

Decision No. 41617

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION  
 OF PUBLIC UTILITIES CALIFORNIA  
 CORPORATION FOR AN ORDER AUTHORIZING  
 AN INCREASE IN RATES FOR THE WATER  
 SYSTEM SERVING HALF MOON BAY,  
 EL GRANADA, MOSS BEACH, MONTARA AND  
 VICINITY

**ORIGINAL**

Application No. 28618

Orrick, Dahlquist, Neff, Brown and Harrington,  
 by Hillyer Brown, for applicants;

George T. Kerr, on behalf of consumers;

George Havice, President, Montara Chamber of  
 Commerce.

O P I N I O N

Public Utilities California Corporation, a corporation, is engaged in the business as a public utility in selling and distributing water for domestic, commercial, and industrial purposes in several communities in the state, including the towns of Half Moon Bay, El Granada, Moss Beach and Montara, in San Mateo County. Applicant alleges that the present rates in effect on these systems are unfair, unreasonable and confiscatory and do not afford a reasonable return on the investment in the water properties. Wherefore, the Commission is requested to increase the rates for service rendered in conformity with the proposed schedule of rates set forth in the application.

A public hearing on this matter was held in Half Moon Bay.

The four water systems included in this proceeding are not interconnected but are, however, operated as a single division because of the general proximity of the communities.

The main source of water supply for the town of Half Moon Bay is Apanolis Creek augmented with water from two drilled wells operated

under lease. The distribution system consists of approximately 100,000 feet of pipe ranging from one inch to eight inches in diameter. Storage is provided by a 665,000-gallon concrete reservoir. This system supplies 353 consumers, 25 of which are on flat rates.

The Montara system water supply is obtained from a spring in North Canyon and two drilled wells in Wagner Canyon. The distribution facilities consist of approximately 56,000 feet of mains ranging in size from 3/4 inch to five inches in diameter. Storage is provided by a concrete reservoir having a capacity of 65,000 gallons. This system serves 108 consumers all at meter rates.

The Moss Beach and El Granada systems are operated as one unit, each system having a separate source of water supply. The Moss Beach system obtains its water supply from the Montara system, storing water in a new 20,000-gallon redwood tank. The El Granada system obtains its water from a creek in McMahon Canyon, the water being diverted into a 265,000-gallon concrete storage reservoir. The combined distribution systems have a total of 74,718 feet of pipe, ranging in size from 3/4 inch to five inches in diameter. There are 188 consumers. All regular domestic and commercial service is metered.

The present base rate throughout the division is a monthly charge of \$1.50. In Half Moon Bay, the consumer receives 500 cubic feet of water for this payment, charges for additional water being reduced through three blocks to 15 cents per 100 cubic feet for all use over 5,000 cubic feet. In all of the other communities the \$1.50 charge entitles the consumer to 375 cubic feet of water, reduced to 40 cents per 100 cubic feet in the intermediate block, and for all use in excess of 2,000 cubic feet the rate is 25 cents per 100 cubic feet.

Applicant proposes a single and uniform schedule of rates effective throughout the four systems in the division. This schedule provides for a monthly minimum charge of \$2.50 which entitles the consumer to 500 cubic feet of water per month. The next 4,500 cubic

feet is fixed at 40 cents per 100 cubic feet. For quantities over 5,000 cubic feet the rate proposed is 30 cents per 100 cubic feet.

Testimony and other evidence on capital investment, based upon undepreciated historical cost, and operating studies, were presented by representatives of the utility and members of the Commission's staff. A summary thereof is set out below:

1947	Present Rates		Requested Rates	
	Company Exhibit 3	Commission Exhibit 12	Company Exhibit 3	Commission Exhibit 12
Operating Revenues	\$ 19,543	\$ 19,745	\$ 27,203	\$ 29,793
Operating Expenses	13,348	13,010	13,347	13,010
Taxes	1,251	1,230	3,070	4,560
Depreciation Annuity 5%	2,090	1,756	2,090	1,756
Total	16,689	15,996	18,507	19,326
Net Operating Revenue	2,854	3,749	8,696	10,467
Fixed Capital - Dec. 31	149,000		149,000	
Average Capital		141,400		141,400
Rate of Return	1.91%	2.65%	5.83%	7.40%

Testimony presented by consumers from each of the various communities served was characterized by condemnation of the water company's poor and inadequate service and alleged failure over many years last past to make any serious or effective efforts to furnish adequate water at proper pressures. Consumers contended that the water company had failed and neglected to repair and replace worn-out and leaking transmission lines and replace small and inadequate mains, or to provide sufficient storage facilities; that the company has failed to take proper measures to prevent muddy water, containing dirt and foreign matter, from entering the mains during the several months of each rainy season. Consumers claimed that the water delivered was so dirty during periods of rainy weather that it could not be used for domestic and household purposes. Certain consumers residing in the higher elevations of Moss Beach and Montara testified that the water

was dirty, and unusable for frequent periods during the winter and spring months; and that the pipe lines were so small that sufficient water could not be delivered throughout most of the year. In addition to these complaints some of the consumers claimed that the lack of storage and the low pressures, especially in the higher elevations, have resulted in unsatisfactory water service. Bacteriological analyses of the utility's water supplies, however, showed no indications of contamination injurious to the public health.

Criticism was especially severe in the Half Moon Bay area where for several years last past an 8,000-foot section of old and wornout redwood transmission main has leaked so badly that large volumes of water have been wasted, reducing the pressure and volume of water available throughout the business and residential sections of Half Moon Bay to such an extent that fire-protection and general service conditions have been dangerously impaired. The testimony indicates that large sections of the distribution system throughout Half Moon Bay are so badly silted that flushing of the mains can no longer remove the deposited sediment.

Witnesses stated that after requests for improvement had been ignored for years by company officials, the situation became so critical that the residents of Half Moon Bay and El Granada have organized the Coast Side County Water District under the general laws of the State of California; that said District now having been duly organized, has voted a bond issue of \$300,000 to provide funds for the installation of its own water system, which embraces the installation of transmission pipe lines to obtain its water supply from the San Francisco Water Department at the latter's Pillarcitos Dam, a distance of approximately seven miles from the communities to be served. Completion and operation of this project is set for the present summer of 1948.

From the record it appears that the directors of this Water District intend to install and operate a complete distribution system using no part of the water company's present water production or distribution facilities. The result of this announced policy of the directors of the Water District means that upon completion of the District's water system the applicant company will be forced to discontinue water service to all consumers now supplied in the Half Moon Bay and El Granada areas. It appears, however, that the communities of Moss Beach and Montara either have elected not to join the District or were not given an opportunity so to do. No application for abandonment of service in any of the four systems is now before us.

Officials of applicant water company testified that it had set aside in its budget the sum of \$16,400 for improvements of water supply and distribution facilities in the Half Moon Bay service area and that the sum of \$7,500 had been set aside for the installation of additional storage tanks or reservoirs and other facilities in the El Granada service area. They stated, however, that in view of the known intent of the new Waterworks District to parallel the company's mains without acquiring any of its properties, and to take over and supply all of the consumers within these two service areas, the company did not feel justified in proceeding with the improvements as contemplated and would not do so unless the District would agree to purchase the facilities to which such improvements were made.

As indicated by the rate of return set out above, applicant is not making an adequate net return upon its investment under existing rates. Were conditions of service more satisfactory and improvements could be installed by the company within a reasonable time, there is no doubt that an increased schedule of rates should be established. However, in view of the fact that the company may soon be compelled to discontinue service in the Half Moon Bay and El Granada areas after water service is undertaken by the Coast Side County Water

District, and of its declared intention not to make any further improvements in those communities because of such pending competition, no increase in the rates applicable therein would now be justified.

With respect to the Moss Beach and Montara systems, the evidence in this proceeding does not permit of a determination of the plant capital within those separate systems nor the reasonableness of the rates that should be applied. Our Order herein will be to direct a reopening of the application to permit the introduction of additional evidence relative to the Moss Beach and Montara properties.

O R D E R

Application as 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, and basing its Order upon the foregoing findings of fact and upon further statements of fact contained in the Opinion which precedes this Order, now, therefore,

IT IS HEREBY ORDERED that submission herein be set aside and that the matter be reopened for further hearing before Examiner Rose on ~~Thursday~~ <sup>at</sup> Thursday the 24<sup>th</sup> day of June, 1948 at 10 o'clock a. m. in the I.O.O.F. Hall, at Half Moon Bay, California.

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

Dated at San Francisco, California, this 18<sup>th</sup> day of May, 1948.

R. E. Zimmerman  
Justus F. Galloway  
Clayton H. Russell  
Harold P. Kille  
Samuel Patten  
Commissioners.