

**ORIGINAL**Decision No. 63740

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 ALDERCROFT HEIGHTS COMPANY for  
 authority to increase its meter rates  
 in an area known as Aldercroft Heights  
 in Santa Clara County.

Application No. 43786  
 (Filed September 26, 1961)

O P I N I O N

Applicant, alleging it has incurred operating losses in 1960 and 1961, requests an increase in rates for water service to its 120 customers in the hillside community of Aldercroft Heights, situated near Los Gatos, Santa Clara County. A majority of the consumers who responded to notice of the proposed increases--given by applicant pursuant to recently adopted procedures for rate applications by small water companies--favored increased rates if service were improved. Accordingly, a public hearing will not be necessary. Instead, the application will be disposed of in light of facts and recommendations developed in a staff report, based on an analysis of the application and a field investigation of applicant's records, operations and service. The report is hereby included in this record as Exhibit 1.

Present rates, authorized in 1957 (Decision No. 55561, Case No. 5494, Application No. 38533), start at \$3.50 per meter per month for 400 cubic feet or less of water. Applicant proposes to increase that rate to \$5.00 per month for the same quantity, with corresponding increases for larger quantities as well as in annual minimum charges. Applicant estimates that the proposed increases will yield gross revenues of \$8,700, but that total

deductions, based on 1961 operating cost estimates which include a requested increase in the salary of the president-manager, will exactly equal the estimated revenues. Applicant alleges that such a result is preferable to one that would require the consumers to provide a return on the utility's investment.

Analysis of operating results at both present and proposed rates confirms applicant's conclusion that present rates are insufficient. A comparison of estimated results for 1961 at proposed rates, as shown by applicant in an exhibit attached to the application and as developed, with certain adjustments, by the staff, is shown in condensed form below:

#### SUMMARY OF EARNINGS

##### 1961 Estimated - Proposed Rates

<u>Item</u>	<u>Staff</u>	<u>Company</u>
Operating Revenues	\$ 8,750	\$ 8,700
Operating Expenses	5,400	6,340
Depreciation Expense	700	960
Taxes Other Than Income	855	1,400
Income Taxes	610	-
Total Deductions	\$ 7,565	\$ 8,700
Net Revenues	1,185	-
Average Depreciated Rate Base	22,600	20,545
Rate of Return	5.2%	-

The staff report indicates the nature and extent of the differences shown in the above estimates. These are largely due to adjustments by the staff in operating expense items and to the addition of \$1,800 for improvements to utility plant, and the inclusion of an allowance for working cash. The report also includes a detailed account of the bases used to develop the estimates, which, while reflecting no customer growth for 1961, assume sale of additional water due to more dependable operations as a result of improvement

in facilities and service recommended by the staff. These improvements include: a program for gradual replacement of substandard mains; improvement of diversion and storage facilities; acquisition of a Health Department water permit; standardization of informal complaint records; local directory telephone listing for emergencies; and retention of a special condition, applicable to present meter rates, which relates to allowable minimum amounts of water.

Summary, Findings and Conclusions

The utility is currently engaged in a proceeding before the Commission to fix the just compensation to be paid for its properties by a local county water district (Application No. 43869). It is anticipated that some time will elapse before the eminent domain proceedings are terminated. Meanwhile, the utility not only needs additional revenues but its facilities and service are presently inadequate and need improvement.

Under the rates developed by the staff, which are essentially the same as those proposed by applicant, the average customer's bill will be \$6.30 per month as compared with \$4.18 under present rates. The rate base of \$22,600 and indicated rate of return of 5.2%, together with the staff's recommendations for service improvements, are reasonable and will be adopted.

We find that the increases in rates and charges authorized herein are justified; that the rates and charges authorized herein are reasonable; and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

O R D E R

The Commission having considered the application herein and basing its order on the findings set forth in the foregoing opinion,

IT IS ORDERED that:

1. Applicant is authorized to file with the Commission after the effective date of this order, in conformity with General Order No. 96-A, the schedule of rates set forth in Appendix A attached hereto and, upon not less than five days' notice to the Commission and to the public, to make said rates effective for all service rendered on and after July 1, 1962.

2. Within forty-five days after the effective date of this order, applicant shall file with the Commission, in conformity with General Order No. 96-A, and in a manner acceptable to the Commission, revised rules governing service to customers, a revised tariff service area map and copies of printed forms normally used in connection with customers' services. Such rules, tariff service area map and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Within sixty days after the effective date of this order, applicant shall file with the Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage, and distribution facilities; and the location of the various water system properties of applicant.

4. Beginning with the year 1962, and until review indicates the rate should be revised, applicant shall determine depreciation accruals by multiplying the depreciable utility plant by a rate of

3.0%. Applicant shall review the depreciation rate, using the straight-line remaining life method, whenever substantial changes in utility plant composition occur and at intervals of not more than five years and shall revise such rate accordingly. Results of these reviews shall be submitted to the Commission.

5. On or before August 1, 1962, applicant shall repair the 50,000-gallon reservoir on Locust Road so that it may store water to its full capacity and shall inform the Commission, in writing, of the completion of such repair, within ten days thereafter.

6. On or before August 1, 1962, applicant shall establish a record of informal complaints and the disposition thereof, pursuant to the provisions of General Order No. 103, and shall inform the Commission, in writing, that such record has been established, within ten days thereafter.

7. On or before August 1, 1962, applicant shall institute a program, acceptable to the Commission, for the progressive replacement, at a rate of not less than \$1,000 per year, of mains that do not conform with the requirements of the Commission's General Order No. 103, and shall report to the Commission, in writing, that such program has been instituted, with the details thereof, within ten days thereafter. Said details shall indicate the size of the proposed replacements and the approximate cost of installation thereof, as well as the approximate dates for completion of each successive part of the program.

8. On or before July 1, 1962, applicant shall apply to the appropriate public health agency for a water supply permit and shall inform the Commission, in writing, of such application within ten days thereafter.

9. On or before July 1, 1962, applicant shall subscribe to a telephone and have the proper listing made in the local telephone book and shall inform the Commission, in writing, within ten days after the service has been established.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 28th day of MAY, 1962.

Everett W. Rogers  
President  
John E. Marshall  
E. Lynn Fox  
George J. Grover  
Fredrick E. Hubbard  
Commissioners

APPENDIX A  
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Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The area known as Aldercroft Heights, located 7 miles south of Los Gatos, Santa Clara County.

RATES

Per Meter  
Per Month

Monthly Quantity Rates:

First 400 cu.ft. or less .....	\$ 5.00
Next 200 cu.ft., per 100 cu.ft. ....	1.10
Over 600 cu.ft., per 100 cu.ft. ....	1.00

Per Meter  
Per Year

Annual Minimum Charge:

For 5/8 X 3/4-inch meter .....	\$ 60.00
For 3/4-inch meter .....	86.00
For 1-inch meter .....	122.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

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APPENDIX A  
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Schedule No. 1A

ANNUAL GENERAL METERED SERVICE  
(Continued)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. A customer who has established his permanency by having paid for service during the preceding 12 months may elect to pay the annual minimum charge in advance on a monthly basis equal to one-twelfth of the annual minimum charge.

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2. When the annual minimum charge is paid in advance, charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly or quarterly at the option of the utility on a noncumulative monthly consumption basis.

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