

Decision No. 5911

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application
of LOS ALTOS WATER COMPANY for
authority to increase rates for
water.

} Application No. 3968.
}

W. M. Denhart for applicant.
Chas. B. McDuffie for consumers.

BY THE COMMISSION:

O P I N I O N

Los Altos Water Company, serving water for domestic use to about 125 consumers in and about Los Altos, Santa Clara County, applies for authority to increase rates as shown in the following table:

Los Altos Water Company - Present and Proposed rates per M. Gallons.

<u>Present</u>	<u>Proposed*</u>	<u>Proposed**</u>
For first 4000 gallons \$1.25	\$1.75	
4000 to 10,000 gallons .25	.30	
Over 10,000 gallons .20	.25	
Minimum charge per month	1.25 1.75	
For first 5000 gallons		2.00
5000 to 10,000 gallons		.30
Over 10,000 gallons		.25
Minimum ..		2.00

*Proposed rates in original townsite of Los Altos.
**Proposed rates outside original townsite of Los Altos.

A public hearing upon the application was held by Examiner Westover at Los Altos.

Applicant was incorporated October 19, 1907 by owners of the Altos Land Company for the primary purpose of supplying water to lands which that company was marketing.

Applicant does not ask fixing of a rate which will provide a return upon the original investment nor an allowance to cover depreciation on the original plant for the express reason that the primary purpose of the original installation was to sell real estate in which the projectors were interested. It does, however, ask a suitable allowance for depreciation upon additions and betterments installed, which they state cost \$6,315.08, but it asks no return upon such additions and betterments.

In representing the earlier application for the establishment of rates resulting in Decision No. 1379, above referred to, applicant showed an original cost of its system installed of \$30,566.52, with new equipment during 1914 costing \$2424.48, or a total of \$32,791.00 to the time of the original hearing without allowance for engineering or superintendence.

Applicant's revenue and expenses for five

years ending December 31, 1917, as shown by its annual reports, placed in evidence in this proceeding, with the average number of its consumers year by year is shown in the following table.

Revenue and Expenses for Five Years ending December 31, 1917.

#Connections	1913	1914	1915	1916	1917	*1918
Consumers	82	82	81	108	111	120
Revenue	\$2308.19	3357.11	2989.83	4049.78	3547.30	3658.00
Expense	<u>\$4539.59</u>	<u>3087.28</u>	<u>3071.55</u>	<u>2909.31</u>	<u>3322.17</u>	<u>3722.00</u>
	-1831.40	*269.83	-81.72	*1140.47	*225.13	-54.00

*Estimated

Applicant's gross revenue from water sale for the six months ending June 30, 1918, was \$1834 and its general and operating expenses for the same period amounted to \$926.83, aside from cost of superintendence and clerical help. The principal items of this expense are \$300 salary for pump operator, rent \$60, power \$368.72, repairs \$50.66 and miscellaneous incidental expenses, including \$31 for corporation taxes for the year.

Mr. Wm. Stava, one of the Commission's hydraulic engineers, has checked the statement of additions and betterments against map of its system and reports that he considers applicant's figures reasonable. He estimates that a suitable allowance for depreciation on such additions and betterments, estimated upon a 6% sinking fund basis, will be \$172 per year. His estimated expense of maintenance and

operation for the year 1918, including the removal, repairing and replacing the deep well pumps will amount to \$2350 without allowance for depreciation above referred to or managerial expense, leaving an estimated revenue of \$1318 available for depreciation and management.

Applicant contemplates installing a new pump of greater capacity, estimated to cost about \$4000 and capable of supplying large amounts of water for irrigation from a new well. It anticipates being able to greatly increase its water sales with a relatively small increase in operating expenses, which would still further increase the margin between revenue and expenses. Mr. Stava estimates that a suitable allowance for depreciation upon a new pump would be \$110 per year.

It is apparent that upon the showing made no increase in the present rates is justified and the application must be denied.

O R D E R

LOS ALTOS WATER COMPANY having applied for an increase in rates charged for the service of domestic water in and about Los Altos, Santa Clara County, public hearing having been held, and applicant having failed to present testimony which would justify an increase in the present rates heretofore established by the Commission,
IT IS HEREBY ORDERED that the application

be and it is hereby denied.

Dated at San Francisco, California, this 12th day of ~~October~~ ^{November}, 1918.

Edwin O. Edgerly
Walter L. ...
Frank A. ...
Commissioners.