

Decision No. 28892

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the
PALO ALTO MUTUAL BUILDING AND LOAN
ASSOCIATION, a corporation, to sell
public utilities property and applica-
tion of LA SELVA BEACH WATER COMPANY,
a corporation, for certificate of public
convenience and necessity, for permission
to issue its capital stock and for ap-
proval of its schedule of rates.

Application No. 20430

Lorenz Costello, for applicants.

Linn Klein, for J.M. Hauser, a consumer.

BY THE COMMISSION:

O P I N I O N

Palo Alto Mutual Building and Loan Association, a corpora-
tion, asks for authority to transfer a public utility water system
located at La Selva Beach, Santa Cruz County, to La Selva Beach
Water Company,⁽¹⁾ a corporation formed by the Palo Alto Mutual
Building and Loan Association.⁽²⁾ The Water Company joins in the
application and asks for authority to acquire the water system,
for a certificate of public convenience and necessity, and, in
addition, for issuance in payment thereof of three hundred fifty
shares (\$35,000 par value) of its capital stock and for the issu-
ance and sale at par of the remainder of its authorized capital
stock, amounting to four hundred shares of the total par value of
forty thousand dollars (\$40,000) for the purpose of financing the

1. Hereinafter referred to as Water Company.

2. Hereinafter referred to as Building & Loan Association.

cost of extending the water system. Further request is made for the establishment of a schedule of rates.

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

According to the evidence, D.W. Batchelor several years ago installed a make-shift water system to serve the Rob Roy Subdivision which he had developed and was placing on the market. The water supply was so inadequate and the service so poor that continuous complaints were registered with this Commission by the water users. These properties were acquired by the Building & Loan Association under foreclosure proceedings, trustees' deed dated January 29, 1935, which organization agreed to install a modern water works. The name of the tract was changed to La Selva Beach, the services of a competent engineer were obtained, and a completely new water works was constructed at a cost of thirty-five thousand one hundred and two dollars (\$35,102) and is now in operation. The Water Company was incorporated to acquire the water works and serve the consumers numbering at present forty, a portion of which are summer or week-end users only.

There is no necessity at present for a permanent franchise from the county authorities as the streets and roadways in the area served have never been dedicated to the public and such permits as have been required heretofore have been obtained. The certificate of public convenience and necessity will be granted.

Appraisements of the water properties were made and submitted by George W. Cooper, engineer for applicants who also constructed the system, and by R.E. Savage, one of the Commission's engineers. By reason of the fact that construction had been com-

pleted but recently and all cost figures were available, there were no substantial differences in valuation. The plant cost of thirty-five thousand one hundred and two dollars (\$35,102) is as of December 15, 1935, and includes one thousand four hundred and one dollars (\$1,401) as present fair market value of certain of the lands and rights of way and easements but excludes any allowance for organization expenses and other intangible items.

The new system has been in operation but a few months and, because of the radical changes in conditions, no reliable data were available on expenses. The depreciation annuity, computed by the sinking fund method at five per cent, amounted to one thousand and thirty dollars (\$1,030).

There are but comparatively few homes on the tract now and the Water Company is not asking for a full return upon its investment over and above expenses and depreciation. The type of rate structure submitted is not suitable to the class of service rendered. The rate structure set out in the following Order has been found by the Commission to work out more satisfactorily under the same or similar conditions and will produce substantially the same revenue.

The Building & Loan Association having entered into a contract with Mr. E. Burghard for the sale of its interests in the real estate in La Selva Beach and not desiring to remain in the public utility business of operating a water works will be authorized to transfer its ownership of the entire utility properties. It does not appear that the issue of thirty-five thousand dollars (\$35,000) of stock in payment for such properties is unreasonable and the Order herein accordingly will so provide.

In Exhibit "1" Mr. Cooper estimated that the sum of from

eight to ten thousand dollars (\$8,000 to \$10,000) must be expended to complete the distribution system. It is probable that additional amounts will be called for to completely serve the corporation's proposed service area. However, there is not in the present record a definite showing of the future expenditures that might be made upon which the Commission can base an Order authorizing the issue of additional four hundred shares of stock. This portion of the application accordingly will be dismissed without prejudice, however, to any subsequent application that might be made for permission to issue stock when the corporation is in a better position to make a definite and positive showing of the purposes for which such stock is proposed to be issued.

O R D E R

Palo Alto Mutual Building and Loan Association, a corporation, and La Selva Beach Water Company, a corporation, having made application as entitled above, a public hearing having been held thereon, the Commission being now fully informed in the premises and being of the opinion that the money, property or labor to be procured or paid for through the issue of thirty-five thousand dollars (\$35,000) par value stock is 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,

IT IS HEREBY ORDERED that Palo Alto Mutual Building and Loan Association, a corporation, may sell and convey after the effective date hereof and prior to the thirty-first day of August, 1936, to La Selva Beach Water Company, a corporation, the

public utility water system described in the application herein as amended.

IT IS HEREBY FURTHER ORDERED that a certified copy of the final instrument of conveyance and a certified statement indicating the date upon which such control and possession are relinquished by Palo Alto Mutual Building and Loan Association be filed by Palo Alto Mutual Building and Loan Association with this Commission on or before the thirty-first day of August, 1936.

The Railroad Commission of the State of California hereby declares that public convenience and necessity require that La Selva Beach Water Company, a corporation, operate and maintain a water system for the purpose of supplying water for domestic purposes within that certain area as shown on the map attached to the application as amended by Exhibit No. 2, described more particularly as follows:

"PARCEL 1: All of that land included within the outside boundaries of the map of La Selva Beach, together with any unnumbered parcels included within that tract of land bounded on the west by the Bay of Monterey, on the south by the San Andreas Road, and the Extension thereof, westerly to the Bay of Monterey, and also on the south by land of O'Sullivan; bounded on the east by land of Langerman and on the north by the north line of said La Selva Beach Tract.

"PARCEL 2: Bounded on the south by the north line of the La Selva Beach Tract as shown upon the recorded map thereof, bounded on the west by the Bay of Monterey; bounded on the north by land known as the Leonard Ranch, and on the east by San Andreas County Road."

IT IS HEREBY FURTHER ORDERED that La Selva Beach Water Company, a corporation, be and it is hereby authorized to issue on or before December 31, 1936, not exceeding thirty-five thousand dollars (\$35,000) par value of its common capital stock in payment

for the properties to be acquired from Palo Alto Mutual Building and Loan Association under the authority herein granted, provided that applicant shall file with the Commission, within thirty (30) days after such issue, a report as required by the Commission's General Order No. 24-A, which Order, in so far as applicable, is made a part of this Order.

IT IS HEREBY FURTHER ORDERED that La Selva Beach Water Company, a corporation, 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 at La Selva Beach, Santa Cruz County, said rates to become effective on and after the 1st day of July, 1936.

RATES FOR PERMANENT CONSUMERS

Monthly Minimum Charges:

5/8 x 3/4-inch meter-----	\$1.50
3/4-inch meter-----	2.75
1-inch meter-----	3.00
1 1/2-inch meter-----	3.50
2-inch meter-----	5.00
4-inch meter-----	7.50

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-----	\$1.50
For the next 500 cubic feet, per 100 cubic feet-----	0.25
For the next 1,000 cubic feet, per 100 cubic feet-----	0.20
All over 2,000 cubic feet, per 100 cubic feet-----	0.15

SUMMER HOME RATES - CALENDAR YEAR

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-----\$15.00

The above annual charge may be paid in two semi-annual payments of \$7.50 each, at the option of the consumer.

When water is used in excess of the monthly quantities given above, the following schedule shall apply.

For the Period June 1st to October 1st:

First	500 cubic feet are included in the annual charge.	
Next	500 cubic feet, per 100 cubic feet-----	\$0.25
Next	1,000 cubic feet, per 100 cubic feet-----	0.20
Over	2,000 cubic feet, per 100 cubic feet-----	0.15

For the Period October 1st to June 1st:

First	100 cubic feet are included in the annual charge.	
From	100 to 500 cubic feet, per 100 cubic feet-----	\$0.30
Next	500 cubic feet, per 100 cubic feet-----	0.25
Next	1,000 cubic feet, per 100 cubic feet-----	0.20
Over	2,000 cubic feet, per 100 cubic feet-----	0.15

-ooc-

IT IS HEREBY FURTHER ORDERED that the consideration for the transfer herein authorized shall not be urged before this Commission or any other public body as a finding of value for rate-fixing or any purpose other than the transfer herein authorized.

IT IS HEREBY FURTHER ORDERED that La Selva Beach Water Company, a corporation, 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 this Commission.

IT IS HEREBY FURTHER ORDERED that the application of La Selva Beach Water Company, a corporation, to issue the remaining four hundred shares (\$40,000 par value) of its common capital stock be and it is hereby dismissed without prejudice.

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

Dated at San Francisco, California, this 15th day of June, 1936.

W B Harris
Leon Whittell
W. A. Carr
Walter H. H. H.
Frank D. D.
Commissioners.