

**ORIGINAL**

Decision No. 51695

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AMERVALE SERVICE CORPORATION, a corporation, to acquire and operate a water system, for order approving rates and for authority to issue stock in exchange for cash and the said water system. )

Application No. 36867

C. W. Brunsell, for applicant.  
George F. Tinkler, for the Commission staff.

O P I N I O N

Nature of Proceeding

Amervale Service Corporation, by this application filed April 7, 1955, and as amended at the hearing, seeks a certificate of public convenience and necessity to construct and operate a public utility water system near Quincy, Plumas County, California. Authority is also sought to acquire the real and personal property necessary for installation of the system, to issue stock in exchange for the properties and for organization expense, and to establish schedules of flat and meter rates for water service.

Public Hearing

The application was submitted for decision at a public hearing held May 19, 1955, at Quincy, before Examiner John M. Gregory.

Applicant's Position

Applicant, a California corporation, proposes to acquire a water system and necessary land for its operation from Mortgage Investors, Inc., also a California corporation, for the purpose of

rendering water service, as a public utility, to approximately 80 homes to be constructed in a 22-acre tract, known as Amervale Subdivision, owned by Mortgage Investors, Inc., and located about 2 miles southeast of Quincy. Applicant also proposes to solicit patronage from residents adjoining the subdivision who presently have no source of water other than from their own wells.

The nature and estimated cost of the facilities to be purchased are set forth in exhibits attached to the application and, with respect to land and a well site structure in an amendment made orally at the hearing and incorporated in a formal pleading filed subsequent to submission of the application. Total cost of the well, pump, mains, necessary connections and labor, but excluding intangibles, land, structures and meters, was estimated by applicant at \$10,737.59.

Additional piping to make the system fully circulating was recommended by the Commission's engineer, who introduced a report of a field investigation of the project. About 1,225 feet of 4-inch pipe, to cost \$1.35 per foot, or a total of approximately \$1,652.75, would be required for that purpose.

Mortgage Investors, Inc., has deeded two lots<sup>1</sup> in the tract, alleged to have a present market value of \$1,250 each, for a well and pump site. Applicant also holds easements, granted by Mortgage Investors, Inc., for the purpose of installation of facilities in the subdivision and is in the process of securing a franchise from the Board of Supervisors of the County of Plumas for

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<sup>1</sup> Lots 1 and 2 of Block 3 as said lots and blocks are shown on the map of "AMERVALE", filed December 27, 1954, in the office of the County Recorder of Plumas County, California.

a period of 50 years, for the purpose of constructing and maintaining facilities in public highways within the subdivision.

The nearest public utility water system to the project is Quincy Water Company, about 2 miles west. The record indicates that Quincy Water Company does not desire to extend its mains to serve Amervale Subdivision.

Financing

Applicant proposes to sell and issue to Mortgage Investors, Inc., 565½ shares of its no par value common stock, based upon \$25 per share valuation, in exchange for the properties and facilities, including land and the well site structure, to be installed and used for the purpose of supplying water. Applicant also proposes to sell and issue to Mortgage Investors, Inc., for cash, 40 shares and to Karl Rigor, Sr., and Karl Rigor, Jr., 10 shares each, for cash, of its \$25 valuation common stock, for an aggregate amount of \$1,500, to be used for organization and miscellaneous expense.

Proposed Rates and Estimated Results of Operation

Applicant proposes to supply water under the following basic rates for metered and flat rate service:

General Metered Service

Quantity Rates:	<u>Per Meter Per Month</u>
First 600 cubic feet or less .....	\$2.60
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	2.60

Flat Rate Service

	<u>Per 3/4-inch Service Connection, Per Month</u>
For each single family residence, including premises .....	\$4.00

Applicant estimated its annual revenues at \$3,888; annual expenses, including a 7 per cent rate of return on its investment, at \$4,179.86; with depreciation expense at \$550.38, based on a life

of 15 years for pumps, tanks, well and equipment and a life of 25 years for water mains.

Summary and Conclusions

The proposed water system is located in the community of East Quincy, in an area which appears to be undergoing considerable residential and commercial development. The project, as presented on this record, appears to be feasible, provided applicant realizes that there will be little or no return on the investment until the tract is fully developed and then only if expenses are kept at a minimum. A system of the size here contemplated must be considered a part-time operation in order to keep expenses at a level where net income may be expected to be realized.

The proposed flat rate of \$4 appears excessive when compared with proposed meter rates and with the rates of other water utilities operating under similar conditions. Instead, a flat rate of \$3.50 per month for a 3/4-inch meter service is hereby found to be reasonable on the basis of the present record. Proposed minimum charges for several of the larger size meters have been revised to make such charges consistent with the proposed charge for a 5/8 x 3/4-inch meter. We find such revised meter charges to be reasonable on this record.

The amended application, as modified herein with respect to flat and meter rate service, should be granted.

The certificate of public convenience and necessity 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 construction and operation of a public utility water system by Amervale Service Corporation, a corporation, within the territory delineated upon a map annexed as Exhibit B to the application herein.

IT IS HEREBY FURTHER FOUND AS A FACT that the money, property, or labor to be procured or paid for by the issuance of 625½ shares of stock hereinafter authorized, is reasonably required by Amervale Service Corporation for the purposes herein stated, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED that:

1. A certificate of public convenience and necessity be and it is hereby granted Amervale Service Corporation, a corporation, to construct and operate a public utility system for the distribution and sale of water within the territory hereinbefore described.
2. Applicant is authorized to file the rates set forth in Appendix A attached to this order to be effective on or before the date service is first rendered to the public, together with rules and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rates, rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
3. Applicant shall notify this Commission in writing of the completion of the system for which this certificate is granted, within thirty days thereafter.
4. Applicant shall file within forty days after the system is placed in operation four copies of a comprehensive map, drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and

territory served for which this certificate is issued; the principal water production, storage and distribution facilities; and the location of the various properties of applicant.

- 5. Applicant shall base the accruals to depreciation upon spreading the original cost of the plant; less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; applicant shall review the 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.
- 6. Applicant, after the effective date hereof and on or before October 1, 1955, may issue 625 1/2 shares of its capital stock in exchange for the properties and for the purposes described in the foregoing opinion. Applicant shall file with the Commission monthly reports, as required by General Order No. 24-A, which order, in so far as applicable, is hereby made a part of this order.
- 7. The authorization herein granted will expire if not exercised within one year from the date hereof.

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

Dated at Los Angeles, California, this 18<sup>th</sup> day of July, 1955.

Arthur J. Casper  
President

Paul W. Winters

Thomas J. Foley

By Hardy

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Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

The unincorporated community of East Quincy, Plumas County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 600 cu.ft. or less .....	\$ 2.60
Next 1,400 cu.ft., per 100 cu.ft. ....	.30
Next 2,000 cu.ft., per 100 cu.ft. ....	.25
Over 4,000 cu.ft., per 100 cu.ft. ....	.20
 Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.60
For 3/4-inch meter .....	3.50
For 1-inch meter .....	5.50
For 1 1/2-inch meter .....	10.00
For 2-inch meter .....	15.00
For 3-inch meter .....	25.00
For 4-inch meter .....	40.00

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

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Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of East Quincy, Plumas County.

RATE

	✓	Per 3/4-Inch Service Connection <u>Per Month</u>
For each single family residence including premises .....		\$3.50

SPECIAL CONDITION

✓  
All service not covered by the above classification will be furnished only on a metered basis.