

Decision No. 28341

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of Zayante Water Company for a
Certificate of Public Convenience
and Necessity and for permission
to issue and sell its Capital
Stock and for the setting and
approval of its water rates.

ORIGINAL

Application No. 20066

Brendon J. Murphy, for Applicant.

BY THE COMMISSION:

O P I N I O N

Zayante Water Company, a corporation, asks the Commission for a certificate of public convenience and necessity to operate a water system in the subdivision known as Zayante Lakes, Santa Cruz County, and for authority to issue 188 shares of its authorized capital stock of 2,500 shares of no par value common stock to Interstate Equities Company, an affiliated company, in payment for the water system, also to sell 200 shares in order to finance certain improvements, and also requests that rates be established for the delivery of water to consumers.

A public hearing was held in this proceeding in Santa Cruz before Examiner MacKall.

According to the evidence, Zayante Lakes was subdivided and placed on the market about the year 1926 by the realty firm of Leonard and Holt. A water system was installed and water sold to tract residents at the rate of one dollar and twenty-five cents

(\$1.25) per month. No certificate of public convenience and necessity was ever secured by the above firm. Leonard and Holt became financially involved and in 1934 this tract and water works were acquired by Interstate Guaranty Company, a Nevada corporation which held a mortgage on the properties, and by Interstate Equities Company, an affiliated corporation.

Water is obtained by pumping from Zayante Creek and serves about fifty consumers, all but twelve being summer or week-end residents only. As a result of recent county highway construction, a large part of the system mains has been dug up and the tract is now without water service. In order to reconstruct the pipe lines, the Zayante Water Company has been organized to take over and operate the water plant and now desires permission to raise the funds necessary for the rehabilitation of the property.

The estimated original cost of this water works up to the date the aforesaid road construction was commenced amounted to approximately three thousand seven hundred and fifty-five dollars (\$3,755), exclusive of water rights, with corresponding depreciation annuity of sixty-seven dollars (\$67). Several plans of reconstruction are under consideration but, as no specific proposal has as yet been adopted, nothing definite can be assumed at this time as to the fixed net capital account for the reconstructed properties.

Testimony shows that the average annual revenues now amount to seven hundred and fifty dollars (\$750) and operating expenses, exclusive of depreciation, nine hundred and fifty dollars (\$950). This tract is now but partially developed and ap-

plicant through Brendon J. Murphy, its Secretary, asks that the present flat rate charge of one dollar and twenty-five cents (\$1.25) per month be retained but further requests the establishment of a measured schedule to provide for future development and also for a summer-resort type of rate for this class of demand.

In making this application, Zayante Water Company requests permission to issue, in payment for the present water system, 188 shares of no par common stock which does not appear to be an unreasonable amount, and in payment for additions and improvements 200 shares of such stock, the latter shares to be sold at twenty dollars (\$20) a share.

Mr. Murphy testified that at the outset approximately six hundred dollars (\$600) was needed to relay and improve the transmission line and that two alternative programs, involving the expenditure of the remaining stock proceeds, were under consideration for the improvement and completion of the system. One plan contemplates the acquisition of some eighty acres of water-bearing land at a cost of twenty-five hundred dollars (\$2,500) and the installation of 15,000 feet of mains at a cost of twenty-seven hundred dollars (\$2,700), a total of fifty-two hundred dollars (\$5,200), while the other involves the installation of additional pumping facilities in connection with the present source of supply, the installation of some 3,000 feet of pipe lines and the metering of the system at a total cost of approximately four thousand one hundred fifty dollars (\$4,150). The record clearly shows, however, that, aside from the immediate expenditures of six hundred dollars (\$600), the company is not in a position to advise the Commission definitely of the purposes for which the stock

proceeds will be used, although it is equally clear that additional capital funds are needed.

Accordingly, the Order herein will authorize at this time the issue of the 200 shares of stock and the expenditure of six hundred dollars (\$600) of the proceeds and will provide that the remainder must be placed in a special bank account from which it can be withdrawn only when and as the company might hereafter be authorized by subsequent Orders in this proceeding. The authority herein granted to sell stock is based upon the particular circumstances surrounding the operation of this property and is not to be construed as a finding of value of such property or stock, or as binding the Commission in the future to authorize this or any other company to issue and sell stock under the same terms and conditions.

Applicant submitted a map (Exhibit No. 2) showing the subdivided portions of the lands in this vicinity controlled by its affiliated companies and asked that the application be amended to limit the service area to said subdivided portions only. This request will be approved. No one appeared at the hearing to oppose the granting of the requests of applicant and the following Order therefore will be issued.

O R D E R

Zeyante Water Company having made application for a certificate of public convenience and necessity, for approval of a schedule of rates, and for permission to issue stock, a public hearing having been held thereon, the matter having been submitted, the Commission being now fully advised in the premises and being of the opinion that the money, property or labor to be procured or paid for through the issue of the stock are reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, now, therefore,

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require that Zayante Water Company operate and maintain a water system for the purpose of supplying water for domestic and other purposes within that certain area more particularly delineated upon the map filed in this proceeding as Exhibit No. 2, which map is hereby made a part of this Order by reference.

IT IS HEREBY ORDERED that Zayante Water Company be and it is hereby authorized to issue 188 shares of its no par common stock in payment for the present water system referred to in this application and to issue and sell in addition thereto not exceeding 200 shares of no par common stock at not less than twenty dollars (\$20) a share net to the company and to use approximately six hundred dollars (\$600) of the proceeds to pay the cost of relaying and improving the transmission main referred to in the foregoing Opinion, provided:

1. That all proceeds received from the sale of said 200 shares of stock in excess of said six hundred dollars (\$600) shall be placed by applicant in a special bank account and there held until applicant is authorized by the Commission to withdraw and expend the same; and
2. That applicant keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the terms of the Commission's General Order No. 24, which Order, in so far as applicable, is made a part of this Order; and
3. That under the authority herein granted no stock may be issued and sold subsequent to June 30, 1936.

IT IS HEREBY FURTHER ORDERED that Zayante Water Company be and it is hereby directed to file with the Railroad Commission of the State of California, within thirty (30) days from and after the date of this Order, the following rates to be charged for water delivered to its consumers in Zayante Lakes subdivisions, County of Santa Cruz, said rates to become effective on and after the first day of January, 1936.

RATES FOR PERMANENT CONSUMERS

METER RATES

Monthly minimum (or metered service):

| | |
|---------------------------|--------|
| 5/8 x 3/4-inch meter----- | \$1.25 |
| 3/4-inch meter----- | 2.50 |

Each of the foregoing monthly minimum charges will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the following monthly quantity rates.

Monthly Quantity Rates:

| | |
|--|--------|
| For the first 500 cubic feet or less----- | \$1.25 |
| For the next 500 cubic feet, per 100 cubic feet----- | 0.20 |
| All over 1,000 cubic feet, per 100 cubic feet----- | 0.15 |

FLAT RATES

Monthly flat rate payable in advance for each consumer-----\$1.25

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SUMMER HOME RATES - CALENDAR YEAR

FLAT RATES

Annual flat rate-----\$15.00

METER RATES

Annual charge payable in advance entitling the consumer to 500 cubic feet of water each month from June 1st to October 1st and 100 cubic feet of water from October 1st to June 1st-----\$13.50

When water is used in excess of the monthly annual charge, the following schedule shall apply:

For the Period June 1st to October 1st:

0 to 500 cubic feet, included in the annual charge.
Next 500 cubic feet, per 100 cubic feet-----\$0.20
Over 1,000 cubic feet, per 100 cubic feet----- 0.15

For the Period October 1st to June 1st:

0 to 100 cubic feet, included in the annual charge.
Next 400 cubic feet, per 100 cubic feet-----\$0.25
Next 500 cubic feet, per 100 cubic feet----- 0.20
Over 1,000 cubic feet, per 100 cubic feet----- 0.15

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IT IS HEREBY FURTHER ORDERED that Zayante Water Company shall file with the Railroad Commission of the State of California, within thirty (30) days from and after 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.

For all other purposes this Order shall become effective twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 12th day of November, 1935.

Leon Whittell

M. A. Carr

W. H. Brown

Frank R. Brown
Commissioners.