

Decision No. 27194

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
ENES WATER COMPANY,  
a corporation, for a certificate  
under Section 50 of the Public Util-  
ities Act to acquire the private  
water facilities of A. P. Enes and  
to issue in exchange stock therefor  
and to establish and maintain public  
utility water service in that part of  
Contra Costa County, California,  
known as the Enes-Ambrose tract and  
to establish and maintain water  
rates.

ORIGINAL

Application No. 19432

F. Emerson Hoar, for applicant.

Hugh H. Donovan, for the consumers.

BY THE COMMISSION:

O P I N I O N

Enes Water Company, a corporation, asks the Commission to enter its order granting it a certificate of public convenience and necessity under Section 50 of the Public Utilities Act authorizing it to maintain, operate and extend a public utility water system in and throughout the Enes-Ambrose tract in Contra Costa County, California, as that area is delineated and shown in applicant's Exhibit "B".

The Commission is also asked by applicant to enter its order authorizing it to acquire the water properties now owned by A. P. Enes located in said tract, authorizing applicant to issue and deliver in payment for such properties 1,470 shares of no par common capital stock and to issue and sell to its directors 30 shares of its no par common capital stock; and also authorizing applicant to establish and

make effective and thereafter to charge and collect the water rates set forth in Exhibit "D" attached to the petition and referred to in applicant's Exhibit "C".

It appears that A. P. Enes is the owner of certain wells and a water distributing system in the Enes-Ambrose tract located along the Willow Pass Road in Contra Costa County approximately three miles westerly from the City of Pittsburg. He is engaged in subdividing the tract, a map of which appears on Exhibit "B". To facilitate the sale of lots he installed a water system on the subdivided portion of the tract. He alleges that his water system is now being operated as a private enterprise and not as a public utility. He has agreements with purchasers of lots under the terms of which they are renting from him the pipes necessary to serve them with water. In general, the rental is \$2.50 per month per consumer. At present there are 66 individuals billed monthly for pipe line rental. The population of the tract is approximately 350. He now proposes to sell the properties to Enes Water Company which intends to operate the same as a public utility. Whether or not he has been operating a public utility is not an issue before us. A detailed description of the properties is contained in Exhibit "C" prepared by F. Emerson Hoar. He reports the cost of the properties as of January 1, 1934 as follows:-

<u>Item</u>	<u>Water Supply System</u>	<u>Pipe System</u>	<u>Total</u>
Investment .....	\$ 8,589.00	\$ 9,013.50	\$17,602.50
Accrued depreciation	256.00	404.00	660.00
Investment less accrued depreciation.....	<u>\$ 8,333.00</u>	<u>\$ 8,609.50</u>	<u>\$16,942.50</u>

During the course of the hearing it developed that A.P.Enes will not sell to the Enes Water Company the Clement Street well and tank nor does he own the fire hydrants which are included in the above figures. Subsequent to the hearing F. Emerson Hoar filed a supplemental report in which he submits the following adjustments:-

Investment January 1, 1934.....		\$17,602.72	
<u>LESS:</u> Adjustments-			
1/2 inch pipe installation	\$197.80		
Hydrants . . . . .	222.70		
Clement Street well, etc.	2,170.30	<u>2,590.80</u>	
	Balance .....	\$15,011.92	
<u>ADD:</u> Additions and betterments to June 15, 1934		<u>1,561.50</u>	
	Investment June 15, 1934.....		<u>\$16,573.42</u>

Applicant proposes to charge the following flat rates:-

DOMESTIC SERVICE:

(a) For the first dwelling .....	\$2.50	per month
(b) For two dwellings .....	4.50	" "
(c) For each additional dwelling.....	1.50	" "

AUTO COURTS:

(a) For the first dwelling or accomodation	\$2.50	per month
(b) For the next six accomodations each	1.00	" "
(c) For over seven accomodations each	.75	" "

The company also proposed certain rates for fire hydrants and standpipes. Inasmuch as it will not own the fire hydrants and that at this time it would be impossible to collect any rates for water furnished for fire protection, applicant at the hearing withdrew its proposed rates for hydrants and standpipes. It is estimated that the rates suggested by applicant will produce operating revenues of \$2,262.00.

F. Emerson Hoar estimates the operating expenses as follows:-

Source of water supply.....		\$60.00
<u>Pumping expense:</u> .....		636.00
Electric power .....	\$ 257.00	
Labor .....	150.00	
Repairs and renewals .....	<u>229.00</u>	
Distribution expense .....		120.00
Repairs and renewals to distribution system .....		225.00
Collection and promotion of business expenses.....		152.00
General expenses .....		264.00
Taxes .....		<u>100.00</u>
	Sub-total .....	<u>1,557.00</u>
Contingent depreciation .....		<u>308.00</u>
	Total operating expenses.....	<u>\$1,865.00</u>

In addition, he allows \$124.00 for uncollectible bills and \$360.00 for rent. The contingent depreciation was explained by him as functional depreciation, such as the recent abandonment of the Clement Street well after a total life of only three years. The regular depreciation allowance, he states, is included under repairs and renewals to the distribution system.

Mr. Hoar proposes that the applicant do not acquire any land but rent its well sites and some other properties. The \$360.00 includes an allowance of \$90.00 for renting an office and equipment; \$30.00 for a garage, storeroom and shop space; \$60.00 for automobiles and tools; \$12.00 for rights of way; \$48.00 for summit tank site; and \$120.00 for two well sites. He believes that the renting of these properties is more economical than owning the same.

In our opinion F. Emerson Hoar's estimate of operating expenses, including his allowance for uncollectible bills and rent are unreasonably high. Operating expenses in the amount indicated should not be incurred in the operation of the water system. We believe that the rates set forth in the order following will cover operating expenses and allow some return on the investment in the properties. If the entire income is employed in setting up unnecessary operating expenses, there will of course be no return on the investment.

Applicant was organized on March 29, 1933, under and by virtue of the laws of the State of California. It was formed for the primary purpose of acquiring the private water supply, properties

and rights, and the private pipe line system and rights of A.P. Enes located in said Enes-Ambrose tract.

Applicant's incorporators have subscribed for 30 shares of its common capital stock at \$10.00 per share. Its remaining authorized stock, namely, 1470 shares, it now proposes to issue in payment for the properties which it intends to acquire from A. P. Enes.

The Commission has heretofore held that when it is called upon to authorize the issue of no par stock it would not authorize the issue of such stock below a stated value of \$25.00 per share. In view of the reported present value of the properties sought to be acquired by applicant, we believe that applicant should not issue more than 640 shares of its common stock. This includes any shares that may be issued to directors. The stock should be issued on a basis of not less than \$25.00 per share.

In the interest of conserving water and reducing pumping expense, we believe that applicant should be in a position to install meters at its option or at the option of consumers. A flat rate as suggested by applicant is inequitable. While the order herein fixes a flat rate, it also fixes meter rates. Applicant may meter its entire system or install meters only where it is evident that undue quantities of water are being used, or water is being wasted. On the other hand, if a consumer is not satisfied with the flat rate, he can ask applicant to install a meter and charge him the meter rates. Once a meter is installed, the meter rate must be charged continuously. A consumer once on a meter rate basis must remain on such basis.

O R D E R

Enes Water Company having made application for a certificate of public convenience and necessity, for permission to issue stock and to charge certain rates for water furnished, a public hearing having

been held before Examiner Fankhauser and the Commission having considered the evidence submitted at such hearing and being of the opinion that a certificate of public convenience and necessity should be granted, that the rates suggested by Enes Water Company are unreasonable to the extent that they differ from the rates fixed in this order, that Enes Water Company should be authorized to issue 640 shares of common capital stock, subject to the provisions of this order; that the money, property or labor to be procured or paid for by the issue of such 640 shares of capital stock is reasonably required by applicant for the purpose herein stated, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, and that applicant's request to issue 860 shares of stock should be dismissed without prejudice, therefore,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require and will require Enes Water Company to acquire, maintain, operate and extend the public utility water system in and throughout the Enes-Ambrose tract in Contra Costa County, California, as that area is delineated and shown in applicant's Exhibit "B" filed in this proceeding.

IT IS HEREBY ORDERED, that Enes Water Company be, and it is hereby, authorized to issue after the effective date hereof and prior to December 31, 1934, at not less than \$25.00 per share, 640 shares of its common capital stock and use the proceeds/or said shares of stock to acquire the properties referred to in this application and more particularly set forth in applicant's Exhibit "C" filed in this proceeding, and pay organization expenses.

IT IS HEREBY FURTHER ORDERED, that Enes Water Company be, and it is hereby, directed to file with the Railroad Commission of the State of California within twenty (20) days from the date of this order, the following schedule of rates to be charged for all services

rendered subsequent to the 31st day of July, 1934.

METER RATES

Minimum Monthly Charges:

For 5/8-inch meter.....	\$1.75
For 1-inch meter .....	2.50
For 1 1/2-inch meter .....	3.25
For 2-inch meter .....	5.00

Each of the foregoing "Minimum Monthly Charges" will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the following "Monthly Quantity Rates".

Monthly Quantity Rates:

For 500 cubic feet, or less.....	\$1.75
From 500 to 1,000 cubic feet, per 100 cubic feet..	.20
All over 1,000 cubic feet, per 100 cubic feet..	.15

FLAT RATES

For each residence or dwelling house, per month \$2.00

For service to business premises, camp grounds, or for service of any nature not included under flat rates, the service shall be metered and the quantity rates shall apply.

Any service may be metered at the option of either the consumer or the utility.

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IT IS HEREBY FURTHER ORDERED, that Enes Water Company be, and it is hereby, directed to file with the Railroad Commission of the State of California within twenty (20) days after this order, rules and regulations governing the relations of its consumers, said rules and regulations to be effective upon their acceptance for filing by the Railroad Commission.

IT IS HEREBY FURTHER ORDERED, that Enes Water Company shall file with the Railroad Commission a report such as is required by the Commission's General Order No. 24, which order, insofar as

applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED, that for all other purposes, this order shall become effective twenty (20) days after the date hereof.

IT IS HEREBY FURTHER ORDERED, that this application insofar as it involves the issue of 860 shares of common capital stock be, and the same is hereby dismissed without prejudice.

DATED at San Francisco, California, this 9<sup>th</sup> day of July, 1934.

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*Leon A. ...*

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*M. A. ...*

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*M. B. ...*

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Commissioners.