

Decision No. 43403

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
LA SELVA BEACH WATER COMPANY, a
corporation, to adjust and increase
its rates.

Application No. 28588

James A. Harris III, for Applicant.

R. L. Gholson and Frank J. Branch, for
La Selva Beach Improvement Association.

POTTER, COMMISSIONER:

O P I N I O N

La Selva Beach Water Company, a corporation, engaged in the business of furnishing public utility water service in the community of La Selva Beach, located on Monterey Bay about midway between Santa Cruz and Watsonville in Santa Cruz County, asks the Commission to adjust and increase its rates.

The company alleges that for the past several years its revenues have barely covered the operating expenses exclusive of depreciation charges. Further, the company alleges that a recent increase in gross revenue due to new consumers does not compensate for higher costs of labor and material, and that it seems improbable that the company can continue to operate under present rates. Wherefore, the Commission is requested to increase the rates in accordance with a proposed schedule of rates set forth in the application.

A public hearing in this matter was held at La Selva Beach.

This utility obtains its water supply from two drilled wells. The water is pumped into a high-level tank, having a capacity of 50,000 gallons, and distributed by gravity through approximately 35,400 feet of steel transmission and distribution mains varying in diameter from one inch to six inches. There were 108 consumers at the end of the year 1947.

The Commission in its Decision No. 28892, dated June 15, 1936, established a schedule of rates for this utility, which schedule, however, was voluntarily reduced sometime thereafter by the company. An optional schedule of rates applicable to seasonal or vacation service was filed in 1937. The meter rates for permanent residents are based upon a minimum monthly charge of \$1.20, allowing the use of 400 cubic feet of water. The quantity rates are reduced through six blocks to \$0.08 per 100 cubic feet for all use over 5,000 cubic feet per month. The schedule of meter rates for seasonal or summer residents provides for a minimum annual charge of \$15, entitling the consumer to 500 cubic feet of water during the months from June to September, both inclusive, and 100 cubic feet of water during the other off-season months of the year. Additional use is charged for at quantity rates, ranging from \$0.30 to \$0.15 per 100 cubic feet. A schedule, available to summer residents, provides for an annual service charge of \$8 per year, all water used being charged for at quantity rates beginning at \$0.30 per 100 cubic feet, and decreasing through six blocks to \$0.08 per 100 cubic feet for all use over 10,000 cubic feet per month.

Applicant's requested rates for permanent consumer service throughout the year provide for a minimum monthly charge of \$2 for the first 600 cubic feet and five additional blocks through which the rates are reduced to \$0.10 per 100 cubic feet for all use over 10,000 cubic feet per month. The seasonal schedule retains the present minimum annual charge of \$15 which, however, allows water varying in amounts from 200 to 500 cubic feet per month only during the nine months of each year, commencing April first to December thirty-first. Additional water used during the nine months' period would be charged for at the rate of \$0.30 per 100 cubic feet. Other proposed schedules comprise a commercial rate based upon a minimum charge of \$1.50 per month for 400 cubic feet, a minimum rate of \$10 per year for public parks, and a charge of \$1.50 per month for fire hydrants.

According to the testimony of the company's witness, Mr. James A. Harris III, the total operating revenue for the year 1947 was \$2,437, and operating expenses amounted to \$4,138, including depreciation, resulting in an operating deficit of \$1,701. The above expenses include not only a depreciation annuity of \$1,281, calculated by the 5% sinking fund method but in addition thereto include \$834 for interest on the balance in the depreciation reserve, making a total of \$2,115 for these two items. The total capital investment at the end of 1947 is recorded in the company accounts as \$47,679.

Mr. Verner R. Muth, one of the Commission's engineers, presented a report in which the original cost of the operative properties is appraised at \$47,157, as of December 31, 1947. After deducting consumers' advances of \$2,816 and adding a working cash allowance of \$300, the rate base was found to be \$44,641. The Commission's engineer estimated the average annual operating expenses under present conditions to be \$3,445, including a 5% sinking fund depreciation annuity of \$1,180. The requested rates were estimated to yield \$3,560. The net rate of return upon this basis was estimated to be 0.25%.

The figures presented above indicate clearly that this utility must receive greater revenues if it is to continue in business and be in a financial position to meet the expected demand for extension of water service to new consumers. The evidence indicates that the revenues to be derived from the proposed rates will yield very little return on the invested capital until such time as the area becomes more fully developed.

The schedule of rates and charges as proposed by the company will be authorized in general in the order which follows this opinion. The proposed optional schedule for non-permanent residents, featuring a graduated scale of quantity deliveries varying with the season of the year, is not only cumbersome and impracticable but would result only in complicating water bills and consumer relations. A more simplified and workable schedule of rates will be substituted in the following order for this particular proposed schedule.

O R D E R

Application as entitled above having been filed with the Public Utilities Commission of the State of California, a public hearing having been held thereon, the matter having been duly submitted, and the Commission now being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by La Selva Beach Water Company, a corporation, for water delivered to its customers in and about the unincorporated community of La Selva Beach, Santa Cruz County, are unjust and unreasonable in so far as they differ from the rates herein established; that the rates herein established are just and reasonable rates to be charged for the service to be rendered; that the increase in rates authorized by this decision is hereby found to be justified; 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 La Selva Beach Water Company be and it is hereby authorized to file in quadruplicate with the Public Utilities Commission of the State of California, in conformity with this Commission's General Order No. 96, within fifteen (15) days from the effective date of this Order, the following schedules of rates to be charged for all water service rendered to its customers on and after the first day of May, 1948:

Schedule No. 1

GENERAL METER RATES

Applicability:

Applicable to metered water service furnished continuously throughout the year.

Territory:

In and in the vicinity of La Selva Beach, Santa Cruz County.

Rates:

<u>Minimum Charge</u>	<u>Cubic Feet Included In Minimum Charge</u>	<u>Per Meter Per Month</u>
5/8 x 3/4-inch meter	600	\$2.00
3/4-inch meter	1,000	3.25
1-inch meter	1,300	4.00
1 1/2-inch meter	2,100	6.00
2-inch meter	2,800	7.50
3-inch meter	4,000	10.00

Quantity Rates:

First	600 cubic feet or less	\$2.00
Next	400 cubic feet, per 100 cubic feet . . . . .	.30
Next	1,500 cubic feet, per 100 cubic feet . . . . .	.25
Next	2,500 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

Special Conditions:

Any customer who discontinues service under this schedule, and, subsequently, within one year from date of discontinuance requests the resumption of service at the same address, shall be required to pay twelve monthly minimums in advance before service will be reinstated, provided, however, that if a period of one year or more has elapsed between the dates of discontinuance and resumption of service, this clause shall not apply.

Schedule No. 2

SEASONAL METER RATES

Applicability:

Applicable to service furnished on a metered basis to seasonal customers.

Territory:

In and in the vicinity of La Selva Beach, Santa Cruz County.

Rates:

Annual minimum charge, payable in advance, on or before January 1 of each year, entitling the customer to 500 cubic feet of water during each of the six months from May to October, both inclusive \$16.00

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

Per Meter
Per Month

For the months from May to October, both inclusive:

First	500 cubic feet, included in annual charge.	
Next	500 cubic feet, per 100 cubic feet	\$0.30
Next	1,500 cubic feet, per 100 cubic feet . . . . .	.25
Next	2,500 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

For the months from November to April, both inclusive:

First	600 cubic feet or less	\$2.00
Next	400 cubic feet, per 100 cubic feet . . . . .	.30
Next	1,500 cubic feet, per 100 cubic feet . . . . .	.25
Next	2,500 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

Special Conditions:

1. Service under this schedule will be furnished through 5/8 x 3/4-inch meters only. Application for any larger meter will automatically establish the service on a monthly basis.

Schedule No. 3

COMMERCIAL METER RATES

Applicability:

Applicable only to stores, office buildings, warehouses and other similar commercial establishments where no water is used for irrigation or landscaping.

Territory:

In and in the vicinity of La Selva Beach, Santa Cruz County.

Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 400 cubic feet or less	\$1.50
Over 400 cubic feet, per 100 cubic feet . . . . .	.35

Schedule No. 4

COMMUNITY LANDSCAPING AND RECREATIONAL USES

Applicability:

Applicable to water service furnished for irrigation of landscaping in parks and parkways, for beach recreational facilities, and other similar public uses.

Territory:

In and in the vicinity of La Selva Beach, Santa Cruz County.

Rates:

	<u>Per Service</u> <u>Per Year</u>
First 4,000 cubic feet or less	\$10.00
Over 4,000 cubic feet per year, per 100 cubic feet . . . . .	.20

Schedule No. 5

FIRE HYDRANT RATES

Applicability:

Applicable to water service rendered for fire hydrant purposes.

Territory:

In and in the vicinity of La Selva Beach, Santa Cruz County.

Rates:

Per hydrant, per month \$1.50

SPECIAL CONDITIONS

APPLICABLE TO ALL RATES AND SERVICE CHARGES

1. On new services, where the installation of a meter and service line are required, the applicant shall deposit with the company an amount equal to twelve monthly minimum charges before the service will be installed.
2. No service will be connected to serve any applicant unless service piping on the premises includes a valve by which the customer can completely shut off all supply to the premises.

IT IS HEREBY FURTHER ORDERED as follows:

1. That La Selva Beach Water Company, within sixty (60) days after the effective date of this Order, shall file four copies of a suitable map or sketch of its entire utility area of service, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of its service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such map or sketch shall not 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. That La Selva Beach Water Company, within sixty (60) days after the effective date of this Order, shall 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.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Public Utilities Commission of the State of California.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 30 day of March, 1948.

R. J. Anderson
Justice J. Galloway
Ernest L. Powell
Harold P. Hills
Samuel L. Patten
 Commissioners.