

Decision No. 75729

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of W. C. FROST, dba  
TAHOE PINES WATER CO., Advice Letter  
No. 4, rates for water service. }

Application No. 50647  
(Filed October 25, 1968)

W. C. Frost and Cora K. Frost,  
for themselves.  
Ross W. Ashley, for Tahoe Pines  
Association, interested party.  
J. E. Johnson, for the Commission  
staff.

O P I N I O N

On September 27, 1968, W. C. Frost, dba Tahoe Pines Water Co. (Tahoe Pines), filed Advice Letter No. 4 with the Commission proposing that summer season rates in the area served be increased from \$27.50 to \$45 and that a new winter season rate of \$35 be authorized. Due notice of this advice letter was sent to all persons served. On October 15, 1968, by Resolution No. W-1144, the Commission found that the increased rates were reasonable and should be placed in effect as of October 15, 1968. On October 25, 1968, a petition for rehearing herein was filed with the Commission by Ross W. Ashley, acting for an organization known as the Tahoe Pines Association. The Association "did not necessarily object to an increase - even an increase of the magnitude requested - but did wish that the matters of service, water purity, etc., as well as the requested rate increase, be made the subject of a public hearing." Pursuant to said request, public hearing was held on December 19, 1968, at Tahoe City, California, before Examiner Robert Barnett. Notice of this hearing was published in the local newspapers and mailed to interested parties.

The service area of "Tahoe Pines" comprises the Tahoe Pines tract and adjacent portions of Idlewild tract located in Placer County approximately five miles southwest of Tahoe City on State Route 89. As of November 15, 1968, there were 158 summer seasonal flat rate customers and 76 winter seasonal flat rate customers.

At the hearing, Mr. Ashley made a statement that he was satisfied with the improved service and that the new rates were fair. He presented three letters from other customers who complained primarily about the increase in rates.

An engineer for the staff testified that "Tahoe Pines'" new rates were comparable with rates charged by other water systems in the Lake Tahoe area for similar service. An investigation of the "Tahoe Pines'" service area and facilities, performed by the staff during September, 1968, indicated that adequate service is being provided.

A results of operations study by the Commission staff showed that at rates authorized by Resolution No. W-1144, "Tahoe Pines" would have net operating income in 1968, estimated, of \$2,681 on an average depreciated rate base of \$40,730, giving a rate of return of 6.6 percent. In the witness' opinion, this rate of return is reasonable.

Mr. and Mrs. Frost, the owners of the utility, testified that they had made substantial improvements in the system in recent months and that they planned further substantial improvements. Many of the complaints concerning service that had been made in the past had been cleared up because of the new improvements. They objected to some of the staff's rate base computations on the ground that the staff had not properly valued the property.

The primary purpose of the December 19th hearing was to establish whether or not service was adequate and rates were reasonable. Service is adequate and rates are reasonable.

The staff recommended that "Tahoe Pines" be required to establish accounting records in accordance with the Uniform System of Accounts for Class D water utilities; be required to record in the books of account the staff adjusted plant and depreciation reserve balances as of January 1, 1968, as set forth in the staff's Exhibit No. 1; and arrange for periodic water testing by the Placer County Health Department, or other means. It appears to us that Mr. and Mrs. Frost are not familiar with this Commission's requirements for utility accounting. This is a matter that discussion with the staff should clear up. However, regardless of unfamiliarity, they will be required to keep their accounts in accordance with the Uniform System of Accounts for Class D water utilities. Because the issue of amounts to be carried in plant accounts was not fully understood by the Frosts, and because a resolution of the issue is not necessary for the decision in this case, we will not rule on the issue, but will defer it for further consideration when and if the utility appears before us again in a matter that requires its resolution.

#### Findings of Fact

1. At rates authorized by Commission Resolution No. W-1144, "Tahoe Pines" will earn a rate of return of 6.6 percent on a rate base of \$40,730.
2. Rates authorized by Commission Resolution No. W-1144 are reasonable.
3. Service rendered by "Tahoe Pines" is adequate.

4. "Tahoe Pines" should be required to establish accounting records in accordance with the Uniform System of Accounts for Class D water utilities as prescribed by this Commission.

5. "Tahoe Pines" should arrange for periodic water testing by the Placer County Health Department, or other means.

We conclude that the rates authorized by Commission Resolution No. W-1144 are reasonable.

O R D E R

IT IS ORDERED that:

1. W. C. Frost, dba Tahoe Pines Water Co., shall establish accounting records in accordance with the Uniform System of Accounts for Class D water utilities as prescribed by this Commission.

2. W. C. Frost, dba Tahoe Pines Water Co., shall arrange for periodic water testing by the Placer County Health Department, or other means.

3. The petition for rehearing is denied.

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

Dated at San Francisco, California, this 30<sup>th</sup> day of 1 JUNE, 1969.

William Sproule Jr.  
President

Augustin

Richard B. Morrison

William

Commissioners