

Decision No. 40491

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
 FAY WATER COMPANY
 to abandon its pipe line from the water meter
 at the entrance to the Union Oil Company pier
 near the town of Avila along the right of way
 of the old Pacific Coast Railroad to and upon
 the wharf of the Port San Luis Transportation
 Company.

Application No. 27175

In the Matter of the Application of
 FAY WATER COMPANY
 to abandon its pipe line from the water meter
 at the entrance to the Union Oil Company pier
 near the town of Avila along the right of way
 of the old Pacific Coast Railroad to and upon
 the wharf of the Port San Luis Transportation
 Company, or to fix and determine the just,
 reasonable and sufficient rates for water service
 to consumers on said pipe line.

Application No. 27484

- Chickering and Gregory, by Vincent I. Compagno,
for Applicant.
- M. A. Fitzgerald, for Port San Luis Transportation
Company.
- Van Camp Sea Food Company, Brawley Ice Company and
American Refrigerating Company.
- John P. McCormick, for John P. McCormick Company.
- J. S. Sylvester, for Sylvester Brothers.
- Charles A. Zahner, for Brawley Ice Company.
- Robert M. Scavers for Chamber of Commerce, San Luis Obispo.

O P I N I O N

In Application No. 27175 Fay Water Company, a corporation, engaged in the business of selling water for industrial and domestic purposes in an area adjacent to the unincorporated town of Avila, San Luis Obispo County, asks the Commission for authority to abandon or sell a portion of its pipe line from the Union Oil Company pier along the right of way of the old Pacific Coast Railroad to and upon the wharf of the Port San Luis Transportation Company.

In Application No. 27484 Fay Water Company asks the Commission for authority either to abandon the above described pipe line or that just and reason-

able rates be established by this Commission for all water delivered by and through said pipe line.

Public hearings in these two matters were held before Examiner Stava at San Luis Obispo and by stipulation were combined for hearing and decision.

Fay Water Company obtains its water supply from a drilled well by an electrically-driven pump. Transmission is through approximately $1\frac{1}{2}$ miles of six and four inch pipe to two storage tanks having a combined capacity of 300,000 gallons. One of these tanks has a capacity of 200,000 gallons and is held for the exclusive use of the Union Oil Company refinery. This Oil Company buys water through a meter at the tank and conveys it to its refinery through its own pipe lines. The 100,000-gallon tank is held for the use of the town of Avila and for the Port San Luis Transportation Company's* wharf and for Union Oil Company's pier. Water for the town of Avila is sold on a wholesale basis to R. L. Gilliam, doing business as Avila Water Works, who owns and operates the distribution system supplying the community. Water for the Avila system also is sold and measured at the tank. The only distribution main on Applicant's system is a four-inch line extending from the 100,000-gallon tank approximately 1,000 feet to Union Oil Company pier and thence 7,100 feet to the Transportation Company wharf. This line is installed along the right of way of the old Pacific Coast Railroad to and thence upon the wharf of the Transportation Company. Applicant asks for authority to abandon the 7,100 feet of pipe line, or in the later Application No. 27484 asks that otherwise compensatory rates be established for service furnished through this line. This pipe line is of four inch standard screw galvanized wrought iron, installed in 1910 at a cost of \$9,933, and originally supplied water to the wharf for ships and boats and provided fire protection for the pier and dock buildings and facilities. For several years water also was supplied through this line to a Union Oil Company pumping plant, a hotel, and for the locomotives of the now discontinued Pacific Coast Railroad. All of the above enterprises have been burned, moved or abandoned, only the "old wharf" as it is now called remains. Applicant at present supplies water for fire protection service to the old wharf at \$40 per month and to Van Camp
Note:*Hereinafter referred to as Transportation Company.

Seafood Company for a fish processing plant at an average monthly charge of \$5.00. There are 13 two-inch outlets used as fire hydrants on the pier and five 3/4-inch outlets and two 1/2-inch outlets at the warehouse for general use. A one-inch service connection supplies water to the fish plant.

Mrs. Tressa Marre, secretary for applicant, testified that the maximum sales of water from the old wharf line were made during the years of 1912 and 1913, when the total annual revenues from that service averaged \$4,200. The present annual revenue is \$540. The present general system expenses covering repairs to distribution lines averages \$900 per year. Both the above secretary and Mr. Louis Marre, president of the water company, testified that the wharf line was the only company pipe line requiring any repairs, necessitated by the constant wave action undercutting and washing out the old sea wall, originally constructed to protect the Pacific Coast Railroad grade and the pipe line. This wall has been broken down in three wall sections and exposed the pipe to salt water corrosion. Sections of the pipe line have been moved from time to time and attached to parts of the old railroad trestle and trestle piling still in place.

The results of the water company's operations for the five-year period 1941 to 1945, inclusive, from the testimony presented is as follows:

	Year 1941	Year 1942	Year 1943	Year 1944	Year 1945
Fixed Capital	\$98,491	\$98,491	\$98,491	\$78,661	\$78,661
Operating Revenues	6,922	7,586	7,535	7,513	7,350
Operating Expenses	5,692	5,528	6,132	6,129	5,732
Depreciation	1,251*	1,251*	.916*	.916*	.657*
Total Operating Expenses	\$6,943	\$6,779	\$7,048	\$7,045	\$6,389
Net Operating Revenues	(221)	\$ 807	\$ 487	\$ 468	\$ 961
Return		.82%	.49%	.595%	1.22%

Notes: *Depreciation computed by straight line method.
(Red Figure)

According to the officers of the applicant corporation, even the over-all service rendered by the company does not produce sufficient revenue to yield a reasonable return on the investment and primary request, therefore, is made that the old wharf line, which costs more to operate than it produces in revenue, be abandoned.

The service to the Union Oil Company wharf is supplied at a rate of \$65 per month and consists of fire protection service through 22 fire hydrants. An additional charge at the flat rate of \$4.00 per month is made for the office. Water sold to boats from this pier is measured and billed at the quantity rates for this class of service. Witnesses for the water company state that the existing rates for similar service to the old wharf are much lower than the Union Oil Company pier.

Mr. David Love, a witness for the company, testified that 1,750 feet of pipe line should be replaced immediately and relocated against the bank, in order to avoid damage by slides and undercutting by wave action. He estimated the cost to be \$3,459. However, he stated that such an installation would be a temporary expedient only and recommended the construction of a pipe line over the bluff in order to avoid damage from slides. This plan would require an additional 700 feet of pipe line, a booster pump and tank, at a cost estimated to be \$8,500. This witness stated that sections of the present line that have not been exposed to the salt water are in fair condition.

The record shows that a serious location problem exists here. There is a further danger that wave action will undercut the bank, causing land slides of a high bluff above the pipe line and either completely burying or breaking the pipe and draining the 100,000 gallon reservoir, interrupting all service including water for the town of Avila.

Abandonment of the pipe line was opposed by Port San Luis Transportation Company, owner of the old wharf, also by the owners and operators of a marine supply and repair enterprise, and an abalone processing plant occupying a portion of the wharf. Mr. Elton V. Tomazzini testifying for the Transportation Company stated that said company had acquired the wharf property in 1939 from Pacific Coast Railway Company but because of the war conditions business could not be developed as quickly as anticipated. However, the wharf and the roadway to Avila have been kept in a passible state of repair and when materials are again available the wharf will be strengthened to handle heavy cargo. The Company expects to handle and dock lumber, cement and other bulk commodities delivered by water and ship produce received from the interior valleys.

The record shows that the marine supply and repair establishment together with the abalone and fish processing plants have developed from the local commercial fishing based at Port San Luis. Witnesses for these enterprises testified that more fishing boats will stop at the wharf and unload when facilities to handle the fish have been improved. At present plans are being made for quick freezing and packaging of fillet fish on a large scale. Salt water is used in processing fish but abalone processing requires fresh water. Fishing boats buy fresh water at the Union Oil Company wharf when loading fuel and oil. The marine supply and repair operators expect to sell fuel and would, therefore, also sell water. At present water is used on the wharves by representatives of the various enterprises only for office and sanitary purposes and also living quarters, excepting, however, the small commercial use by the abalone plant. The wharf is reported to be insured for \$65,000. The fire protection service is required to obtain the insurance.

Protestants objected to the free use of water by Luigi Marre Land and Cattle Company* for its houses, buildings and several water troughs, which was estimated to total 100,000 gallons a month or 1,200,000 gallons per year. Mrs. Marre testified that the Cattle Company actually was entitled to 250,000 gallons per month under the provisions of an agreement made by and between the heirs of the Estate of Luigi Marre in 1914 prior to the transfer of the water system to Fay Water Company. This agreement could not be produced but Mr. and Mrs. Marre testified that it was made to compensate the Cattle Company for rights of way through its ranch. The present operative right of way is for the $1\frac{1}{2}$ miles of pipe line from the present well to the tanks. Other rights of way were for pipe lines from springs in Harford Canyon located on the cattle ranch, now discontinued or at least out of service as sources of supply. The annual revenue from the use of 100,000 gallons per month of rates in effect would total \$330. at current rates.

Protestants also objected to the inclusion of \$57,540 in fixed capital for lands upon the grounds that the company owns 36 acres in one tract on which the tanks are located and of which not over two acres are used and useful and a total

Note:*Louis J. Marre and Tressa Marre, husband and wife, own 541 shares of the 720 outstanding shares of stock of the Fay Water Company, and also are stockholders in the Cattle Company.

of 5½ acres for the well sites, and rights of way for pipe lines. Apparently this figure was developed in connection with Application No. 1604, Decision 2435, dated May 29, 1915. The company asked for authority to issue stock and included lands and rights of way as follows:

Rights of Way.....	\$12,350
Reservoir Sites.....	41,070
Pumping Plant and Sites.....	<u>3,000</u>
Total.....	\$56,420

Mr. Harre testified that the water company's 36 acres of reservoir land were strategically located for oil tank sites and that the company had refused offers of \$2,500 an acre for this land. He stated that as far back as thirty years ago the Cattle Company had sold 20 acres of adjoining land for tank sites for \$20,000. Further protest was made against the use of the full amount of the original cost of the investment in operative properties being used in the fixing of rates upon the claim that the depreciation had used up practically all of said capital investment. The statement of invested capital and depreciation as of December 31, 1945, is as follows:

	<u>Fixed Capital</u>	<u>Reserve for Depreciation</u>
Buildings	\$4,625	\$4,568
Meters	407	159
Pump Equipment	4,206	4,020
Real Estate	57,540	-
Tanks	8,751	8,565
Wells	2,435	839
Office and Shop Equipment.....	<u>697</u>	<u>300</u>
	\$78,661	\$18,451
Deducting Real Estate.....	<u>57,540</u>	
	\$21,121	\$18,451

It is apparent from the record that Fay Water Company's operations are not particularly lucrative where such large real estate holdings, neither necessary nor useful, are included in operative properties. The rendering of extensive free service to the cattle ranch and its operations also is an improper claim on the utility. The record indicates that considerable new water business is developing along the area supplied by the line now sought to be discontinued. The present rate⁽¹⁾ for service on the old wharf covers only fire protection. There was no demand for water for any other class of use when this schedule was established.

Note: (1) This rate was established by the Commission in its Decision No. 27740, dated July 30, 1945.

Demand for domestic, commercial and industrial water already exists. Establishment of the rates charged on the Union Oil Company's pier, in addition to the fire protection rates, will provide a substantial amount of additional revenue, which should prove service from this line compensatory, provided it does not become necessary to relocate the entire pipe line along the bluff. This service should be continued for one or two years and if, after a trial, the anticipated new business does not develop, the matter of discontinuance may again be presented to this Commission. Authority to discontinue this old wharf service, therefore, will be denied.

ORDER

Application as entitled above having been filed with the Public Utilities Commission, public hearings having been held thereon, the matters having been submitted, and the Commission now being fully advised in the premises,

IT IS HEREBY ORDERED that Bay Water Company, a corporation, be and it is hereby authorized and directed to file within thirty (30) days from the date of this order, in quadruplicate, and in conformity with this Commission's General Order No. 96, the following schedule of rates to be charged for all service rendered from the pipe line extending from the Union Oil Company's pier to and along the old wharf owned by San Luis Transportation Company at Port San Luis, in San Luis Obispo County:

Schedule No. 1

Applicability:

Industrial water service to Port San Luis Transportation Company pier, commonly known as "old wharf" at Port San Luis, San Luis Obispo County.

Territory:

As above.

Rates:

Minimum Monthly Charges:

For fire protection service rendered the
Port San Luis Transportation Company on "old wharf"
at Port San Luis, per month..... \$40.00

For all water used: Per 1,000
Gallons
Monthly Quantity Rates:
First 50,000 gallons per 1,000 gallons..... \$.30
Over 50,000 gallons per 1,000 gallons..... .25

IT IS HEREBY FURTHER ORDERED that the authority to discontinue water service from and along the pipe line from the Union Oil Company pier to and along the "old wharf" owned by Port San Luis Transportation Company, be and it is hereby denied.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 8th day of July, 1947.

Harold P. Rube

Justus F. Casella

Walter Russell

P. J. ...

Herbert ...

 Commissioners.