

Decision No. 2760

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of )  
SANTA CRUZ COUNTY UTILITIES, a cor- )  
poration, for an order fixing, adjust- )  
ing and increasing the rates for the )  
sale of water at Glen Arbor, Riverside )  
Park, Ben Lomond, Brookdale and Boulder )  
Creek, and to increase the rates for )  
the sale of electricity at Brookdale, )  
Boulder Creek and Lorenzo, in Santa )  
Cruz County, State of California. )

Application No. 6254.

J. C. Hughes, for applicant.  
H. W. Erskine, for the Brookdale Club.  
Geo. W. Smith, for certain consumers of  
the town of Boulder Creek.

BY THE COMMISSION.

O P I N I O N

The Santa Cruz County Utilities, a corporation, is engaged in the public utility business of supplying electricity for light and power to consumers in Boulder Creek, Lorenzo and Brookdale, and water for domestic and commercial purposes to the inhabitants of Boulder Creek, Brookdale, Ben Lomond and Riverside Park. It also furnishes water for the system owned and operated by Mrs. L. W. Coffee, serving the community of Glen Arbor. These towns are well known summer resorts situated on the San Lorenzo River in Santa Cruz County. The applicant in the above entitled matter alleges that it has made no profits from the operation of the plants, and that unless the present rates for light and water service rendered by it are increased, it will not be able to pay its actual operating expenses and will suffer severe financial

losses and be compelled to assess its stockholders to meet its necessary expense. The Commission is therefore asked to establish an increased schedule of rates for both electric and water service which will yield sufficient revenues to provide for operating expenses, depreciation and a fair return upon the investment.

Public hearings, comprising six separate sessions, were held in Boulder Creek and San Francisco before Examiner Satterwhite, at which all interested parties were given an opportunity to be present and be heard.

The water system, as it exists at present, consists of three separate systems, formerly owned and operated by various individuals and corporations but now consolidated and operated under one management. The towns of Boulder Creek and Brookdale are supplied by two separate water systems, while Ben Lomond, Riverside Park and Glen Arbor are served by another. All systems are operated entirely by gravity, the water supply being obtained by diverting water from several small streams flowing into the San Lorenzo River.

Applicant owns approximately 900 acres of land at Boulder Creek, 600 acres at Brookdale and 45 acres at Ben Lomond. Only a part of the land at Boulder Creek and at Brookdale is necessary for the domestic water supply. In the Boulder Creek system there is a concrete storage reservoir 70' x 85' x 13' in dimension, and in Brookdale there are two concrete storage reservoirs, one 34' x 34' x 9' and the other 39' x 41' x 12'. These three reservoirs were originally installed for the purpose of generating electric energy at two power houses, but since 1918 they have not been used for that purpose.

The domestic storage facilities consist of several red-wood tanks and small concrete reservoirs. The transmission and dis-

tribution system of Boulder Creek consists of 4675 feet of 6" cast iron pipe and 9700 feet of standard screw pipe. Brookdale is supplied by approximately 40,000 feet of pipe lines, the major portion of which is two inches in diameter and smaller. Ben Lomond, Riverside Park and Glen Arbor are supplied by approximately 31,000 feet of pipe lines.

The rates charged for water service on the Boulder Creek system have never been established by the Commission, but were fixed by the former owners of the system and have been in effect for several years. They are as follows:

WATER RATES, BOULDER CREEK

For Domestic Service:

Per 1,000 gallons,.....	\$ 0.40
Minimum charge, per month,.....	1.50
Meter rent, payable when meter is installed and service shut off, per month,.....	0.50

The rates for water service now charged at Brookdale, Ben Lomond, Riverside Park and Glen Arbor were fixed by the Commission in Decision No. 5857, Application No. 4073, decided October 21, 1918, and are as follows:

WATER RATES

Schedule "A" (Meter Rates):

For each meter installed and single payment made on account of same, minimum annual charge, for which 5,000 cubic feet of water may be used at any time during the calendar year covered by the payment,.....	\$12.00
Additional water, per 100 cubic feet,.....	.20

Schedule "B" (Flat Rate):

An annual charge, payable in advance,.....	\$15.00
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Schedule "C":

Sprinkling roads, for each sprinkling cart using water from pipe lines of Mountain Light and Water Company, per year,.....	\$100.00
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Schedule "D":

Fish hatcheries, an annual charge, payable September 1st,.....	\$150.00
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Rates now being charged by applicant for electric service at Brookdale were fixed by the Commission in Decision No. 5857, Application No. 4073, decided October 21, 1918.

BROOKDALE ELECTRIC RATES

Schedule "A" (Meter Rates):

Residence and household lighting service, including hotels and boarding houses of less than ten (10) rooms, per kilowatt hour,....\$0.10  
Annual minimum, calendar year,..... 15.00

Schedule "B" (Meter Rates):

Commercial lighting, per kilowatt hour,.....\$ 0.10  
Minimum Calendar Year:  
Hotels and boarding houses of 25 rooms and over, per annum,..... 50.00  
Hotels and boarding houses of 10 to 25 rooms, per annum,..... 20.00  
Commercial business places, including barber shops and bath houses, per annum,..... 15.00

Schedule "C" (Flat Rate):

Residence and household lighting service, applicable to small cottages, per calendar year,.....\$10.00  
Under this schedule the company reserves the right at its option to install meters and charge the meter rate, with \$10.00 annual minimum.  
Fish hatcheries, per annum,..... 30.00

The rates now being charged by the applicant for electric service in Boulder Creek and Lorenzo were fixed by the former Boulder Creek Light and Water Company several years ago, and are as follows:

ELECTRIC RATES, -BOULDER CREEK AND LORENZO

Schedule "A" (Metered Service):

For all energy consumed, per kilowatt hour,.....\$ 0.10  
Minimum charge, \$1.00 per meter per month.

Schedule "B" (Flat Rate):

\$1.00 per month.

According to the applicant there are 114 water consumers at Boulder Creek, 184 at Brookdale, 131 at Ben Lomond and Riverside



fund method of \$495. The sum of \$4,000 was estimated to be a reasonable allowance for the annual maintenance and operation expenses of the water systems of this utility.

The applicant estimated the future maintenance and operation expenses of the water system to be \$5,449.50 and for the electric system to be \$8,088.75. The difference in the valuation of the water system as submitted by Mr. Hawley and Mr. MacKall lies in the value and amount of watershed lands, including water and riparian rights, considered used and useful to the system, and in the power reservoirs at Boulder Creek and Brookdale, which were excluded in the report of the Commission's engineer.

A careful consideration of the evidence leads to the conclusion that the additional storage facilities provided by certain of the so-called power reservoirs perform some useful and necessary service to the communities served. However, the power reservoirs at Brookdale are not at present so connected with the distribution system as to be of maximum service value to the consumers. This connection will be provided for in the following order and allowance made in the estimated service value of the system for the useful portion of the reservoirs.

In view of the evidence presented in this matter, it is believed that the sum of \$53,733, with a corresponding annual replacement fund of \$548, represents the fair and reasonable service value of the water properties of this system for the purposes of this proceeding, and the amount of \$4,000 is believed to be a fair allowance for the annual maintenance and operation expenses of the water system, which amount is believed to be ample to enable applicant to provide good and adequate service to all consumers. The above amounts presuppose the proper connection of the South Power reservoir at Brookdale with the distribution system in such a manner that the consumers will derive the full and reasonable value of the storage facilities afforded by this reservoir, and their use should

be contingent upon such connection.

Following is a summary of the annual charges of the water system of this utility based upon the foregoing figures:

ANNUAL CHARGES, WATER SYSTEM

Return at 8% on \$53,733,.....	\$4,299
Replacement annuity,.....	548
Maintenance and Operation Expense,.....	<u>4,000</u>
Total Annual Charges (Water),.....	\$8,847
Water Revenues for 1920,.....	\$7,553

Applicant requests that rates be established for Glen Arbor. This system is at present owned and operated by Mrs. Lawrence W. Coffee, and water is supplied by applicant under a written agreement. Authority to lease this system has never been applied for by or on behalf of applicant, nor granted by the Commission. For these reasons the schedule of rates given in the accompanying order does not apply to consumers in Glen Arbor.

The hydro-electric power plants formerly operated by applicant and predecessors are now non-operative, all energy being purchased from the Coast Counties Gas and Electric Company. Only the distribution system of the electric properties is considered operative for the purposes of this proceeding. Mr. A. B. Daly, one of the Commission's electrical engineers, prepared a report and appraisal of the used and useful electrical properties, in which the estimated original cost as of December 31, 1920, amounted to \$7,660, and the depreciation for this period, \$268. This valuation was based upon the Commission's Decisions Nos. 2958 and 8008, supplemented by all subsequent additions and betterments. The average capital for the year 1921 was estimated to be \$9,187 and the depreciation \$277. The future maintenance and operation expenses were estimated to amount to \$4,934 and the revenues for 1920 were given as \$4,946. Applicant claimed that the future maintenance and operation expenses would be \$8,089, and presented fig-

ures giving \$5,022 as the revenues for the year 1920.

A careful consideration of the evidence leads to the conclusion that the estimates presented by the Commission's engineer are just and reasonable, and they will be used herein. It is the opinion of the Commission that proper service conditions and the normal growth of the communities served will result in the realization of increased revenues. Analysis of the testimony indicates that an increase in electric rates is not justified.

#### O R D E R

The Santa Cruz County Utilities, a public utility corporation, having applied to the Railroad Commission for an order fixing, adjusting and increasing its rates for the sale of water at Glen Arbor, Riverside Park, Ben Lomond, Brookdale and Boulder Creek, and authorizing an increase in its rates for the sale of electricity at Brookdale, Boulder Creek and Lorenzo, in Santa Cruz County, public hearings having been held thereon, and the matter having been submitted,

IT IS HEREBY FOUND AS A FACT that the rates now charged by the Santa Cruz County Utilities for water supplied to its consumers are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established for water service are just and reasonable rates for such service; and that the rates and charges for electric energy now in effect are fair and reasonable rates for such service, and are adequately compensatory to the extent of earning proper operating expenses and a fair return upon the reasonable valuation of its properties.

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



IT IS HEREBY ORDERED: (1) That the application of Santa Cruz County Utilities for authority to increase rates and charges for electric energy be and it is hereby denied.

(2) That Santa Cruz County Utilities be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order the following rates for water delivered to its consumers in Boulder Creek, Brookdale, Ben Lomond and Riverside Park, said rates to become effective for all service rendered after December 31, 1921:

METERED WATER RATES

Minimum annual charges payable in advance, which entitles consumer to a maximum of 500 cubic feet of water per month for a period of eight months. . . . .	\$12.00
All use during other months, 500 cubic feet or less per month. . . . .	1.50
For use over 500 cubic feet:	
Next 9500 cubic feet, per 100 cubic feet. . . . .	.25
Above 10,000 cubic feet, per 100 cubic feet. . . . .	.20

FLAT RATES

Annual charges, payable in advance. . . . .	\$15.00
Fish Hatcheries, an annual charge, payable September 1st. . . . .	.150.00
Road Sprinkling, per year for each sprinkling cart using water from pipe lines of Santa Cruz County Utilities. . . . .	..100.00

(3) That Santa Cruz County Utilities be and it is hereby directed to install such necessary and proper connection or connections with the South Reservoir at Brookdale and the distribution system that the consumers may derive the reasonable maximum service value from the reservoir, this improvement to be installed and in operation as soon as conditions will permit, but in no case later than December 31, 1921.

(4) That collection of the rates set out in the schedule

herein authorized in Brookdale is expressly conditioned upon the improvement above ordered having been installed and in operation in a manner satisfactory to the Commission on or before December 31, 1921.

(5) That Santa Cruz County Utilities be and it is hereby directed to file with the Railroad Commission within thirty (30) days from the date of this order a complete schedule of rules and regulations governing the distribution and sale of water and electric energy to consumers supplied by it, said schedule to be effective on the date of its acceptance by the Commission.

Dated at San Francisco, California, this 17<sup>th</sup>  
day of November 1921.

H. B. Brundage

H. D. Loveland

David Martin

L. F. Pennington  
Commissioners