

ORIGINAL

Decision No. 38448

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 MONTEREY BAY WATER COMPANY, a partnership,
 for authority to adjust and simplify its
 rate structure in order to make such rates
 identical for all Divisions; to extend the
 service area to its Soquel Division to
 include the property known as Monterey Bay
 Heights; to eliminate the line of
 demarcation between its Opal and its Soquel
 Divisions.

Application No. 26566

Bert B. Snyder, for Applicant.

ROWELL, COMMISSIONER:

O P I N I O N

James A. Harris and George W. Cooper, a copartnership, doing business as Monterey Bay Water Company, are engaged as a public utility in supplying water for commercial and domestic purposes in and in the vicinity of the unincorporated towns of Aptos, Capitola, Soquel, and in a subdivided area adjoining Capitola known as Opal, in Santa Cruz County. In this application the Commission is asked to establish a uniform schedule of rates effective throughout the entire territory served by the company, including Monterey Bay Heights. The Commission is asked to approve a schedule of rates for general metered service to permanent consumers, providing for a monthly minimum charge of \$1.50 for the first 500 cubic feet. Use over the minimum is reduced in charges through five blocks to 7 $\frac{1}{2}$ ¢ per 100 cubic feet for quantities in excess of 10,000 cubic feet. For summer or temporary consumers, applicant company proposes an annual charge of \$12.00, payable in advance, allowing 100 cubic feet of water each month for a period of twelve consecutive months. For all water used in excess of 100 cubic feet the quantity rates are as follows:

0 to 100 cubic feet	No charge
101 to 200 cubic feet	\$0.30
201 to 300 cubic feet . . . . .	.60
301 to 400 cubic feet . . . . .	.90
401 to 500 cubic feet	1.20

Consumption in excess of 500 cubic feet per month will be charged for at the same rates as general metered service.

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

The partnership of Harris and Cooper has acquired gradually the several independent water systems involved herein since 1942.⁽¹⁾ They were operated formerly under different ownership, but since purchase by applicants, have been consolidated for operation as a unified system under single management. The Capitola, Soquel and Opal service areas are adjoining and it is proposed to interconnect them to improve the service especially in Soquel and also to reduce overall operating costs.

All water is obtained from wells and is pumped directly into the distribution pipelines. Storage is provided by tanks and reservoirs located on the hillsides and by tanks elevated on towers. The combined distribution systems consist of 210,000 feet of mains, varying in size from three-quarters of an inch to eight inches in diameter. There are 1,330 consumers now being supplied largely on a measured basis.

The meter rates at present in effect for permanent consumers provide for a monthly minimum charge of \$1.50 for the first 500 cubic feet in the Aptos area and 600 cubic feet in the Opal section. For water used in excess of the minimum, the rate is reduced through blocks to 8¢ per 100 cubic feet on the Aptos system, and to 15¢ on the Opal system. For summer consumers on the Aptos system, an annual charge of \$12.00 is payable in advance, and provides for a minimum quantity allowance of 500 cubic feet of water each month for a period of eight consecutive months, with an optional annual service charge of \$10.00 for twelve months with

(1) - Aptos System was acquired by authority of the Commission in Decision No. 35803; Capitola-Soquel System in Decision No. 36758; Opal System in Decision No. 36848. Monterey Bay Heights System was acquired in 1943, formerly having been owned and operated as a non-utility by Monterey Bay Country Club.

additional charges for all water used each month of the year. On the Opal System the annual charge for metered use is \$12.00, providing 500 cubic feet of water each month for eight consecutive months of summer and 200 cubic feet each month for the four remaining winter months.

The Capitola-Soquel Division meter rates vary from a minimum monthly charge of \$1.00 on the Soquel System to \$1.50 per month in Capitola. The monthly quantity rate, however, is 22.4¢ per 100 cubic feet effective throughout the system. Annual charges range from \$9.00 to \$12.00 on a flat rate basis. Besides these variations in scheduled rates, the Capitola-Soquel System has 244 deviations from the filed tariffs.

The Commission established the rates now in effect on the Aptos⁽²⁾ and the Opal⁽³⁾ Systems, but the Capitola-Soquel rates were made effective prior to the enactment of the Public Utilities Act and have never followed any uniform basis of demand. The deviations have accumulated through many years under different owners and unfortunately until now no attempt has been made to adjust the various schedules to fit changed conditions of demand. One of the primary purposes of this proceeding is to establish a standardized schedule of rates to eliminate the existing unfair discrimination, particularly in the Capitola-Soquel district. The general effect of such uniformity, however, will be a reduction in charges to the users of large quantities of water on the Aptos System, and some increase to certain customers in Capitola and Soquel. There would be, however, under the proposed schedules certain increases affecting all water users on the former Opal System, together with a radical departure from standard rate structure practice in summer resort areas.

Mr. George W. Cooper for the company and Mr. Verner R. Muth, one of the Commission's hydraulic engineers, presented reports covering appraisalment of the

(2) - Rates for the Aptos System were established by the Commission in Decision No. 35803, dated September 29, 1942.

(3) - Rates for the Opal System were established in Decision No. 36848, dated February 1, 1944, and by C.R.C. Resolution No. W-186, dated April 3, 1945.

physical properties, upon the basis of estimated historical cost, and analyses of revenues and expenses as of December 31, 1944. These reports are summarized as follows:

	Cooper	Muth
	Present Rates	Present Rates

Aptos Division:

Fixed Capital	\$110,093	\$110,335
Operating Revenues	12,445	12,454
Operating Expenses	7,425	7,788
Depreciation, 5% Sinking Fund	<u>3,371</u>	<u>1,878</u>
Total Expenses	10,796	9,666
Net Operating Revenue	1,648	2,788
Rate of Return	1.497%	2.53%

Soquel Division:

Fixed Capital	\$109,797	\$105,855
Operating Revenues	12,029	10,905
Operating Expenses	9,590	8,377
Depreciation, 5% Sinking Fund	<u>1,808</u>	<u>1,694</u>
Total Expenses	11,398	10,071
Net Operating Revenue	631	834
Rate of Return	.575%	.79%

Opal Division:

Fixed Capital	\$29,189	\$29,020
Operating Revenues	3,358	3,358
Operating Expenses	2,834	2,546
Depreciation, 5% Sinking Fund	<u>746</u>	<u>633</u>
Total Expenses	3,580	3,179
Net Operating Revenue	(221)	179
Rate of Return	-	.62%

Combined Divisions:

Fixed Capital	\$249,029	\$245,230
Operating Revenues	27,832	26,718
Operating Expenses	19,849	18,711
Depreciation, 5% Sinking Fund	<u>5,925</u>	<u>4,205</u>
Total Expenses	25,774	22,916
Net Operating Revenue	2,058	3,802
Rate of Return	.826%	1.55%

(Red Figure)

The differences in fixed capital and in operating expenses in the two reports are minor. In fixed capital, certain items were properly excluded by the Commission's engineer as non-operative. The major difference in operating expenses arose through the addition by Mr. Cooper of interest at 5% on the depreciation reserve, amounting to \$2,782.86. As an undepreciated rate base was used, this interest item was excluded by the Commission engineer.

From the evidence presented the present rates have yielded a net return upon capital investment in the various systems ranging from 0.62% to 2.53%. The consolidated net return from all systems amounts to 1.55%. The rates proposed by applicant will increase the net return from combined operations to slightly less than 3.0%.

The establishment of a uniform schedule of rates and the revision and standardization of the rules and regulations, will remove the present complicated and discriminatory charges on the Capitola-Souquel System and will provide reasonable and proper rates for all consumers receiving the same class of service through the entire combined service area.

While no protest was made by the consumers against the rates proposed by applicant, yet an analysis of the record and a careful inspection of the limitations and restrictions written into and made a part of certain of said rates, indicates the advisability of some modification and revision thereof. It is obvious that the proper place for most of the conditions and explanations attached by applicant to the rates, more properly should be set forth in the rules and regulations. Furthermore the split-season method of applicability of the annual or seasonal rate and payments therefor do great and unnecessary violence to the Commission's uniform accounting practices which are based upon the calendar year. The simplified schedule of rates established in the following Order will be far less cumbersome and complicated, will be more practicable and understandable in application, and will yield the same or perhaps slightly more revenue. Furthermore, it unquestionably will eliminate the grounds of future complaint inherent in the schedule as proposed.

Protest was entered by several consumers about the poor and unsatisfactory service furnished in the Mesa District at Capitola, and in a portion of the Monterey Bay Country Club District. Witnesses from the Capitola section claim that the pressure is low, and that there are frequent days when the service is interrupted for hours at a time, creating, besides the great inconvenience and sanitary menace, increased fire hazards for the entire community and the surrounding countryside as well.

Two witnesses, appearing in their own behalf and for certain neighbors served by the Monterey Bay Country Club system, residing in the highest elevations of this particular section, testified that all suffered from intermittent service and extremely low pressure conditions. The premises of these consumers are located 10 to 15 feet below the storage tank level. These witnesses claimed that good service had been received during the time the country club had operated its booster pump. Since the country club abandoned the golf course, this booster plant has not been in operation.

Mr. Cooper conceded that poor service conditions existed in both these two areas but stated that the low pressure at Capitola will be corrected when this system is interconnected with the Opal properties. The connection will require installation of 2,000 feet of 6-inch main at a cost of \$3,000 and will permit the use of the Opal wells and pumps for standby operation, resulting in increased operating pressures throughout all of the higher elevations or mesa districts. Mr. Cooper testified further that a separate survey and study is now being made of the upper portions of Monterey Bay Heights and that some plan will be adopted without delay to provide adequate service at all reasonable times throughout this portion of the system.

Request was made for authority to extend the service area boundaries to include the Monterey Bay Heights district and also to serve a certain section along the State Highway to Monterey Avenue. This territory is contiguous to the existing service area and requires no further authorization by the Commission under conditions existing at this time.

The company also requested authority to remove the boundary line between the Opal and the Capitola Systems, in order that the two properties could be operated as a single system. These formerly separate waterworks, being now under a single ownership and adjoining each other, require no further authority from this Commission for unified operation.

At the hearing, applicants asked that the revised seasonal rates as authorized be made retroactive to April 10, 1945, upon the ground that bills for this particular class of service have been held up pending decision in this proceeding. The rates established herein will not be retroactive but effective as established in the following Order. Billings under annual rates may be prorated at the option of the utility if desired.

The following form of Order is recommended:

ORDER

Application as entitled above having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted, and the Commission having been fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by James A. Harris, Jr., and George W. Cooper, copartners, doing business as Monterey Bay Water Company, for water supplied to their customers in the unincorporated town of Aptos, Soquel and Capitola, a subdivided area adjoining Capitola, known as Opal, and in the vicinity thereof, County of Santa Cruz, are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for the service rendered, and basing its Order upon the foregoing findings of fact and upon further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that James A. Harris, Jr., and George W. Cooper, copartners, doing business as Monterey Bay Water Company, be and they are hereby authorized and directed to file in quadruplicate, in conformity with this Commission's General Order No. 96, within thirty (30) days from the date of this

Order, the following schedule of rates to be charged for all water service rendered their consumers on and after December 1, 1945:

Schedule No. 1

GENERAL METERED SERVICE - MONTHLY BASIS

Applicability:

This schedule is open to consumers applying for continuous service only.

Territory:

In and in the vicinity of Aptos, Soquel, Capitola and Opal, in Santa Cruz County.

Rates:

<u>Minimum Monthly Charge:</u>	<u>Amount of Water Included in Minimum Charge</u>	<u>Per Meter Per Month</u>
5/8 x 3/4 inch meter	500 cubic feet	\$1.50
3/4 inch meter	700 cubic feet	2.00
1 inch meter	900 cubic feet	2.50
1 1/2 inch meter	1,300 cubic feet	3.50
2 inch meter	2,000 cubic feet	5.00
3 inch meter	5,000 cubic feet	10.00
4 inch meter	23,300 cubic feet	25.00

Monthly Quantity Charge:

First	500 cubic feet or less	\$1.50
Next	1,000 cubic feet, per 100 cubic feet	.25
Next	1,500 cubic feet, per 100 cubic feet	.20
Next	2,000 cubic feet, per 100 cubic feet	.15
Next	5,000 cubic feet, per 100 cubic feet	.10
Over	10,000 cubic feet, per 100 cubic feet	.075

Schedule No. 2

FLAT RATE MONTHLY SERVICE

Applicability:

For bona fide permanent residents or business units.

Territory:

In and in the vicinity of Aptos, Soquel, Capitola and Opal in Santa Cruz County.

Rate:

Per Month

For each residence or business unit. \$1.50

Schedule No. 3

METERED SERVICE - ANNUAL RATE

Applicability:

This schedule is designed for those consumers whose occupancy is seasonal or intermittent.

Territory:

In and in the vicinity of Aptos, Soquel, Capitola and Opal, in Santa Cruz County.

Rate:

Annual Minimum Charge for the calendar year due January 1st and payable on or before April 1st of each year, which entitles the customer to 500 cubic feet of water during each of the eight months April to November, both inclusive; and 200 cubic feet of water for each of the months of January, February, March and December \$15.00

When water is used in excess of the monthly quantity allowance under the foregoing "Minimum Annual Charge," the following rate schedule will apply:

For the Months April to November, both inclusive:

First	500 cubic feet, included in annual charge.	
Next	1,000 cubic feet, per 100 cubic feet	\$0.25
Next	1,500 cubic feet, per 100 cubic feet . . . . .	.20
Next	2,000 cubic feet, per 100 cubic feet . . . . .	.15
Next	5,000 cubic feet, per 100 cubic feet . . . . .	.10
Over	10,000 cubic feet, per 100 cubic feet . . . . .	.075

For the Months of January, February, March and December:

First	200 cubic feet, included in annual charge.	
Next	300 cubic feet, per 100 cubic feet	\$0.30
Next	1,000 cubic feet, per 100 cubic feet . . . . .	.25
Next	1,500 cubic feet, per 100 cubic feet . . . . .	.20
Next	2,000 cubic feet, per 100 cubic feet . . . . .	.15
Next	5,000 cubic feet, per 100 cubic feet . . . . .	.10
Over	10,000 cubic feet, per 100 cubic feet . . . . .	.075

Schedule No. 4

FIRE PROTECTION SERVICE

Applicability:

This rate is applicable to municipalities, duly organized or incorporated fire districts or other political subdivisions legally empowered to enter into a contract for fire protection service or private individuals and corporations.

Schedule No. 4 - Continued

FIRE PROTECTION SERVICE

Territory:

Entire territory served by the company located within the limits of a duly organized fire district.

Rate:

Per Month

For wharf valve type fire hydrant with 2½-inch hose outlet, installed by company, per hydrant \$1.50

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IT IS HEREBY FURTHER ORDERED that James A. Harris, Jr., and George W. Cooper, copartners, doing business as Monterey Bay Water Company, be and they are hereby directed as follows:

1. Within sixty (60) days from the date of this Order, to file with this Commission for its approval, four sets of rules and regulations governing relations with their consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet 8½ x 11 inches in size delineating thereupon in distinctive markings the boundaries of their present service area, and the location thereof with reference to the immediate surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
2. Within sixty (60) days from the date of this Order, to file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the territory presently served. This map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service; provided, however, that such map shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

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 27th day of November, 1945.

Harold Anderson
Justus F. Cravens
Francis D. ...
James Lowell
Harold Hule
 Commissioners.