

Decision No. 32876

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ARENAL WATER COMPANY
to increase rates and establish rules.

Application No. 23204
Amended

George H. Harlan, by N. Charles Brusatori,
for Applicant.

E. A. Stainton, for Applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Arenal Water Company, a corporation, asks for authority to raise its water rates and to establish certain proposed rules governing the operation of its system serving the Upton Tract and the Charles Robinson Tract at Stinson Beach in Marin County. Applicant alleges that it is necessary to increase the rates charged for water in order to place the utility upon a sound and proper earning basis to permit the financing of certain essential improvements, particularly the acquisition of a new and additional water supply.

A public hearing in this matter was held in Stinson Beach before Examiner E. R. Foster.

The Arenal Water Company ⁽¹⁾ was incorporated in 1939 by

(1) Hereinafter referred to as the Company.

a group of water consumers residing in the Upton Tract and in the adjoining Robinson Tract at Stinson Beach, and it thereafter bought out the existing utility plant owned and operated by A. H. Upton. This transfer was authorized by Decision No. 31909, dated April 11, 1939. The Company continued to sell water under the same rates heretofore established by the Commission in its Decision No. 25330, dated November 7, 1932, as follows:

FLAT RATES

Annual charge for each calendar year,
payable in advance-----\$14.00

METER RATES

Annual charge for each calendar year,
payable in advance, entitling
the consumer to 500 cubic feet
of water each month during the
year-----\$12.00

For water use in excess of the monthly
minimum of 500 cubic feet, payable
monthly, per 100 cubic feet----- .15

No meters were installed and all service has been rendered under flat rate charges. Most of the residences in this community are utilized mainly for summer and week-end homes, although many are occupied permanently throughout the year. At present there are fifty-four regular water users and, in addition, sixteen prospective consumers are available who undoubtedly will take water if a sufficient supply can be developed. Upon the assumption that these new residents will become regular patrons, gross yearly revenue under present rates would be \$980, which income the Company claims will not produce a fair net return upon its investment, a condition which, it alleges, seriously militates against its ability to borrow

funds to finance necessary plant betterments. The Commission therefore is asked to authorize the following schedule of rates:

FLAT RATES

Annual charge for one (1) year's service
for each dwelling served, payable
in advance-----\$18.00

METER RATES

Annual minimum charge for one (1) year,
payable in advance, entitling the
consumer to 300 cubic feet of
water in each month during the
year through such meter-----\$18.00

For water used in any month in excess of
300 cubic feet, payable monthly
within thirty (30) days after the
end of the month in which used,
per 100 cubic feet or fraction
thereof----- .50

HYDRANT RATES

For each two (2) inch hydrant, per month-----\$.50

The evidence shows that the Company took possession of this water system on July 3, 1939, and immediately thereafter developed a new source of water from a flowing spring on the Stinson Ranch near the utility service area. Water is stored at the spring in a 30,000-gallon tank and transmitted to the distribution system through a 4-inch steel pipeline. The original source of supply was a well in the salt marsh producing a brackish water, now abandoned. Experience during the summer months of 1939 proved that the Stinson Ranch spring could not yield sufficient water to meet consumer requirements and it has been necessary to obtain additional water to take care of the demands for the coming summer. Arrangements have been made to purchase water from a private water system on the nearby property owned by the William Kent Estate Co., a corporation. The water available

from this source will be surplus water only, subject to the prior right of the said Kent Estate, and will cost 15 cents per hundred cubic feet, with all connecting pipelines to be installed and maintained at the expense of the purchaser. There is the further possibility that should the occasion require, more water could be obtained from other springs, streamflow, or perhaps wells on the Stinson Ranch which adjoins the Upton and Robinson tracts.

According to the evidence, the fixed capital investment of this water plant amounted to \$6,514 as of February 15, 1940. The estimated cost of installing the pipeline connection to the Kent Estate is \$504. Under the present rates, assuming no delinquencies, the revenues receivable should be \$756. Future reasonable operating expenses, including the costs of purchased water and the annual depreciation, were estimated to be \$917 by R. E. Savage, one of the Commission's engineers. Upon the base flat rate of eighteen dollars (\$18) per annum, including the anticipated increase in new consumers, the estimated yearly revenue would be \$1,260, yielding a net operating revenue of \$343, or a return of slightly less than 5 percent on a total capital investment of \$7,018 which includes the proposed pipeline to the Kent Estate.

This water plant is operated and controlled by a group of the local water users. The improvements are demanded by the consumers themselves. There were no protests against the rates as proposed. However, while the evidence shows that the utility is entitled to greater revenues, the record also discloses the fact that the schedule of rates as proposed is higher than the facts and conditions warrant. The rates authorized should prove fair and reasonable to all concerned.

The Company has proposed certain rules to govern the rela-

tions with its consumers. Although well-intentioned perhaps, these rules conflict with prevailing public utility operating practices. We believe this utility will find that its water business can be conducted with the public eminently more satisfactorily by conforming with the standardized rules, regulations and practices established by this Commission governing water service.

O R D E R

Application as entitled above having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted, and the Commission being now fully advised in the premises,

It is hereby found as a fact that the rates now charged by the Arenal Water Company, a corporation, for water supplied to its consumers are unjust and unreasonable in so far as they differ from the rates herein established and that the rates herein established are just and reasonable rates to be charged for the services rendered and, basing its Order upon the foregoing findings of fact and upon the statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Arenal Water Company, a corporation, be and it is hereby authorized and directed to file with the Railroad Commission, within thirty (30) days from the date of this Order, the following schedule of rates effective for the season of 1940 and thereafter until further order of this Commission:

RATE SCHEDULE

FLAT RATE

Annual charge, payable in advance, for water service rendered during the calendar year-----\$18.00

METER RATES

Minimum annual charge, payable in advance, entitling the consumer to 400 cubic feet of water in each month during the calendar year-----\$18.00

For water used in excess of 400 cubic feet in any month, payable monthly, per 100 cubic feet----- .35

IT IS HEREBY FURTHER ORDERED that, within thirty (30) days from the date of this Order, Arenal Water Company, a corporation, be and it is hereby directed to submit to this Commission for its approval rules and regulations, in quadruplicate, governing relations with its consumers, each set of which shall contain a suitable map or sketch, drawn to scale upon a sheet approximately 8-1/2 inches by 11 inches in size, delineating thereupon in distinctive markings the authorized service area and showing definitely the location of said area with reference to the adjacent territory.

For all other purposes the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 2nd day of April, 1940.

Ray L. Rice
Frank W. ...
...
Justice V. ...
Commissioners.