

Decision No. 11157

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of  
MONTEREY COUNTY WATER COMPANY, a cor-  
poration, for an order increasing its  
rates and charges for water service  
in the County of Monterey, State of  
California.

Application No. 7606.

Morrison, Dunne & Brobeck, by E.S. Taylor,  
for applicant.

BY THE COMMISSION.

O P I N I O N

Applicant, Monterey County Water Company, is a public utility engaged in the business of distributing water for irrigation uses in Salinas Valley, Monterey County.

Allegations made by the utility are to the effect that the present rates in force have not been changed for twenty years, and that they are now inadequate, non-compensatory and unreasonable; wherefore an increase in rates is desired that will be fair and equitable for the service rendered.

A public hearing was held in this matter before Examiner Westover, at Salinas. Applicant's consumers were notified and given an opportunity to appear and be heard.

It appears that the company acquired this property in 1901, and has since been diverting and distributing water for agricultural uses. Parts of the system have been abandoned, and that portion now used consists of about sixteen miles of main canal and laterals. Water is diverted from the Arroyo Seco about ten miles south of Soledad, the canal taking a northerly course.

There are no storage facilities on this system, and irrigation

from the canals is practiced only in the winter months. In general one irrigation is had annually, with occasionally another limited one. Many consumers have sources of supply other than that furnished by applicant.

Exhibits were presented showing the capital invested, operation and maintenance expenses, revenues earned and other data, by Mr. E. F. Halloran for the utility and by Mr. H. Monett for the Commission. There was little difference between the exhibits as regards the capital invested, and deducting for an unused portion of the canal we believe that the sum of \$30859 reasonably represents the investment in this system. A replacement annuity of \$248 was included in Mr. Monett's report, computed by the 6% sinking fund method.

An average of \$3080 per annum for the past four years for operation and maintenance expense is shown by applicant. It appears that some of the items and amounts making up this average are excessive in view of the service rendered, and others are not properly chargeable to operation expense. We believe that \$2770 per annum will provide for the proper operation and maintenance of this system.

The rates charged by this utility have been \$1.50 per acre and have earned an average revenue per annum for the past four years of \$2930. The minimum was \$1854 in 1918, the maximum \$3866.25 in 1920, and \$3651.75 in 1921.

Basing the conclusion largely upon the amount of water served in 1920 and 1921, it is believed that the rate established in the following order will yield funds for proper maintenance and operation expense, a proper depreciation or replacement annuity, and provide in addition a sum applicable as return upon the capital invested which will be fair to applicant and its consumers.

A few consumers have agreements with this utility whereby they were to be protected against any increase in rates over \$1.50, though provision was made that they should benefit, in case the Board

of Supervisors, then the public regulatory body with jurisdiction over utilities of this kind, should lower the rates. It is evident that the contracting parties realized that they were subject to public regulation, and as these powers now rest with this Commission and have been exercised in like instances, this point need not be further elaborated. Such consumers should bear their costs of service equally with all others.

## ORDER

Monterey County Water Company having applied to the Railroad Commission for the establishment of fair and equitable rates for water delivered to its consumers, a public hearing having been held and the matter now being ready for decision;

IT IS HEREBY FOUND AS A FACT, that the rates heretofore charged by Monterey County Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates.

And basing its order upon the foregoing finding of fact, and upon the further statements of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED, that Monterey County Water Company be and it is hereby authorized to file with this Commission within twenty (20) days from the date of this order, the following schedule of rates, said rates to apply to all service rendered subsequent to December 1, 1922:

Water delivered to consumers, for each  
irrigation, per acre.....\$2.00

IT IS HEREBY FURTHER ORDERED, that within thirty (30) days from the date of this order applicant shall file with this Commission,

subject to its acceptance and approval, rules and regulations governing its relations with its consumers.

Dated at San Francisco, California, this 23<sup>rd</sup>  
day of October, 1922.

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*James Martin*  
*Charles W. [unclear]*  
*M. A. Benedict*

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Commissioners.