

Decision No. 20440

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
RIVERSIDE GROVE WATER COMPANY, INC.  
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.

Application No. 21491

Clarence W. Morris and Leonard A. Worthington,  
by Leonard A. Worthington, for applicant.

Francis R. Hall, for City of Santa Cruz.

WAKEFIELD, COMMISSIONER:

O P I N I O N

In this proceeding Riverside Grove Water Company, Inc., a corporation, asks the Railroad Commission for authority to issue shares of its no par value common stock, for a certificate of public convenience and necessity to conduct a public utility water system in the vicinity of Riverside Grove, near Boulder Creek, Santa Cruz County, and for permission to charge for the service in accordance with a schedule of rates set forth in the application herein.

A public hearing in this matter was held at Santa Cruz.

Riverside Grove is a tract of land located on the San Lorenzo River a few miles above the Town of Boulder Creek in Santa Cruz County and was subdivided in 1930. At present there are some fifty consumers receiving water from a system installed

at the time the lots were placed upon the market. The homes are practically all used during the summer months only and for week-end, holiday and other vacation purposes. The water supply at present is obtained from two sources, namely, an infiltration tunnel located on a hill above the service area and a pumping plant receiving water from a sump on the edge of the San Lorenzo River.

Appraisements of the physical properties by R.E. Savage, one of the Commission's engineers, and a report by George W. Cooper, consulting engineer on behalf of applicant, were submitted. The data submitted by these engineers are summarized as follows:

	<u>R. E. Savage</u>	<u>G. W. Cooper</u>
Present Market Value of Lands-----	\$ 2,151	\$ 1,651
Physical Property-----	8,738	8,360
Water Rights, Organization Expenses and Franchise-----	-----	<u>3,350</u>
Total Estimated Original Cost as of October 1, 1937-----	\$10,889	\$13,361
Total Original Cost less Accrued Depreciation-----	\$10,401	\$ 9,343
Depreciation Annuity - 5% Sinking Fund Method-----	\$ 285	\$ 288

-oOo-

In the appraisal of the properties submitted by Mr. Cooper, items for organization expenses, for water rights and franchise rights totalling three thousand three hundred fifty dollars (\$3,350) were included. No allowance was made by Mr. Savage for these intangible values although his appraisal embraced certain operative pipe lines not covered by Mr. Cooper. However, in view of the fact that this system is now in its early development stage and that no return upon the investment is asked, it will be unnecessary to make any finding of value for rate-fixing purposes.

From the evidence it appears that the distribution mains are barely adequate to provide proper service and that any substantial growth in the subdivision will necessitate the installation of larger mains and additional storage facilities. These the water company has agreed to install when conditions demand. Considerable controversy developed over the water supply now being used by and available to this utility. Application has been made recently by the water company to the Division of Water Resources for permission to divert water from the San Lorenzo River, upon which it intends to rely for its main source of supply. If it should be unsuccessful, it will be possible to obtain a dependable water supply from the mains of the Public Utilities California Corporation which at the present time is serving territory a few miles distant from the Riverside Grove subdivision embracing the towns of Boulder Creek, Brookdale, Ben Lomond and adjacent territory along the banks of the San Lorenzo River. The latter company has an abundance of water although the costs of installing the necessary main extension would be rather expensive at present.

Many of the consumers objected to the use by this company of the San Lorenzo River source, mainly upon the grounds that water from the river was subject to bacterial contamination and has been and still is seriously polluted and unfit for human consumption. Demand was made that the company be forbidden to use water from the San Lorenzo River and that it be directed to obtain its entire supply from the aforesaid system of the Public Utilities California Corporation. In this connection Dr. John D. Fuller, the Chief of the Santa Cruz County Board of Health, testified that, since the company had recently installed a chlorinating apparatus on its plant, the water supply from the San Lorenzo River has been per-

fectly harmless and safe for human consumption and should no longer be a cause of apprehension from the standpoint of injury to human health. Under the circumstances it would appear that this water is safe at present and that the expense of obtaining water from the Public Utilities California Corporation through an extension is not warranted under existing conditions.

No charges have been made to date for water service furnished consumers and no records kept indicating actual operating costs; however, the schedule of rates proposed by applicant appears to be fair and reasonable for service under existing conditions and compares favorably with the schedules in effect in the general vicinity charged by public utilities operating under the same and similar circumstances as applicant. This schedule will therefore be approved and authorized to become effective as of the first day of January, 1938.

The water company has received the necessary permission from the County of Santa Cruz to lay, construct and maintain pipe lines in, on and under all public ways in and immediately adjoining the tract served and therefore has satisfied franchise requirements.

The Articles of Incorporation of Riverside Grove Water Company, Inc., show that it was organized under the laws of the State of California on or about June 12, 1937, with an authorized capital stock of 2500 shares without nominal or par value.

The record indicates that the company at this time proposes to issue 398 shares of stock to Bernard Goiricelaya in payment for the water system referred to herein and two (2) shares of stock to Leonard A. Worthington and M. Linnes, two of the incorporators, in payment for services rendered. In addition it appears that it plans to issue and sell other shares, when necessary, to

finance the cost of additions and improvements.

However, there is not in the present record a definite showing concerning the future expenditures upon which an order can be based authorizing the issue of stock to finance their cost. The authorization herein accordingly will be limited to 400 shares. The matter of the issue of additional shares can be made the subject of a subsequent application.

The following form of Order is submitted.

#### O R D E R

Application having been made as entitled above, a public hearing having been held thereon, the matter having been submitted and the Commission now being fully advised in the premises,

The Railroad Commission of the State of California hereby declares that public convenience and necessity require that Riverside Grove Water Company, Inc., operate a public utility water system in the area known as Riverside Grove, Santa Cruz County, which is more particularly shown on the map attached to the application herein which is hereby made a part of this Order by reference, and

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Riverside Grove Water Company, Inc., to operate a public utility water system in the territory as set forth above.

IT IS HEREBY FURTHER ORDERED by the Railroad Commission of the State of California that Riverside Grove Water Company, Inc., be and it is hereby authorized and directed to file with the Railroad Commission, within thirty (30) days from the date of this Order, the following schedule of rates for water delivered to its consumers in and in the vicinity of Riverside Grove, Santa Cruz

County, said rates to be charged for all service rendered subsequent to the thirty-first day of December, 1937:

### R A T E S

The rates in the following schedule are designed to meet individual requirements. The consumer may choose, with certain limitations as set forth, between a flat rate, metered rate with a monthly minimum, and a metered rate with an annual service charge. The company, however, reserves the right to meter any or all services at its discretion.

#### FLAT RATE

\$18.00 per year in advance; payable in two installments; the first due and payable December 31st of each year covering the period to June 30th; and the second, due and payable June 30th of each year covering the period to December 31st.

#### METERED RATES WITH MONTHLY MINIMUM

##### Minimum Monthly Charges:

5/8 x 3/4-inch meter-----	\$1.50
3/4-inch meter-----	2.00
1-inch meter-----	2.50
1 1/2-inch meter-----	3.25
2-inch meter-----	5.00

##### Monthly Quantity Rates:

0 to 500 cubic feet, per 100 cubic feet-----	\$0.30
Next 1,500 cubic feet, per 100 cubic feet-----	.25
Next 3,000 cubic feet, per 100 cubic feet-----	.20
Next 5,000 cubic feet, per 100 cubic feet-----	.15
Over 10,000 cubic feet, per 100 cubic feet-----	.10

The foregoing Monthly Minimum Charges will entitle the consumer to the quantity of water which that minimum charge would purchase at the foregoing Monthly Quantity Rates.

METERED RATES WITH ANNUAL SERVICE CHARGE

Service under this rate will be rendered through a 5/8-inch x 3/4-inch meter only, and will not be rendered to permanent consumers. A permanent consumer shall be defined, for the purpose of this classification, as one who has occupied the premises served continuously for eight months or more during any calendar year.

Annual Service Charge-----\$10.00

Monthly Quantity Charges:

Same as Monthly Quantity Rates shown above under Metered Rates with Monthly Minimum.

Special Conditions:

The Annual Service Charge of \$10.00 is payable in advance on April 1st of each year, covering service for the period to March 31st of the ensuing year.

The quantity charge shall be billed monthly in accordance with the consumption indicated by the meter and the above schedule of rates.

Bills shall be calculated to the nearest one hundred (100) cubic feet. For consumption of less than one hundred (100) cubic feet, the charge will be for one hundred (100) cubic feet. There will be no charge for zero consumption.

In the event service is discontinued for non-payment or any other reason, the unused portion of the service charge shall be refunded according to the following table. Service commenced later in any year than April first shall be charged with that portion of the annual service charge set forth as follows:

Portion of Annual Service Charge

<u>Period</u>	<u>Refunded if Service is Discontinued</u>	<u>Charged if Service Commenced</u>
April 1 - June 1	80%	100%
June 1 - Aug. 1	60%	90%
Aug. 1 - Nov. 1	40%	70%
Nov. 1 - Jan. 1	20%	40%
Jan. 1 - April 1	0	25%

-o0o-

IT IS HEREBY FURTHER ORDERED that Riverside Grove Water

Company, Inc., file with the Railroad Commission, within thirty (30) days from the date of this Order, rules and regulations governing service to its consumers, said rules and regulations to become effective upon their acceptance for filing by this Commission.

IT IS HEREBY FURTHER ORDERED that Riverside Grove Water Company, Inc., be and it is hereby authorized to issue, after the effective date of this Order and on or before February 28, 1938, not exceeding 400 shares of its no par common stock in payment for the water system and for services rendered as indicated herein, it being found that the money, property or labor to be procured or paid for by the issue of said 400 shares of stock is reasonably required for the above purposes, and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

IT IS HEREBY FURTHER ORDERED that Riverside Grove Water Company, Inc., shall keep such record of the issue of the stock herein authorized and of the disposition of the proceeds as will enable it to file, within thirty (30) days thereafter, a verified 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.

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

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad



Commission of the State of California.

Dated at San Francisco, California, this 28<sup>th</sup> day  
of December, 1937.

Arthur M. ...  
Leon ...  
Frank ...  
Ray ...

Commissioners