

Decision No. 45704

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of JOHN A. HAGAN and )	
CHARLES F. WATSON, SR. (Phillips- )	
ville Water Co.) to distribute )	Application No. 31928
and sell water. )	

John A. Hagan, for applicants.

O P I N I O N

John A. Hagan and Charles F. Watson, Sr. in this application filed November 20, 1950, ask the Commission for an order granting a certificate to operate a public utility water system, to be known as Phillippsville Water Company, in the unincorporated community of Phillippsville, Humboldt County, and to establish flat and meter rates for the service to be rendered.

A public hearing in this proceeding was held before Examiner Emerson at Miranda, California, on April 26, 1951, at which time the matter was submitted for decision.

The service area of applicants is located along and adjacent to U. S. Highway 101, in Sections 12 and 13 of Township 3 South, Range 3 East, Humboldt Base and Meridian about 4 miles south of Miranda and 11 miles north of Garberville. For about the past 50 years the community of Phillippsville has received water from a group of springs located about 3/4-mile northeast of Phillippsville in the NE 1/4 of the SE 1/4 of Section 12, T3S, R3E, H.B. and M. Prior to March, 1951, water was furnished, as an accommodation, without charge. Until about 1934 water was conveyed through a small redwood flume but since that time has been transmitted through a pipe line laid in the old flume bed.

This pipe line presently consists of 525 feet of 3-inch boiler tube, 1,375 feet of 2½-inch boiler tube, and 750 feet of 3-inch downspout pipe at the end of which is a 1,000-gallon settling tank. Water from the outlet of the settling tank passes through some 600 feet of 4-inch steel pipe into a 10,000-gallon redwood storage tank and thence by gravity through approximately 5,700 feet of distribution mains which vary in size from 4-inches to 3/4-inch in diameter. Applicants propose to install a new 60,000-gallon storage tank at the location of the present settling tank and to overhaul and place on a concrete foundation the present 10,000-gallon tank in the immediate future. Upon completion of such work, therefore, the system will have an aggregate storage capacity of 70,000 gallons of water.

The system now supplies about 32 consumers, 19 of whom attended the public hearing in this matter and several of whom urged the granting of applicants' request for certification. It appears that by the end of 1951 the system may serve 42 consumers. The community is growing and attractive and, undoubtedly, will provide additional customers for utility service.

The proposed rates, requested by amendment of the application at the hearing on April 26, 1951, are as follows:

#### FLAT RATES

For residence with gardens not exceeding 6,000 square feet.....	\$3.25 per month
For garden area over 6,000 square feet, per 100 square feet.....	.05 per month
For combined restaurant and residence.....	10.00 per month
For combined restaurant, bar, and residence.....	13.25 per month
For service stations.....	5.00 per month
For swimming pools during months of use.....	5.00 per month
For fire hydrant service, per hydrant.....	2.50 per month
For motels, per rental unit.....	2.00 per month
Seasonal rate: Residences occupied not more than 3 months.....	12.00 per year
For each additional month of occupancy.....	2.25 per month
For old-age pensioners.....	2.00 per month

METERED RATES

## Quantity Charge:

		<u>Per Meter</u> <u>Per Month</u>
First	300 cubic feet, or less.....	\$2.00
Next	700 cubic feet, per 100 cubic feet.....	.40
Next	1,000 cubic feet, per 100 cubic feet.....	.35
Over	2,000 cubic feet, per 100 cubic feet.....	.30

## Minimum Charge:

For	5/8 x 3/4-inch meter.....	\$2.00
For	3/4-inch meter.....	3.00
For	1-inch meter.....	4.00
For	1 1/2-inch meter.....	8.00
For	2-inch meter.....	10.00
For	3-inch meter.....	14.00

Initial system costs and an estimate of fixed capital charges, presented in Exhibits Nos. 3 and 5 and as of December 31, 1951, are summarized as follows:

<u>Account</u>	<u>Amount</u>	<u>Accrued Depreciation</u>
C-1 Organization	\$ 440	\$ -
C-5 Land	1,000	-
C-9 Intake Mains	1,071	734
C-11, C-12 Collection Works and Reservoirs	242	135
C-17 Transmission Mains	495	198
C-18 Distribution Mains	2,646	1,058
C-19 Distribution Tanks	4,202	218
C-24 General Equipment	700	-
Total	10,796	2,343

The system has been financed on a cash basis and applicant asserts that such basis will be continued.

Estimates of operating revenues and operating expenses for a normal year were introduced by applicant and total \$1,567 and \$2,004, respectively, thereby indicating a net loss. It is noted, however, that \$1,200 of such estimated expenses are for salaries to the partners. The Commission staff estimated future normal operating expenses to be \$1,230 but qualified the estimate by stating "this system is suffering severely from deferred maintenance and, therefore, the operating expenses for the immediate future are an uncertainty, but undoubtedly will exceed this estimate." From the evidence of record it is possible readily to

estimate normal operating revenues under the proposed rates, and for an assumed 42 customers such estimate would total \$1,770 on an annual basis. Using the staff estimate of \$1,230 as normal expenses and \$1,770 as normal operating revenues a yield of 6.4% on the depreciated fixed capital of \$8,453 is indicated. Such a yield, in this instance, would be excessive. For the purpose of this proceeding, we shall adopt a yield of 6% as being just and reasonable under the circumstances and shall authorize rates which will allow normal annual operating expenses of \$1,200. We recognize that a full return may not be realized at once, but that applicants must await future development of the area and increased water usage before water operations may be profitable.

When this water system was acquired by applicants, the deed and agreement provided for free water service to seven grantors, and their heirs, executors, administrators or assigns, or, in lieu of furnishing free water service, to pay the grantors \$100 per year for 20 years. To countenance or approve such free use of water from a utility would necessarily result in approval of an improper discrimination and would render it necessary for the balance of the system's customers to pay excessive rates. We will not give such approval. All water delivered must be charged for at the regular rates. In this case, the yearly payments to the grantors, which will total \$2,000, are properly parts of the purchase price of the system.

Applicants' proposal to charge a lesser rate to pensioners will not be authorized. A public utility water company has no right to grant preferential rates to persons because of their personal economic necessities or circumstances. Improper discrimination would be the direct result of making unequal charges for like and contemporaneous utility service.

No other utility distributes water to any part of the Phillipsville area nor is there a utility water system adjacent to the area. The present accommodation service has become inadequate for present needs and residents are desirous of an assurance of an adequate future supply and the establishment of public utility water service. Under the circumstances, it appears that public convenience and necessity require and will require that applicants be granted a certificate in the area requested. The certificate of public convenience and necessity herein issued is subject to the following provision 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, 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 require and will require the construction and operation of a public utility water system by John A. Hagan and Charles F. Watson, Sr., in Phillipsville, Humboldt County, California; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted John A. Hagan and Charles F. Watson, Sr., to construct and operate a public utility water system for the distribution and sale of water within the territory hereinbefore described.

EXHIBIT A  
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## Schedule No. 1

METER RATESAPPLICABILITY

Applicable to all water service furnished on a measured basis.

TERRITORY

In and in the vicinity of the unincorporated town of Phillipsville,  
Humboldt County.

RATES

## Quantity Rates:

	Per Meter Per Month
First 800 cu.ft. or less.....	\$2.75
Next 1,200 cu.ft., per 100 cu.ft.....	.30
Next 3,000 cu.ft., per 100 cu.ft.....	.20
Over 5,000 cu.ft., per 100 cu.ft.....	.15

## Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 2.75
For 3/4-inch meter.....	3.75
For 1-inch meter.....	5.00
For 1 1/2-inch meter.....	7.50
For 2-inch meter.....	15.00
For 3-inch meter.....	25.00

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.

EXHIBIT A  
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Schedule No. 2

PERMANENT RESIDENT FLAT RATES

APPLICABILITY

Applicable to all water service furnished to permanent residents on a flat rate basis.

TERRITORY

In and in the vicinity of the unincorporated town of Phillipsville, Humboldt County.

RATES

	<u>Per Month</u>
For each residence including an irrigated area not in excess of 1,500 square feet.....	\$ 3.00
For additional irrigation of lawn, shrubs, garden or trees, per month, April through September, per 100 square feet.....	.05
For combined restaurant, bar, and residence.....	13.25
For combined restaurant and residence.....	10.00
For service stations.....	5.00
For soda fountains.....	5.00
For motels, each rental unit.....	2.00
For swimming pool during months of use.....	5.00
For fire hydrant service, per hydrant.....	2.50

SPECIAL CONDITIONS

1. All service not covered by the above classifications will only be furnished water service on a measured basis.

2. 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, Meter Rates.

EXHIBIT A  
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Schedule No. 3

SEASONAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a seasonal flat rate basis.

TERRITORY

In and in the vicinity of the unincorporated town of Phillipsville, Humboldt County.

RATES

For residences occupied not more than three calendar months <u>in a year</u> , per year.....	\$12.00
For each consecutive additional month of occupation.....	3.00
For irrigation of lawns, shrubs, gardens or trees, per month, April through September, per 100 square feet.....	.05

SPECIAL CONDITIONS

1. Annual charges for basic three-month period are payable annually in advance.
2. Monthly charges for additional consecutive months are payable monthly in advance.



IT IS HEREBY FURTHER ORDERED that applicants shall:

1. File the rates set forth in Exhibit A attached to this order, to be effective for all water service rendered on or after June 15, 1951, together with rules and regulations and tariff service area map, acceptable to the Commission, in accordance with the requirements of General Order No. 96.
2. File within sixty (60) days after the effective date of this order four copies of a comprehensive map, drawn to a scale of approximately 400 feet to the inch, delineating by appropriate markings the land and territory served and the location of the various properties of applicants.

The authorization herein granted will lapse if not exercised within one (1) year from the date hereof.

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

Dated at San Francisco, California, this 15<sup>th</sup> day of May, 1951.

R. J. Induray  
Justus J. Callahan  
Harold A. Kula  
John E. Mitchell

Commissioners.