

ORIGINAL

Decision No. 42028

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
of Sea Cliff Water Works, a
privately owned public utility
for authority to increase rates.

Application No. 29326

Leo A. Garske, for applicants; W. F. Alder, for
George V. Foster, owner, Subdivision 8, Seacliff
Subdivision; Alvin Wendt, for Sea Cliff Park
Improvement Association.

O P I N I O N

Leo A. and Sophie A. Garske, husband and wife, doing
business as Sea Cliff Water Works, are engaged in the furnishing of
water service to residents in and about Seacliff Subdivision near
Aptos, Santa Cruz County.

It is alleged in the application that the rates now in
effect do not produce sufficient revenue to maintain the system nor
allow any reasonable return on the capital investment, therefore,
applicants ask the Public Utilities Commission of the State of
California for authority to increase rates.

A public hearing in this matter was held in Santa Cruz
before Examiner Ross.

The water system originally was installed to aid in the
development and sale of real estate near the town of Capitola, and
no charges were made for water service prior to the Commission's
Decision No. 20413, Application No. 14969, dated October 31, 1928.
This decision granted the Capitola Company a certificate of public
convenience and necessity to operate a public utility water system
and also established rates for the service. The system has changed

hands several times since 1928 and is now operated by applicants who took over the properties on July 8, 1947.

The water supply is obtained from three wells, all of which are equipped with deep-well turbine pumps direct connected to electric motors. The water from the wells is pumped directly into the distribution system with the surplus being delivered into a 75,000-gallon concrete reservoir. The distribution system consists of approximately 48,000 feet of steel and redwood pipe varying in size from one to six inches in diameter. As of June 30, 1948, there were 229 active services, 125 being metered and 104 served on a minimum meter rate basis.

Applicants' present rates consist of three schedules: a basic meter rate for domestic and commercial use, a non-metered construction rate, and a public-use rate providing a flat annual charge for fire hydrants together with a meter rate for other uses. No changes are proposed in the construction rate. The present basic meter rate provides minimum annual charges payable in advance ranging from \$12 for a 5/8 x 3/4-inch meter up to \$90 for a three-inch meter, entitling the user to 500 and 4,400 cubic feet per month, respectively, for any eight consecutive months of the year. For use beyond eight consecutive months, a minimum charge of \$1.50 per month is levied, including 500 cubic feet. The rate proposed reflects an increase of \$4 in each of the annual minimum charges for any eight consecutive months, and an increase of \$0.50 per month in the present minimum charge applying thereafter. No change in the monthly quantity rates in this schedule is requested. In the public-use rate the only change proposed is to increase the present fire hydrant charge from \$18 to \$24 per year. At the present time no revenue is being received from fire hydrants.

Applicants placed in the record figures on revenues and operating expenses as actually experienced for the period January 1

to June 30, 1948, together with a balance sheet as of June 30, 1948. Cross-examination developed the fact that the amount of about \$53,600 for fixed capital contained in the balance sheet reflected present-day reproduction cost rather than historical cost. Applicants did not offer any estimate of the effect of their proposed rates upon gross or net revenues.

The Commission's staff presented the results of a study made upon this water system, including estimates of revenues and expenses that would have been realized if the rates requested by applicants had been in effect for the 12-month period July 1, 1947 to June 30, 1948. In this estimate, expenses were adjusted to eliminate any abnormal items which would not be typical of a normal or average future year's operations. The results showed revenues of \$7,100 under the proposed rates, with attendant expenses of \$5,500, including taxes and depreciation, leaving a net operating revenue of \$1,600 which represented a return of 4.5% on the fixed capital. The fixed capital estimated by the staff as of June 30, 1948, amounted to \$35,500 and was based upon annual reports submitted to the Commission together with observations of the facilities and a study of the utility's capital records, to which was added the estimated cost of improvements under construction at the time of the survey. No itemized inventory was made. The results of operation under present rates for the same period showed revenues of \$5,750, expenses of \$5,300, and a net revenue of \$450, yielding 1.2% on the fixed capital. Accordingly, the requested rates would appear to increase gross revenues by approximately \$1,350.

Several objections were raised at the hearing with respect to pressure. It was developed that certain of applicants' newly-installed facilities are not yet operative, including the new well and the 75,000-gallon concrete reservoir, largely due to difficulty that applicants are experiencing in having the well tested preparatory to

selection of the proper pump size. When these facilities become operative, most of the pressure problems will be eliminated. Applicants testified that since acquiring the system in July, 1947 and up through the end of 1948, they will have invested approximately \$20,000 in capital improvements. Applicants stated that they are scheduling for the fall of 1948 a 2,200-foot length of four-inch main to replace the existing two-inch main along Sea Cliff Drive, which should improve pressures in that area materially. It was acknowledged that still further improvements will be needed, and it was indicated that no difficulties in financing them could be foreseen.

At the hearing it was proposed by certain customers that a differential in rates for so-called seasonal and all-year customers might be appropriate, but there appeared to be little basis for agreement as to what would constitute an appropriate season. The rate requested by applicants provides for annual minimum charges, collectible in advance, allowing the use of 500 cubic feet of water per month for any eight consecutive months, with a \$2 per month minimum charge for 500 cubic feet thereafter. It would appear that the cost to applicants of providing service to a given customer would not vary appreciably with the number of months' use of the service, because of the predominance of relatively unvarying costs in the total cost of service. It is concluded, therefore, that it would not be practicable and equitable to provide for such a differential.

It was suggested at the hearing that any rate increases granted applicants be made contingent upon the completion and full operation of the various improvements now under construction and scheduled for the near future. This Commission is cognizant of the desire of applicants' customers to be assured of good service. The improvements to service already accomplished are recognized as helpful and we will expect applicant to proceed toward completing the

other improvements with diligence. It is therefore felt that no public benefit would arise from a delay in granting applicants the relief sought.

It is concluded that the rates requested by applicants are proper rates and will not yield an unreasonable return, and, accordingly, the Order will provide for the adoption of these rates.

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,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Leo A. and Sophie A. Garske, husband and wife, doing business as Sea Cliff Water Works, in so far as they differ from the rates herein established, are unjust and unreasonable; that the rates herein established are just and reasonable rates to be charged for the service to be rendered; and 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 Leo A. and Sophie A. Garske, husband and wife, doing business as Sea Cliff Water Works, be and they are hereby authorized and directed to file in quadruplicate with this Commission in conformity with the Commission's General Order No. 96, within thirty (30) days from the effective date of this Order, the schedule of rates shown in Exhibit A appended hereto, such rates to become effective on and after the first day of October, 1948.

IT IS HEREBY FURTHER ORDERED as follows:

1. That Leo A. and Sophie A. Garske within forty (40) days from the effective date of this Order, shall file with

this Commission four sets of a suitable map or sketch, drawn to an indicated scale upon a sheet 8½x11 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 filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

2. That Leo A. and Sophie A. Garske within forty (40) days from 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 filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

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

Dated at San Francisco, California, this 3rd day of September, 1948.

R. F. Jordan
Justice J. Calver
Benjamin Potter

Commissioners

EXHIBIT A

Schedule No. 1

METER RATES

APPLICABILITY

For all water service rendered on a metered basis.

TERRITORY

In and about Seacliff Subdivision, near Aptos, Santa Cruz County.

RATES

The following Minimum Annual Charges, payable in advance, entitle the consumer to the maximum quantity of water for each month of a period of eight consecutive months in any calendar year as indicated by the size of meter used:

<u>Size of Meter</u>	<u>Maximum Allowance</u>	<u>Charge</u>
5/8 x 3/4-inch meter	500 cubic feet	\$16.00
3/4-inch meter	900 cubic feet	24.00
1-inch meter	1,100 cubic feet	28.00
1 1/2-inch meter	1,400 cubic feet	34.00
2-inch meter	2,400 cubic feet	54.00
3-inch meter	4,400 cubic feet	94.00

All use during other months, 500 cubic feet or less,
per month..... 2.00

Monthly Quantity Rates

For quantities of water per month in excess of 500 cubic feet, and
under 10,000 cubic feet, per 100 cubic feet..... 0.25

Over 10,000 cubic feet, per 100 cubic feet..... .20

The Company, however, reserves the right at any time to meter any or all services at its discretion, thereby discontinuing the minimum rate, and placing the consumer on a regular meter rate basis.

EXHIBIT A

Schedule No. 2

CONSTRUCTION RATES

APPLICABILITY

For all water service rendered for construction purposes.

TERRITORY

In and about Seacliff Subdivision, near Aptos, Santa Cruz County.

RATES

Flat Rates:

For each barrel of cement or lime used.....	\$0.10
For each 1,000 bricks laid.....	.10
For grading street and road work, per 100 square feet.....	.10
Settling fills and back filling trenches, per cubic yard of trench or embankment.....	.048

Meter Rates:

When use for this purpose is metered, the charge shall be made at the regular monthly quantity rates.

Schedule No. 3

PUBLIC USE CHARGES

APPLICABILITY

For all water service rendered for public use.

TERRITORY

In and about Seacliff Subdivision, near Aptos, Santa Cruz County.

RATES

Fire hydrant, on 3-inch mains and larger, annual charge.....	\$24.00
Street sprinkling and sewer flushing by tank wagon measurement of meter, per 100 cubic feet.....	.20