

ORIGINAL

Decision No. 52007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of BUCKINGHAM COLONIES,)
 LIMITED, a California corporation,)
 to sell, and ALFRED E. AUGENSTEIN)
 and MARY Z. AUGENSTEIN to purchase)
 the water system at Kelseyville,)
 Lake County, California; to operate)
 said water system; to establish)
 rates; and to issue a note in the)
 sum of \$19,000.)

Application No. 36575
 (Amended)

Walter Chouteau, for Buckingham Colonies,
 Limited, and for Alfred E. and Mary Z.
 Augenstein;
Verner R. Muth, for the Commission staff.

O P I N I O N

Nature of Proceeding

The application herein, filed December 21, 1954, as amended March 10 and July 11, 1955, requests authority for Buckingham Colonies, Limited, to sell, in accordance with an agreement, a copy of which is attached to the application, a water system at Buckingham Park on the southerly shores of Clear Lake, Lake County, California, to Alfred E. and Mary Z. Augenstein, who join in the application.

Alfred E. and Mary Z. Augenstein request a certificate of public convenience and necessity and authority to establish meter rates for water service.

The Augensteins, in their application as originally filed, also sought authority to issue a promissory note for \$19,000 in partial payment of the agreed purchase price of \$25,000 set forth in the original contract. The parties, however, after the hearing, revised their agreement to provide for a cash sale of the system and certain nonutility real property for the sum of \$24,000. The revised agreement, dated June 27, 1955, recites that a down payment of \$6,000 cash

is now on deposit with a local title company, and that the balance of \$18,000 will be paid in cash upon closing the transaction. A copy of the revised agreement is attached to the Second Amendment as Exhibit "A".

Public Hearing

Public hearing was held on April 14, 1955, at Kelseyville before Examiner John M. Gregory, at which time the original application, as amended March 10, 1955, was submitted for decision.¹ The second amendment, filed July 11, 1955, provides, as stated above, for a cash sale rather than for the issuance of a note to finance the purchase of the properties. A further hearing is not deemed necessary in connection with the last amendment.

Description of System

The water system was originally installed in 1931 in Unit 1 of Buckingham Park, located at Clear Lake near Kelseyville. Water facilities were installed in Unit 3 when that portion of the tract was developed in 1947.

Water is obtained by pumping from Clear Lake. After chlorination and filtration the water is boosted into the mains and into two storage tanks of a combined capacity of 35,000 gallons, from which it is distributed through about 23,000 feet of mains ranging from 6 to 2 inches in diameter. As of December, 1954, there were 68 flat rate consumers attached to the system.

The system is fully described in a report prepared by an engineer of the Commission's hydraulic staff, who testified at the hearing (Exhibit No. 1). The engineer appraised the historical cost,

¹ The first amendment, filed March 10, 1955, sought authorization to establish a higher meter rate schedule than that requested in the original pleading.

on an original cost basis, undepreciated, of the total installed capital at \$32,858.28 as of December 31, 1954, and the depreciation reserve requirement at \$16,679.44. He further estimated that the company would install additional facilities during the next year, including meters and automatic water level controls on the storage tanks, at a cost of approximately \$3,800.

Service under present ownership has been generally satisfactory. Water pressure is good and the mains are of adequate size to serve existing customers as well as those who might be added in the foreseeable future. Occasionally, however, during periods of heavy use, the storage tanks have been allowed to become empty and customers have been without water until the pump was manually started. Installation of float switches on the tanks should correct that condition.

The Purchasers and Proposed Rates

The purchasers, Alfred E. and Mary Z. Augenstein, propose to acquire the system and other properties for the sum of \$24,000 cash, and to operate it as individuals under the fictitious name of "Buckingham Park Water System". Alfred E. Augenstein is a general contractor and boat builder and has lived in the community for seven years. He plans to install meters on all services and to make the system as fully automatic in operation as practicable. The record indicates that the purchasers have adequate financial resources with which to undertake the operation on a part-time basis.

Applicants, pending installation of meters, propose to charge a flat rate of \$3 per month, or \$36 per year, for flat rate service. The charges will be subject to proration following installation of meters and establishment of meter rates. Applicants, by their first amendment to the application, proposed a minimum charge of \$3 per meter per month, or \$36 per year, for a 5/8 by 3/4-inch meter,

which would allow up to 400 cubic feet of water per month at that minimum charge. At the hearing, however, Alfred E. Augenstein stated that if the Commission should find a minimum quantity of 600 cubic feet per month to be reasonable, he would abide by that figure. He has also proposed a standby charge of \$1 per month for each of 36 fire hydrants now attached to the system.

Estimated Results of Operation

Applicants estimated, on the basis of rates proposed in their first amendment, that their annual operating results would be approximately as follows:

Operating Revenue	\$3,465
Operating Expense	3,006
Net Revenue	459

Results of operation, as estimated for 1955 by the Commission staff engineer based on his appraisal of the installed system and the rates proposed in applicant's first amendment, are shown below:

Item	1955 Staff Estimate	
	Present Rates	Proposed Rates
Operating Revenues	\$ 2,160	\$ 3,779
Operating Expenses (exclusive of taxes and depreciation)	2,402	2,004
Taxes	241	351
Depreciation	1,022	1,022
Total Expenses	3,665	3,377
Net Revenue	Loss	402
Average Depreciated Rate Base	19,257	19,257
Rate of Return	-	2.09%

It will not be necessary to compare estimates by applicants and the staff, since the system is about to come under new ownership and will be substantially altered by installation of meters and automatic controls. The staff's figures, being based on an up-to-date appraisal, are adopted as reasonable for the purpose of this proceeding. In any event, the estimates are generally in fairly close

agreement, including the estimates of original cost of utility plant. Different methods of treating depreciation expense, together with the staff's adjustments in other operating expenses, indicated in Chapter 4 of its report, account for most of the differences.

Summary and Conclusions

The Buckingham Park Water System, under present ownership, has not been a financial success. The system is in need of increased revenue as well as of improved facilities.

The recommendations of the staff, contained in Chapter 12 of its report, are hereby found to be reasonable and the purchasers will be directed to carry them into effect. The rates proposed, as adjusted to provide for an allowance of up to 600 cubic feet of water per month at the minimum charge, are hereby also found to be reasonable on this record. A temporary flat rate schedule to be used only until meters may be installed and in no event beyond December 31, 1956, will be provided for by the order which follows.

The estimated original cost of \$32,858.28 and depreciation reserve of \$16,679.44, as of December 31, 1954, shown in Table 6-A of the Commission staff report, are found to be reasonable. The order which follows will direct that the detailed plant property costs and depreciation reserve as of December 31, 1954, appearing in said Table 6-A of Exhibit No. 1, be set up on the books of the utility certificated herein.

The estimated rate of return of 2.09 per cent, admittedly somewhat low, developed by the staff, is not to be considered as a criterion for future operations of this system, since slight fluctuations in revenue or expense tend to exert a profound effect on the return experienced by an operation of the size here under consideration.

Upon consideration of the record, we have concluded and we so find that the transfer of this water system as proposed in this proceeding, will not be adverse to the public interest. The action taken in authorizing the transfer herein shall not be construed to be a finding of the values of the properties so authorized to be transferred.

Alfred E. Augenstein and Mary Z. Augenstein, applicants herein, are hereby placed on notice 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 for any amount of money 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, as amended, to sell public utility property, for issuance of a certificate of public convenience and necessity, and for authority to establish rates for water service having been filed with this Commission, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. Buckingham Colonies, Limited, may, on or after the effective date hereof and on or before March 31, 1956, sell and transfer the herein described public utility properties to Alfred E. Augenstein and Mary Z. Augenstein, husband and wife, pursuant to the agreement of purchase and sale, dated the 27th day of June, 1955, embodied in the second amendment to the application filed herein.
2. On or before the date of actual transfer, Buckingham Colonies, Limited, shall refund all deposits and advances for construction which customers are

entitled to have refunded. Any unrefunded deposits and advances for construction shall be transferred to and become the obligation for refund of Alfred E. Augenstein and Mary Z. Augenstein.

3. If the authority herein granted is exercised, Buckingham Colonies, Limited, shall, within thirty days thereafter, notify this Commission in writing of the date of such completion of the property transfer herein authorized.
4. On or before the date of actual transfer of the physical properties herein authorized, Buckingham Colonies, Limited, shall transfer and deliver to Alfred E. Augenstein and Mary Z. Augenstein and the latter shall receive and preserve all records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred of Buckingham Colonies, Limited.

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 Alfred E. Augenstein and Mary Z. Augenstein, husband and wife, in Lake County, California, in the areas set forth in maps marked Exhibits "B" and "C", attached to the original application herein, filed December 21, 1954, comprising Subdivisions 1 and 3 of Buckingham Park; therefore,

IT IS HEREBY FURTHER ORDERED, provided the transfer herein authorized is consummated, that:

5. A certificate of public convenience and necessity be and it is hereby granted to Alfred E. Augenstein and Mary Z. Augenstein to construct and operate a public utility system for the distribution and sale of water within the territory hereinbefore described.
6. Alfred E. Augenstein and Mary Z. Augenstein are 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, all in accordance with the requirements of General Order No. 96. Such rates, rules and tariff service area map shall become effective on five days' notice to the Commission and the public after filing as hereinabove provided.
7. Alfred E. Augenstein and Mary Z. Augenstein, within forty days after completion of the transfer of properties herein authorized, shall file four copies of a comprehensive map, drawn to an indicated scale

of not smaller than 400 feet to the inch; delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various properties comprising said water system.

- 8. Alfred E. Augenstein and Mary Z. Augenstein shall set up on their books the plant accounts and depreciation reserve as of December 31, 1954, substantially as shown in Table 6-A of Exhibit 1.
- 9. Beginning with the year 1955, Alfred E. Augenstein and Mary Z. Augenstein shall determine depreciation expense by multiplying the depreciable fixed capital by a rate of 3.24 per cent. This rate shall be used until review indicates it should be revised. Applicants shall review the depreciation rate, using the straight-line remaining life method whenever substantial changes in depreciable fixed capital occur or at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.
- 10. Within ninety days after the effective date of this order, Alfred E. Augenstein and Mary Z. Augenstein shall complete the installation of the automatic water level controls referred to in Exhibit No. 1, the staff engineering report in this proceeding; further, written notice of the completion of such installation shall be given this Commission within 15 days thereafter.

The authority herein granted shall 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 San Francisco, California, this 4th day of October, 1955.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Buckingham Park at Clear Lake, located approximately 9 miles northeast of Kelseyville, Lake County.

RATES

Monthly Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 600 cu.ft. or less	\$3.00
Next 600 cu.ft., per 100 cu.ft.40
Next 3,800 cu.ft., per 100 cu.ft.35
Over 5,000 cu.ft., per 100 cu.ft.25

Annual Minimum Charges:

	<u>Per Meter</u> <u>Per Year</u>
For 5/8 x 3/4-inch meter	\$ 36.00
For 3/4-inch meter	48.00
For 1-inch meter	72.00
For 1 1/2-inch meter	120.00
For 2-inch meter	192.00
For 3-inch meter	300.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one twelfth of that 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.
2. The 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 computation basis.

Schedule No. 2

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service rendered to duly organized or incorporated fire protection districts or other political subdivisions of the state.

TERRITORY

The unincorporated community of Buckingham Park at Clear Lake, located approximately 9 miles northeast of Kelseyville, Lake County.

RATE

Per Month

For each fire hydrant \$1.00

SPECIAL CONDITIONS

1. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of its system.
2. The above rate includes use of water for fire fighting and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges therefore will be made at the monthly quantity rates under the General Metered Service schedule.
3. The cost of installation and maintenance of hydrants will be borne by the utility.

Schedule No. 3

TEMPORARY FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Buckingham Park at Clear Lake, located approximately 9 miles northeast of Kelseyville, Lake County.

RATE

Per Year

For each service	\$36.00
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SPECIAL CONDITIONS

1. Service under this schedule will be furnished to existing customers only until such time as meters are installed.
2. The charge under this schedule will be subject to proration following installation of a meter.
3. This schedule will be effective only to and including December 31, 1956, and will be withdrawn on January 1, 1957.