

Decision No. 8854

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)
of LOS ALTOS WATER COMPANY for)
authority to increase its rates)
for water.)

ORIGINAL

Application No. 6179.

Guy V. Shoup for Applicant.

BY THE COMMISSION.

O P I N I O N

Los Altos Water Company, applicant herein, is engaged in the business of supplying water for domestic and irrigation purposes to consumers in and adjacent to the unincorporated town of Los Altos, Santa Clara County.

In this proceeding applicant asks authority to increase its rates, alleging in effect that the revenues received from the sale of water under the present rates do not produce a sufficient sum to meet maintenance and operating charges, replacements and a fair return on the investment.

A public hearing was held in this proceeding before Examiner Satterwhite at Los Altos, of which applicant's consumers were notified and given an opportunity to appear and be heard.

The rates at present in effect for service by Los Altos Water Company were established by this Commission in Decision No. 1379, issued March 28, 1914, in Application No. 976, In the

Matter of the Application of Los Altos Water Company for Authority to Increase its Rates for Water. (Vol. 4, p. 515, Opinions and Orders of the Railroad Commission of the State of California.)

Reference is made to the above mentioned proceeding for the early history of the company, the rate schedule under which it is operating and such other matters as may be pertinent to the findings herein.

Mr. J. G. Hunter, one of the Commission's hydraulic engineers, made a field investigation and submitted a report and appraisal of the Los Altos Water Company's system showing the estimated original cost of used and useful properties to be \$40,592. A replacement fund of \$531 was allowed, computed by the sinking fund method. The reasonable annual maintenance and operation expenses of the system were estimated by the Commission's engineer to be the sum of \$4,450.

Applicant testified that the book cost of the system as of June 30, 1920, was \$39,030.89, and that \$6,749.13 was expended for one year's operation. An analysis of this sum shows that an item of \$1800 bond interest had been improperly included, and also a charge of \$627.93 for general overhauling of a steel tank, which should have been amortized over the period of its probable recurrence, inasmuch as it is not an expenditure which occurs annually. After a consideration of the evidence, including the matters mentioned herein, it appears that Mr. Hunter's estimate of \$4,450 is a reasonable allowance for the future annual maintenance and operation of this system.

Following is a summary of the items going to make up the annual charges of this utility:

Return on \$40,592 at 8%.....	\$3,247
Replacement Fund.....	531
Maintenance and Operation.....	<u>4,450</u>
Total.....	\$8,228

The revenues for 1919 were \$4,641 and for 1920, \$6,159. It is therefore apparent that applicant is entitled to an increase of rates.

Attention is directed to the fact, however, that this system was constructed in connection with a land sales project, and the territory has not yet reached a development equal to that for which the system was designed. Under the circumstances, it would be unfair to applicant's present consumers to require them to pay rates sufficient to yield interest upon the entire cost of the system. The rates set out in the following order are designed to return to applicant its operating expenses, a replacement fund, and such amount of interest return as is fair under the circumstances obtaining:

O R D E R

Los Altos Water Company having applied to the Railroad Commission for authority to increase its rates for water, a public hearing having been held and the Commission being fully informed in the matter,

IT IS HEREBY FOUND AS A FACT that the rates heretofore in effect, in so far as they differ from the rates herein established, are unjust and unremunerative, and that the rates and charges herein established are just and reasonable charges;

And basing its order on the foregoing finding of fact, and on the further statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Los Altos Water Company be and it is hereby authorized and directed to file with the Railroad Commission of the State of California, within twenty (20) days of

