

Decision No. 24453 .

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 ALDERCROFT HEIGHTS COMPANY,
 a corporation, for an order of the
 Railroad Commission of the State of
 California (a) granting to it a
 certificate of public convenience and
 necessity authorizing the distribution
 and sale of water to the inhabitants
 of Aldercroft Heights area, located
 in the County of Santa Clara, State
 of California; and (b) authorizing it
 to issue and sell its capital stock.

ORIGINAL

Application No. 17768

W. F. Williamson Wallace and Vaughan, by
 Reginald L. Vaughan, for applicant.
 Morris J. Rankin, for certain property
 owners, interested parties.

BY THE COMMISSION:

O P I N I O N

In this proceeding Aldercroft Heights Company, a California corporation, asks the Commission to declare that the present and future public convenience and necessity require and will require applicant to render water service in the area shown in the map filed in this proceeding as Exhibit "E"; and further, to authorize applicant to issue capital stock in payment for the properties referred to in this application.

It is of record that since 1925 A. E. Walton, Effie Walton, W. L. Stapp, Ida Pearl Stapp and their predecessors have been distributing water to the inhabitants of the area known as Aldercroft Heights, located in the County of Santa Clara, State of California. The first

unit of the water system was installed during 1925 as an adjunct to the development of a series of realty subdivisions located in Los Gatos Canyon, about six miles south of Los Gatos, on the Los Gatos-Santa Cruz State Highway and on the Southern Pacific lines. The Los Gatos-Wrights County Road traverses the area. The original subdivision, called Aldercroft Heights, had an area of approximately twenty-five acres. Three additional subdivisions have since been placed on the market, known as Stewart's Additions Nos. 1, 2 and 3. At the present time there are about 30 consumers on the tract.

The testimony shows that an attempt has heretofore been made to have the residents of the tract organize a mutual water company. This proposal, however, was disapproved by the residents of the tract with the result that those interested in the subdivision have caused Aldercroft Heights Company, a California corporation, to be organized. It is their plan to transfer to this corporation the properties necessary to develop and distribute water to the consumers on the Aldercroft Tract, as set forth in a map filed in this proceeding as Exhibit "E". It is of record that the owners of this property do not expect to realize any return on their investment in the water properties. They do expect, however, to charge a rate which will be sufficient to cover operating expenses.

The cost of the properties devoted to supplying water to the consumers is reported by applicant at \$17,755.00. This cost includes \$1,200.00 for meters which are to be installed and \$1,000.00 for organization expenses. Mr. R. E. Savage, an assistant engineer for the Commission, testified that, in his opinion, the original cost of the properties was \$13,385.00 and that the cost to reproduce the same, less depreciation, is \$11,353.00. In view of the fact that the owners of the property do not expect a rate which will net them a return on the investment, we are of the opinion that it is not necessary for the purpose of this proceeding to reconcile the differences be-

tween the cost of the properties, as reported by the applicant, and as submitted by Mr. Savage.

Applicant does not ask the Commission to fix rates in this proceeding. It has, however, in Exhibit "D", submitted its proposed schedule of rates. These rates are as follows:

SERVICE CHARGE:

Monthly service charge for metered service applicable to all consumers:
5/8 x 3/4 inch meter\$1.00

MONTHLY QUANTITY RATES:

For the first 650 cubic feet, or less..... 0.30
Next 1,350 cubic feet, per 100 cubic feet..... 0.20
Next 2,500 cubic feet, per 100 cubic feet..... 0.18
All over 4,500 cubic feet, per 100 cubic feet 0.15

The schedule was modified at the hearing to the effect that the 30 cents for the first 650 cubic feet or less would be interpreted to mean 30 cents per 100 cubic feet and not 30 cents for 650 cubic feet. Applicant estimated that the cost of operating its properties would be \$1,581.00 and that the revenue under the proposed rates would approximate \$1,800.00. The operating expenses are made up of the following:

Miscellaneous maintenance and operating expenses	\$ 37.00
Cost of power for pumping.....	72.00
Repairs	60.00
Labor(\$75.00 per month).....	900.00
Taxes	112.00
Annual depreciation assuming a thirty year life for the properties.....	<u>400.00</u>
Total.....	<u>\$1,581.00</u>

We have given consideration to the proposed rates and are of the opinion that such rates are unduly high. The order following fixes the rates which we believe should be charged by applicant.

A number of the consumers called attention to the fact that the service received heretofore has been unsatisfactory and undependable. We believe that if applicant undertakes the operation of a public utility water system, it should at the same time give consideration to the rendering of an adequate and satisfactory service. To bring this

situation about there should be a general simplification of the method of collecting the water, so that the inflow from the springs can be collected at a centrally located point and pumped back into storage during the periods of heavy draft in the summer months. Applicant should also provide for additional storage to meet the peak demands and to conserve the run-off of the streams for peak demand periods. This additional storage should be located in such a manner as to afford an equal distribution to all sections of the tract. A general re-location of the storage tanks of the Aldercroft Heights area is necessary in order that applicant be in a position to render satisfactory service. It is necessary that pipes of at least a two inch internal diameter be installed to connect all storage tanks and collecting points with centers of distribution and also to serve as arterial feeders. Furthermore, there should be installed concrete collecting boxes properly housed and screened at all collecting points and permanent timbering or satisfactory lining of all infiltration tunnels. If these improvements are made, there should be a sufficient supply of water for the residents of the tract. Under such circumstances it will not be necessary to place any limitations or restrictions on the distribution of the water supply.

Applicant asks permission to issue stock in payment for the properties which it intends to acquire from the aforementioned parties. Its Articles of Incorporation show that it has an authorized stock issue of 1,000 shares of no par value. We believe that for the purpose of acquiring the properties now devoted to rendering water service to the residents of the Aldercroft Heights Tract, applicant should be permitted to issue 600 shares of its common capital stock.

ORDER

Aldercroft Heights Company having made application for a certificate of public convenience and necessity and for permission to issue stock, a public hearing having been held and the Commission having considered the evidence submitted at such hearing, and being of the opinion that a certificate of public convenience and necessity and the issue of 600 shares of capital stock should be authorized, subject to the provisions of this order, that the money, property or labor to be procured or paid for by the issue of the 600 shares of capital stock is reasonably required by applicant for the purpose herein stated, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require and will require that Aldercroft Heights Company construct, operate and maintain a water system for the purpose of supplying water for domestic use within the area set forth in the map filed in this proceeding as Exhibit "E".

IT IS HEREBY ORDERED, that Aldercroft Heights Company be, and it hereby is, authorized to issue on or before July 1, 1932 at not less than \$25.00 per share, 600 shares of its common capital stock and use the proceeds to acquire the properties referred to in this application and more particularly set forth in Exhibit "A" filed in this proceeding.

IT IS HEREBY FURTHER ORDERED, that Aldercroft Heights Company be, and it is hereby, directed to file with the Railroad Commission of the State of California, within twenty(20) days from the date of this order, the following schedule of rates to be charged for all

service rendered subsequent to the filing of said rates:

METER RATES:

MONTHLY MINIMUM PAYMENTS FOR METERED SERVICE:

5/8 x 3/4 inch meter	\$1.25
3/4 " "	2.25
1 " "	3.00

Each of the foregoing "Monthly Minimum Payments" will entitle the consumer to the quantity of water which that monthly minimum payment will purchase at the following "Monthly Quantity Rates".

MONTHLY QUANTITY RATES:

For the first 500 cubic feet or less.....	\$1.25
" " next 1500 cubic feet, per 100 cubic feet.....	0.22
All over 2000 cubic feet	0.20

SUMMER HOME RATES:

Applicable to consumers residing in Aldercroft Heights for portions of the year only.

Annual charge, payable in advance, entitling each consumer to 500 cubic feet of water per month for any period of eight consecutive months during the calendar year (5/8 x 3/4 inch meter)..... \$12.00

NOTE: When water is used in excess of the above allowance of 500 cubic feet per month, the above monthly quantity rates for permanent or regular consumers shall apply. When water is used for additional months over the eight consecutive months in any calendar year covered by the \$12.00 annual payment, the regular monthly minimum charges and quantity rates shall apply.

FLAT RATES

For domestic use, per calendar year,\$16.00 payable in advance.

IT IS HEREBY FURTHER ORDERED, that Aldercroft Heights Company be, and it hereby is, directed to file with the Railroad Commission of the State of California, within thirty(30) days from the date of this order, rules and regulations governing relations with its consumers, said rules and regulations to become effective upon their acceptance for filing by the Railroad Commission.

IT IS HEREBY FURTHER ORDERED, that Aldercroft Heights Company shall file with the Railroad Commission, a report such as is required by the Commission's General Order No. 24, which order, insofar

as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED, that for all other purposes this order shall become effective twenty(20) days after the date hereof.

DATED at San Francisco, California, this 8th day of February, 1932.

W. H. ...
Leon ...
W. J. ...
M. B. ...
Fred G. ...

Commissioners.