_____	_____
	_____	_____
	_____	_____