

Decision No. 54654

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LAYTONVILLE WATER COMPANY,)
 a corporation, for certificate of public)
 convenience and necessity, for authority) Application No. 37984
 to issue common stock, and for order ap-)
 proving rates.)

Mannon, Brazier & Bell by Charles R. Bell,
 for applicant.
W. Ben Stradley, for the Commission staff.

O P I N I O N

The predecessors of applicant corporation have furnished water service for residential properties, commercial establishments, and schools in the unincorporated community of Laytonville since 1952. On May 1, 1956, applicant filed its application requesting that the Commission grant the applicant a certificate of public convenience and necessity authorizing it to operate its water system shown on the map attached to the application as Exhibit A as a public utility serving the unincorporated community of Laytonville in Mendocino County, to acquire the operating property from the partners who now own it by issuing capital stock to them, for the approval of its proposed rates, and to exercise a franchise from the County of Mendocino. A public hearing was held before Examiner John Power at Laytonville on November 14, 1956 and the matter submitted subject to the late filing of certain exhibits.

The water supply for this system is obtained from a well located within the area served. This well is 527 feet deep and is 12 inches in diameter. A second well is owned by the utility but is not presently equipped with a pump or motor.

The well now in use is equipped with a 15 h.p. electric motor directly connected to a deep well turbine pump which is capable of delivering approximately 500 gallons of water per minute. A pressure tank of 12,000-gallon capacity maintains the system pressure between 40 and 60 pounds per square inch.

In August, 1956, the distribution system consisted of approximately 600 feet of 6-inch, 9,600 feet of 4-inch and 6,530 feet of 3- and 2-inch diameter steel pipe installed at various times since 1952. As of June 30, 1956, there were 88 customers receiving water service. There had been some additional pipe laid at the time of the hearing and more is contemplated in the near future. The nearest public utility water system, located in the City of Willits, about 24 miles to the south of the community of Laytonville, is operated by The Pacific Gas and Electric Company.

The revenues received by Laytonville Water Company have been, in the past, obtained primarily from the sale of water to its residential and business customers on a flat rate basis. During the early part of 1956 the utility had installed meters on the majority of its services, and planned to have all services metered before the year end.

The utility has maintained its books on a fiscal year basis. This water system has not heretofore operated under the jurisdiction of this Commission and, therefore, has not been required to maintain its accounts in accordance with the Commission's Uniform System of Accounts for Water Utilities.

Flat rates presently in effect are \$3 per month for each residence and from \$5 to \$30 for each business establishment. The utility proposes to serve all customers at meter rates if its request for meter rates is authorized by the Commission. Proposed meter rates for a 3/4-inch meter are based upon a minimum charge of \$3 per

month for 567 cubic feet of water and additional blocks of use varying from 45 to 17 cents per 100 cubic feet.

Although applicant originally proposed a minimum charge for a 5/8 x 3/4-inch meter of \$2.25 per month for 400 cubic feet or less of water, it is understood that there are no meters of that size in service and that none are planned to be installed; therefore, there appears to be no need of a rate for a 5/8 x 3/4-inch meter and none will be included in the rate schedule authorized hereinafter.

The rates proposed by applicant appear to be reasonable and will be authorized with certain minor modifications. The cubic footage allowed under the minimum charge for a 3/4-inch meter will be rounded off to the nearest even 100 cubic feet.

Based upon the appraisal of the company's properties as tabulated in Exhibit No. 6, the depreciation reserve requirement has been calculated to be \$3,511 as of December 31, 1955. Consistent with standard practice, the staff has adopted the straight-line remaining life basis for computing depreciation expense. The staff's computation of depreciation expense for the year 1956 is \$1,044.38 and the annual depreciation accrual rate is shown to be 3.11 per cent of the gross depreciable plant.

Applicant has inventoried the utility properties and made an original cost appraisal. The results of this appraisal have been made available to the Commission staff. The depreciated rate bases for the years 1955 and 1956 were calculated by the staff engineer to be \$29,938 and \$31,245, respectively.

A considerable amount of the utility's distribution mains are on private property for which the utility does not have rights of way or easements. The following order will require that the subject deed and easements be obtained by applicant.

The utility plant and depreciation reserve accounts should be adjusted in the accounting records of the utility to reflect the

cost of properties shown in the appraisal contained in Chapter 3 of Exhibit No. 6.

The Commission finds and concludes: first, that public convenience and necessity require that the certificate requested by applicant be granted; second, that a certificate be granted to applicant to exercise its franchise right; third, that the rates proposed by applicant are fair and reasonable.

The request for authority to issue stock will be granted to the extent of 31,245 shares. This represents the value of the company assets at the date of hearing. With this limitation the Commission finds and concludes that the money, property and labor to be procured or paid for by applicant's proposed stock issue is reasonably required for the purposes specified in the application and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The action taken herein shall not be construed to be a finding of the value of the property to be acquired with the proceeds of the capital stock herein authorized to be issued.

A witness from the Health Department of the County of Mendocino indicated that several bacteriological tests of the water being supplied were unsatisfactory. This situation will have to be corrected before the certificates granted herein become effective.

The certificates of public convenience and necessity granted by the following order are issued subject to the following provision of law:

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

political subdivision thereof as the consideration for the grant of such franchise, 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,

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

2. IT IS HEREBY FURTHER ORDERED that a certificate of public convenience and necessity be and it hereby is granted to Laytonville Water Company, a corporation, to exercise the rights and privileges granted to it by the Board of Supervisors of the County of Mendocino under Ordinance No. 376, adopted December 24, 1956.

3. IT IS FURTHER ORDERED that these certificates of public convenience and necessity granted in and by paragraphs 1 and 2 of this order shall not become effective until twenty days after the acquisition by applicant of title to the well, well site, pipeline easements and all other real property interests necessary to the performance of the certificates authorized by paragraph 1. Applicant shall file with the Commission satisfactory evidence of the acquisition of these real property titles within ten days after the acquisition of the last title required hereunder. Likewise the certificates herein granted will not become effective until twenty days after the date on which applicant shall have filed with this Commission an affidavit that applicant's water supply meets the requirements of the Health Department of the County of Mendocino.

4. IT IS FURTHER ORDERED as follows:

- a. Applicant is authorized and directed to file in quadruplicate with this Commission 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 under the authority hereinabove granted, together with rules including provision for bimonthly billing and a 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 on not less than five days' notice to the Commission and to the public after filing as hereinabove provided.
- b. Applicant shall notify this Commission, in writing, of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.
- c. Applicant shall file within forty days after the system is placed in operation under the rates and rules authorized herein four copies of a comprehensive map, drawn to an indicated scale not smaller than 100 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 water system properties of applicant.
- d. Beginning with the year 1957, applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.1 per cent. This rate shall be used until review indicates that it should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable utility plant occur and 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 this Commission.

5. IT IS FURTHER ORDERED that applicant may issue not to exceed 31,245 shares of its common capital stock of the par value of \$1 per share (total par value \$31,245) to Arthur Harwood, Sr., Elsie H. Frost, James Ison and William Tolen in such proportions as said persons may establish by mutual agreement among themselves, for

the purpose of raising funds to acquire the public utility water system referred to in the foregoing opinion or some portion thereof.

6. IT IS FURTHER ORDERED that applicant shall file with the Commission a report, or reports, as required by General Order No. 24A, which general order, in so far as it is applicable, is made a part of this order.

The authorization herein granted will expire if not exercised within one year from the date hereof.

IT IS FURTHER ORDERED that the application of Laytonville Water Company, except as specifically granted herein, be and it is denied without prejudice.

Except as otherwise provided herein, the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 12th day of MARCH, 1957.

Edith E. Marshall
President

Paul J. Brennan

Matthew J. Goble

R. J. Hart

C. L. Fox
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 Laytonville, Mendocino County.

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 600 cu.ft. or less	\$ 3.00
Next 1,400 cu.ft., per 100 cu.ft.45
Next 3,000 cu.ft., per 100 cu.ft.40
Next 5,000 cu.ft., per 100 cu.ft.30
Over 10,000 cu.ft., per 100 cu.ft.17

Minimum Charge:

For 3/4-inch meter	\$ 3.00
For 1-inch meter	4.00
For 1 1/2-inch meter	5.00
For 2-inch meter	7.50
For 3-inch meter	15.00

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

SPECIAL CONDITION

Customers, whose requirements, in the opinion of the utility, may overburden its water system, may require unreasonable investment in additional facilities or may interfere with the supply to existing customers, will not be supplied water service under this rate schedule. In such cases a special contract will be required under such terms as the conditions warrant, subject to authorization by the Public Utilities Commission of the State of California.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

The unincorporated community of Laytonville, Mendocino County.

RATE

Per Month

For each hydrant	\$1.50
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SPECIAL CONDITIONS

1. The cost of installation and maintenance of hydrants will be borne by the utility.
2. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.