

Decision No. 42929

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of REDWAY WATER COMPANY, a corporation, for (1) a certificate of public convenience and necessity to operate a water system, (2) an order fixing rates for water, and (3) an order authorizing applicant to issue 262 shares of its capital stock without par value.

**ORIGINAL**

Application No. 29929

Pillsbury, Madison & Sutro, by  
John D. McComish and L. S. Murphy,  
for applicant.

O P I N I O N

Redway Water Company, a corporation, asks the Commission to grant it a certificate of public convenience and necessity to operate a public utility water system for the sale and distribution of water for residential and commercial purposes in that subdivided area known as Redway Townsite located in portions of Sections 10, 11, 14, and 15, T. 4 S., R 3 E., H.B.&M., about two miles northwest of the town of Garberville, Humboldt County, on Highway 101. The Commission is asked also to establish flat and metered rates for the service furnished, to authorize applicant to acquire the water system at Redway, and to issue to The Pacific Lumber Company 262 shares of its capital stock without par value.

A public hearing in this proceeding was held before Examiner Kimball at Garberville on April 12, 1949.

Redway Water Company, a California corporation, was organized primarily for the purpose of acquiring and operating the water system at Redway. This system was installed originally about 1925 by the Burris brothers, who were also the subdividers of the tract known as

Redway Townsite. The Pacific Lumber Company has operated the water system since 1932 and acquired the properties in December, 1948. The lumber company has applied a charge of \$1.25 a month for flat rate service and a minimum charge of \$1.25 per month for metered service with an allowance of 5,000 gallons. The charges for excess use are reduced through two blocks to 20 cents per 1,000 gallons.

The area for which a certificate is requested is delineated on the map submitted in evidence as Exhibit 3 and consists of approximately 450 acres of land which has been subdivided.

The water supply for this system is obtained from two main and two subsidiary sources. The main spring supply has an estimated flow of 40 gallons per minute with no seasonal variation in yield having been observed. The water from the spring is conveyed about 30 feet into a reservoir holding about 40,000 gallons. The reservoir is formed by a concrete dam across a ravine. A watertight roof covers the reservoir. The winter run-off of the ravine is by-passed around the reservoir. From this reservoir the water is boosted 170 feet in elevation by means of an electrically driven centrifugal pump to a 60,000-gallon redwood stave tank.

The second main source of supply is from the South Fork of the Eel River at a point under a river gravel bar near the southeast corner of the Redway tract. The water from the river source is obtained through several perforated pipes which have been laid in a gravel bar below the extreme low-water level of the river. These pipes drain into a concrete sump in the wall of the river canyon. From this sump the water is pumped by means of an electrically driven centrifugal pump into the distribution system with the surplus being delivered to an 80,000-gallon redwood stave tank at the same elevation as the 60,000-gallon tank. The water obtained from the river source is chlorinated. The arrangement of water mains from the river pump to the 80,000-gallon tank and to the distribution system is such that by means

of valves, it is possible to pump water from both sources into either tank, to supply spring water to the entire system, or to isolate the portion of the area which is primarily business and industrial from the remainder of the system, and to supply it with chlorinated river water while supplying the residential area with spring water.

One of the subsidiary sources, designated as the Highway Springs, consists of a deep level underground perforated pipe system located west of State Highway 101. Water from this source, which produces about four gallons per minute, flows by gravity into the spring reservoir. The second subsidiary source is a small spring known as the Scott Springs, which flows about three gallons per minute, and is located between the Highway Springs and the main spring. Water from this source is collected in a well and is pumped intermittently into the same pipe that conveys water from the Highway Springs to the spring reservoir.

The distribution system consists of some 43,000 feet of pipe which varies in size from 3/4 inch to four inches. As of April 12, 1949, there were 172 service connections and 129 industrial customers served. Of the total customers, 127 were served at flat rates and the remaining two, at meter rates.

An allocation to accounts of the book cost of the water system, as of April 1, 1949, together with an estimate of annual depreciation expense and of the depreciation reserve requirement as calculated on the 5% sinking fund basis was presented in Exhibit 8, by Mr. C. F. Norris, an engineer of the Commission's staff. The foregoing data, adjusted by the addition of \$2,440 for the reservoir dam and by a minor amount in Ac. C-14, Pumping Equipment, is summarized as follows:

Historical Book Cost Fixed Capital - as of April 1, 1949	\$47,247
Depreciation Annuity - 5% Sinking Fund	596
Depreciation Reserve - 5% Sinking Fund	2,765

Applicant estimated the investment in the water system as of December 31, 1948, at \$54,273 which includes \$10,000 for the value of the main spring as a source of supply. This latter item of \$10,000 is applicant's estimate of what it would cost to develop from an alternate source of supply, such as the river source, an amount of water equivalent to that now produced by the spring. It does not represent actual cost.

The Commission's staff engineer estimated the organization cost to be \$1,000. Applicant stated at the hearing that the organization expense was estimated to be approximately \$1,500 and that as of the date of the hearing, it was actually \$1,242. Applicant asked that the full organization expense be allowed in establishing the cost of the properties.

Applicant has an authorized capital stock of 500 shares without par value. As heretofore stated, it asks permission to issue 262 shares to The Pacific Lumber Company in full payment for the properties it proposes to acquire from that company and which are referred to in this proceeding.

The order herein will authorize the issue of said shares of stock. The Commission is of the opinion, however, that the showing made by applicant does not support the value of \$10,000 claimed for the spring and that applicant, in recording the acquisition of the properties on its books, should charge not exceeding \$47,246.66 to its fixed capital accounts with an offsetting credit of \$2,765.23 to its reserve for depreciation, modified by additions and retirements since April 1, 1949, and by the amount which the organization expense incurred will exceed \$1,000.

Mr. Norris' report showed the operating revenues and expenses for the year 1948 were \$2,825 and \$1,573, respectively. This latter item did not include any charges for supervision or for depreciation.

The witness estimated total reasonable expenses for the immediate future to be \$2,845 and for the purpose of this proceeding an estimated amount of \$2,900 will be used. Based on rates which will be authorized herein the gross revenues are estimated to be approximately \$4,600 per year.

As this area is in the development stage and still sparsely settled a full return on the capital presently invested cannot be expected at this time. On the assumption that there will be 200 or more water customers in the next year or so, and that the system with its present facilities can adequately serve additional customers with no large expenditures of capital, it appears that the rates which will be authorized herein will not produce an unreasonable return on the investment.

Reports of chemical and bacteriological tests indicate that the water is of satisfactory quality for human consumption.

No one appeared at the hearings to protest the granting of any of the requests made by applicant in this matter. The Commission's staff engineer testified that certain of the distribution mains were inadequate and that some of the one-inch pipes should be replaced with two-inch pipe, and that in general there appears to be an excessive amount of small pipe in the system. The company should survey service conditions and program an orderly replacement of small mains which may not adequately serve its customers. The certificate of public convenience and necessity issued herein is subject to the following provisions of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered, and a public hearing having been held, the matter having been submitted and now being ready for decision.

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require the operation of a public utility water system by Redway Water Company in a subdivided tract known as Redway Townsite, Humboldt County, in the area more particularly delineated by outline in green upon the map marked Exhibit 3 in this proceeding, therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Redway Water Company to operate a public utility water system for the distribution and sale of water within the territory hereinbefore described.

IT IS HEREBY FURTHER ORDERED that:

1. Redway Water Company shall file rates set forth in Exhibit A attached to this order, to be effective, within thirty (30) days after the effective date of this order, together with rules and regulations and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96.
2. Redway Water Company, within thirty (30) days after the effective date of this order, shall file four copies of a comprehensive map drawn to an indicated scale of not less than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.
3. Redway Water Company, after the effective date of this order and on or before September 30, 1949, may acquire the properties of The Pacific Lumber Company referred to herein, and may issue not exceeding 262 shares of capital stock in full payment for such properties, it being the opinion of the Commission that the money, property or labor to be procured or paid for through such issue is reasonably required by applicant for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expense or to income.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service rendered on a measured basis.

TERRITORY

In and in the vicinity of the unincorporated area known as Redway Townsite.

RATES

Per Meter  
Per Month

Monthly Minimum Charge:

For 5/8 x 3/4-inch meter . . . . .	\$ 1.50
For 3/4-inch meter . . . . .	2.50
For 1-inch meter . . . . .	3.50
For 1 1/2-inch meter . . . . .	7.00
For 2-inch meter . . . . .	10.00
For 3-inch meter . . . . .	20.00
For 4-inch meter . . . . .	40.00

Quantity Rates:

First 500 cubic feet or less . . . . .	1.50
Next 2,500 cubic feet, per 100 cubic feet . . . . .	.25
Next 3,000 cubic feet, per 100 cubic feet . . . . .	.20
Next 4,000 cubic feet, per 100 cubic feet . . . . .	.15
Over 10,000 cubic feet, per 100 cubic feet . . . . .	.10

The minimum charge will entitle the customer to the quantity of water which that monthly minimum charge will purchase at the quantity rates.

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service rendered on a flat rate basis.

TERRITORY

In and in the vicinity of the unincorporated area known as Redway  
Townsite.

RATES

Per Month

For each residence . . . . .	\$1.75
For each additional residence on same lot . . . . .	1.25

SPECIAL CONDITIONS

Meters may be installed at option of utility or customer for above  
classifications in which event service will thereafter be rendered only  
on the basis of Schedule No. 1, General Metered Service.



4. Within thirty (30) days after the issue of stock under the authority herein granted, Redway Water Company shall file with the Commission a report showing the number of shares issued, the date issued, and the names of those to whom issued, and a statement showing the entries used to record on its books the issue of such stock and the acquisition of the properties.

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

Dated at Los Angeles, California, this 1<sup>st</sup> day of

June, 1949.

R. F. Johnson

Frank Howell

Harold K. Hale

Benjamin L. Potter  
Commissioners.