

Decision No. 49225**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of MIRABEL AMUSEMENT COMPANY, a)
CORPORATION, for a certificate of) Application No. 34208
Public Convenience and Necessity)
and to establish water rates.)

Kenneth Eymann and Harry B. Fetch,
for applicant.
A. C. McKague, F. Andrews, Mrs. J. DeRenzo,
John Lihtz, Joseph Lamana, Mrs. Sam
English and R. M. Yost, in propria
personae, and Mrs. E. Torre, for Mrs.
G. Bruno, interested parties.
Martin Abramson, for the Commission staff.

O P I N I O N

On April 2, 1953, applicant filed its application for a certificate of public convenience and necessity to operate a public utility water system in the proposed service area known as Mirabel Heights Subdivision and the Mirabel Amusement Company's properties located approximately two miles east of Forestville on the Russian River in Sonoma County. The legal description of the proposed service area is set forth in Exhibit No. 3. The maps introduced into evidence as Exhibits Nos. 2 and 8 together show the entire service area.

A public hearing was held before Examiner Cline on August 6, 1953. The matter was taken under submission August 17, 1953, upon receipt of late-filed exhibits.

The applicant herein installed the water system in 1929. Through its agreements for the sale of real estate applicant agreed to furnish water free of cost to purchasers of property in the Mirabel Heights Subdivision until May 1, 1939. Upon the expiration

of the 10-year period, applicant continued to furnish water to the consumers without charge.

Mirabel Heights Subdivision consists of 265 lots. At the present, applicant is serving approximately 90 consumers. It is estimated that the area will be fully developed in approximately five years.

The water supply for the system is presently obtained from three wells. Well No. 1 is 8 inches in diameter and 32 feet deep and is equipped with a 5 hp electric motor directly connected to a Berkeley 3-stage pump which discharges approximately 50 gpm of water directly into the distribution system, with the surplus being pumped into a 28,000-gallon storage tank located a considerable distance away. Well No. 2 is 8 inches in diameter and 130 feet deep and is equipped with a Fairbanks Morse turbine pump and a booster pump to supply approximately 60 gpm of water directly into the storage tank through approximately 600 feet of 2½-inch pipe. Well No. 3 is equipped with a 1 hp motor, pumps 4,000 gallons per day into a 2,200-gallon pressure tank which is located in applicant's trailer park and augments the main supply to this area. The water is distributed to the consumers through approximately 12,000 feet of distribution mains varying in size from 1 to 4 inches in diameter.

Late-filed Exhibit No. 4 shows that the Sonoma County Department of Public Health analyzed samples of water from the three wells on August 7, 1953, and found the water to be safe for drinking at the time of testing. Application has been made to the State Board of Health for a permit to supply water for domestic purposes to the inhabitants of Mirabel Amusement Company's properties and to the property owners of Mirabel Heights.

No other water system is in a position to service the area.

The necessary easements have been reserved by applicant to enable it to maintain and operate the system.

Rates

Applicant requests authority to charge the following rates for flat rate service:

	<u>Per Year</u>
Each residence on a single lot	\$30.00
Stores, bars, cafes, auto service stations, and other commercial establishments, including one toilet and one bath	60.00
Each additional toilet or bath	3.00
Multiple-unit resorts:	
Office and utility building	36.00
Each additional residential unit	5.00
Trailer Parks:	
Office and utility building	36.00
Each trailer space used during the year	3.00

Applicant requests the Commission to establish reasonable garden irrigation rates in connection with the above flat rates.

Applicant has filed Exhibit No. 7 pertaining to fire hydrant rates but the information contained therein is not sufficient to enable this Commission to establish fire hydrant rates in this proceeding.

Applicant also proposes to serve water at its sole election, on a measured basis at a yearly minimum charge for 5/8 by 3/4-inch meter of \$30 for the first 400 cubic feet or less per month and at quantity charges reduced through three blocks to \$.20 per 100 cubic feet in excess of 3,000 cubic feet per month. The other proposed annual minimum charges range from \$36 for 3/4-inch service to \$66 for 1 1/2-inch service.

Witness Fetch, one of the co-owners of applicant, testified that the water system cost \$40,000. He made no estimate of depreciation. He estimated that the proposed rates would produce \$3,000 in revenues per year and that expenses would be \$2,500 per year leaving a net profit of \$500 per year.

Since no records were available showing the actual historical costs, the Commission staff engineer made estimates of such costs from average prices prevailing at the time the water system was installed. Table 4-A of the Commission staff report, Exhibit No. 8, shows the estimated original cost to be \$15,735.86 with a depreciation reserve requirement as of December 31, 1952 of \$4,307.71. The order which follows will require applicant to set up on its books the detailed plant property costs and depreciation reserve as of December 31, 1952, appearing in said Table 4-A. Applicant should install an adequate accounting system to properly account for all additions and retirements to capital and to segregate all expenses in accordance with the Commission's "Uniform Classification of Accounts for Water Corporations."

The staff engineer testified that he had computed the straight-line depreciation expense applicable to his estimated historical cost appraisal hereinabove referred to, such expense amounting to \$444.48 for the year 1952. Such expense when related to the depreciable properties amounts to 3.20 per cent thereof. Future depreciation charges should be computed by applying this percentage to the end of year balance of the depreciable plant for the next four or five years or until major additions or retirements require that the remaining lives of the various properties be reviewed. The order which follows will so provide.

The estimate of the Commission staff engineer for the year 1953 at proposed rates shows operating revenues of \$3,040, operating

expenses of \$2,485 and net revenue of \$555. On a depreciated rate base of \$11,230, the estimated rate of return for this period would be 4.94 per cent. We hereby adopt said rate base of \$11,230 and find that the rate of return of 4.94 per cent is reasonable. The rates set forth in Appendix A attached hereto are slightly different from those proposed by applicant but will produce substantially the same amount of revenue. Said rates are hereby found to be reasonable and will be authorized. They provide that meters may be installed at the option of either the customer or the utility.

Service

On cross-examination by one of the interested parties witness Fetch stated that applicant is going to do whatever is necessary to keep the service satisfactory and that it will comply with the requirements of this Commission. As the mains wear out they will be replaced. Applicant intends to install another storage tank for fire protection purposes so that one tank may be kept in use while the other is being cleaned.

Financial Responsibility

The statement of financial condition as of December 31, 1952, shows that applicant has current assets of \$2,608.64, fixed assets of \$79,774.41, and contracts receivable of \$16,285.85, resulting in total assets of \$98,668.90. Deducting current liabilities of \$28,775.00 from the total assets leaves capital, surplus and deferred profit in the amount of \$69,893.90. As previously stated the water system has already been installed and is in operation.

Conclusion

The Commission has considered the request of applicant for a certificate of public convenience and necessity to operate and maintain a public utility water system and is of the opinion that it should be granted.

The certificate issued herein 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 will require the operation and maintenance of a public utility water system within the territory described in the opinion herein and shown on the maps introduced into evidence.

IT IS HEREBY ORDERED that:

1. A certificate of public convenience and necessity be and it is hereby granted Mirabel Amusement Company to operate and maintain a public utility water system for the distribution and sale of water within the territory hereinbefore described.

IT IS HEREBY FURTHER ORDERED that:

- 2.a. Applicant shall file with this Commission, within thirty days after the effective date of this order, in conformance with the provisions of General Order No. 96, four copies of the schedule of rates attached hereto as Appendix A, together with four copies of rules and regulations and tariff service area map; and, on not less than one day's notice to the public and this Commission, make said rates, rules and regulations effective for all water service rendered on or after the effective date of this order.
- b. Applicant shall file with this Commission, within forty days after the effective date of this order, four copies of a comprehensive map drawn to an indicated scale not smaller than 100 feet to the inch, delineating by appropriate markings the tract of land and the territory served and the location of property of applicant.

- c. Applicant shall set up on its books the detailed plant property costs and depreciation reserve as of December 31, 1952, appearing in Table 4-A of Exhibit No. 8.
- d. Applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property. Applicant shall use a composite annual depreciation rate of 3.20 per cent of the depreciable plant until further review suggests modification of this composite rate. Applicant shall review such accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

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

Dated at San Francisco, California, this 20th day of October, 1953.

A. Z. [Signature]
 President

Justus F. [Signature]

[Signature]

[Signature]

Verne [Signature]
 Commissioners

APPENDIX A
Page 1 of 3

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Mirabel Heights Subdivision and the adjacent Mirabel Amusement Company's properties, located approximately 2 miles east of the town of Forestville, Sonoma County.

RATES

Monthly Quantity Rates:		Per Meter per Month
First	500 cu.ft. or less	\$2.50
Next	500 cu.ft., per 100 cu.ft.35
Next	2,000 cu.ft., per 100 cu.ft.25
Over	3,000 cu.ft., per 100 cu.ft.20
Annual Minimum Charge:		Per Meter per Year
For	5/8 x 3/4-inch meter	\$30.00
For	3/4-inch meter	36.00
For	1-inch meter	45.00
For	1-1/2-inch meter	66.00

The Annual Minimum Charge will entitle the consumer to a monthly quantity of water which one twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during the 12-month period commencing January 1 and are due in advance. A customer who has established his permanency by having paid for service during the preceding 12 months may elect to pay the annual minimum charge on a monthly basis equal to one twelfth of the annual minimum charge.

2. When the annual minimum charge is paid annually in advance, charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly, or quarterly at the option of the utility on a noncumulative monthly consumption basis.

APPENDIX A
Page 2 of 3

Schedule No. 2

FLAT RATE SERVICEAPPLICABILITY

Applicable to all water furnished on a flat rate basis.

TERRITORY

The unincorporated area known as Mirabel Heights Subdivision and the adjacent Mirabel Amusement Company's properties, located approximately 2 miles east of the town Forestville, Sonoma County.

RATES

	<u>Per Service per Year</u>
1. Single Family Residence:	
a. For each single family residence including premises not to exceed 5,000 sq. ft. in area	\$30.00
b. In addition, for each 100 sq.ft. of premises in excess of 5,000 sq.ft.25
2. For each Multiple Family Resort, Exclusive of Trailer Parks	
a. Office and utility buildings, including not to exceed 5,000 sq.ft. of irrigated area	36.00
b. In addition, for each residential unit served from the same service connection	5.00
c. In addition, for each 100 sq.ft. of irrigated area in excess of 5,000 sq.ft.25
3. For each store or shop having no other plumbing fixtures than lavatories and toilets	30.00
4. For each bar, cafe or service station	42.00
5. For Each Trailer Park:	
a. Office and utility buildings, including not to exceed 5,000 sq.ft. or irrigated area	36.00
b. In addition, for each 100 sq.ft. of irrigated area in excess of 5,000 sq.ft.25
c. In addition, for each trailer space served from the same service connection when occupied	\$1.00

Per Month

Schedule No. 2--contd.

FLAT RATE SERVICE

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished on a metered basis.
2. Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service.
3. The above charges apply to service during the 12-month period commencing January 1 and are due in advance. A customer who has established his permanency by having paid for service during the preceding 12 months may elect to pay the annual charge on a monthly basis equal to one twelfth of the annual charge.