

Decision No. 35074

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
Maude E. Stinson, Lillian R. Hensill  
and Eve Stinson Fitzhenry for an order  
revising water rates at Stinson Beach,  
Marin County, California.

ORIGINAL

Application No. 24342.

Robert T. Reinhardt for Applicants.

HAVENNER, COMMISSIONER:

O P I N I O N

In this proceeding Maude E. Stinson, Lillian R. Hensill and Eve Stinson Fitzhenry, operating under the fictitious firm name and style of Stinson Beach Water Works, ask for an increase in rates and for authority to place in effect revised rules and regulations.

Stinson Beach is located on the ocean shore outside of the Golden Gate in Marin County. The original townsite was developed as a real estate project in the year 1906, being a 48-acre parcel subdivided from the A. E. Stinson Ranch. The community is a well known ocean and beach resort, with a predominant trend now to a permanent residential and suburban status.

A public hearing was held on this matter at Stinson Beach.

The schedule of rates now charged by Stinson Beach Water Works was established by the Commission in Decision No. 10174, issued March 11, 1922. The base rate for residential service is \$7.20 per year.

According to the record it appears that for a period of many years the growth of the community supplied by this waterworks was gradual but not particularly rapid, as a result few improvements or extensions to the system were made by the owners. During the past two years, however, building activity in this area has experienced a sudden boom with a healthy and continued growth, necessitating considerable rehabilitation of plant to meet the increased load factor. The entire transmission main and a considerable portion of the distribution system were rebuilt or replaced. These new installations have resulted in much needed improvements to the water supply facilities and augmentation of utility serviceability. Because of the relatively high expenditures for these and other additional costs which have been incurred, applicants allege that they should be more adequately compensated for their operating expenses, depreciation and investment.

The water supply for this system is obtained by diversions from streams arising on the Stinson Ranch and is conveyed through a 4" transmission main to a 50,000-gallon storage tank located on the hillside above the residential district. All distribution is by gravity. Last year there were 115 regular consumers, 59 of which were permanent residents.

Mr. Robert T. Reinhardt, testifying in behalf of applicants claimed that the value of this utility for rate-fixing purposes amounted to \$19,058, of which the sum of \$13,000 represented the present fair value of the watershed lands. A report was submitted by Mr. J. C. Luthin, one of the Commission's hydraulic engineers, in which the physical properties of the system were appraised at \$15,408, as of September 25, 1941. This evaluation, however, included the sum of \$8,550 for watershed lands, being appraised at the same value per acre set up on the assessment rolls for this portion of the Stinson Ranch by the County Assessor of Marin County.

It appears that the appraisement made by the Commission's engineer was not based upon the present fair market value of the property. The method pursued by Mr. Reinhardt in arriving at the figure of \$13,000 for the watershed lands was more or less abstruse and not substantiated by any properly admissible supporting data. However, as will be seen hereafter it will be unnecessary to establish the value of the watershed lands or water rights of this utility for the purpose of establishing rates in this proceeding.

The testimony indicates that in spite of the considerable amount of money expended for new improvements there still exists an unsatisfactory service in the northeasterly section of the service area caused primarily by the inadequate size of the street mains which prevent the maintaining of proper working pressures during periods of peak demand. There appears to be a lack of adequacy in the service in blocks 9, 10, 11, and 12 of the Stinson Beach townsite. The pipeline capacity from the present storage tank to the intersection of Buena Vista and Calle Del Mar should be made equivalent to the carrying capacity of a 4" main at least, and the line should be properly interconnected with the other distribution mains. The owners of this system have considered the necessity for improving service conditions in this area and have agreed to install the necessary improvements as rapidly as the finances of the utility will reasonably permit.

The revenues received last year were \$1,016. The operating expenses submitted in behalf of applicant contained certain items not properly chargeable to operating revenues for rate-fixing purposes, such for instance as interest on borrowed funds. These expenditures, of course, will not be allowed in this proceeding. The record shows, however, that the books and accounts of the utility are not complete as to the total expenditures for operation and

maintenance of the system, many classifications of expense having been omitted. There will be increased costs in the future for the required maintenance of a satisfactory standard of service demanded by the consumers and to operate the improved facilities recently installed and to be constructed in the near future. The operating costs including depreciation will almost equal the gross revenues receivable under the present rates.

As the annual rate requested will produce a low rate of return on the invested capital exclusive of land or intangibles it will not be necessary to determine at this time the present fair market value of the utility watershed lands or the intangible value of the water rights involved.

In connection with the annual rate of \$15.00 per year it should be stated that this charge is considerably less than the schedule of rates charged by the utility serving adjoining and adjacent territory and also less than the majority of rates charged by utilities operating under reasonably comparable conditions in other sections of Marin and Sonoma Counties.

To provide for permanent residents a monthly rate will be established.

The rules and regulations requested by applicants appear to be reasonable and acceptable to the consumers and will be approved for incorporation in the revised rules and regulations ordered to be filed in the following Order.

The following form of Order is recommended:

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 submitted and this Commission being now fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Maude E. Stinson, Lillian R. Hensill and Eve Stinson Fitzhenry,

operating under the fictitious firm name and style of Stinson Beach Water Works, for water delivered to their consumers in Stinson Beach, Marin County, 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 service rendered, and based upon the foregoing findings of fact and upon the further statements of fact contained in the Opinion which precedes this Order.

IT IS HEREBY ORDERED that said Maude E. Stinson, Lillian R. Hensill and Eve Stinson Fitzhenry be and they are hereby authorized and directed to file in quadruplicate with the Railroad Commission within thirty (30) days from the date of the Order the following schedule of rates to be charged for all water delivered to their consumers for the season of 1942 and thereafter:

RATE SCHEDULES

Schedule No.1

Rates For Summer Resort and Non-permanent Consumers.

FLAT RATES

<u>Classification</u>	<u>Per Year</u>
Residence.....	\$15.00
Auxiliary cottages of 3 rooms or less on premises, Each.....	3.00
Additional room in auxiliary cottage, Each.....	1.00

The above annual charges are due and payable in advance upon the first day of each year.

(Schedule No. 1 Continued)

METER RATES

Annual Minimum Charge:

5/8 inch meter..... \$15.00

The above charge is payable in advance upon the first day of each year and entitles the consumer to 400 cubic feet of water each month during the calendar year. Additional water in excess of 400 cubic feet per month will be charged upon the following "Monthly Quantity Rates:"

Monthly Quantity Rates:

First 400 cubic feet included in Annual Minimum Charge.  
 Next 1,600 cubic feet, per 100 cubic feet..... \$ .20  
 Over 2,000 cubic feet, per 100 cubic feet..... .15

Charges for meter use in excess of the minimum monthly quantity allowance set out above will be billed monthly.

Schedule No.2

Rates for Permanent Consumers.

FLAT RATES

<u>Classification</u>	<u>Per Month</u>
Residence.....	\$1.25
Auxiliary cottage of 3 rooms or less on premises, Each.....	.25
Additional room in auxiliary cottage, Each.....	.10

Flat rates are payable in advance.

METER RATES

Monthly Minimum Charge

Residence..... \$1.25

Monthly Quantity Rates

For 400 cubic feet or less.....\$1.25  
 Next 1,600 cubic feet, per 100 cubic feet..... .20  
 Over 2,000 cubic feet, per 100 cubic feet..... .15

IT IS HEREBY FURTHER ORDERED that Maude E. Stinson, Lillian R. Hensill and Eve Stinson Fitzhenry be and they are hereby

directed as follows:

1. Within thirty (30) days from the date of this Order, to submit to this Commission for its approval four sets of rules and regulations governing relations with its consumers, said rules and regulations to be substantially as set forth in the application herein, each set of which shall contain a suitable map or sketch, drawn to an indicated scale, upon a sheet approximately 8½ x 11 inches in size, showing the area served and the location thereof with reference to the surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
2. Within sixty (60) days from the date of this Order, to file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 400 feet to the inch, upon which shall be delineated correctly by appropriate markings the various parcels in the territory served, and the location and size of all transmission and distribution pipe lines. This map should be reasonably accurate and show the source and date thereof.

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

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 24<sup>th</sup> day of February, 1942.

Justus P. Greener  
Ray H. Riley  
L. H. Hall  
Francis G. Hargrave  
Arthur L. Chase

COMMISSIONERS.