

Decision No. 44318

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 MABEL W. JACKS, an individual doing
 business as MONTE REGIO WATER SYSTEM,
 for authority to increase public
 utility water rates.

Application No. 30654

Douglas Brookman, for applicant;
Russell Zaches, City Attorney for
 the City of Monterey.

ORIGINAL

O P I N I O N

Mabel W. Jacks, doing business as the Monte Regio Water System, and engaged in the business of distributing and selling water for domestic and commercial purposes within the city limits of Monterey, asks the Commission for authority to increase the rates for water service. Applicant alleges that the water system operated at a loss during the years 1948 and 1949; that all water delivered is purchased from the California Water & Telephone Company,^{1/} which company serves the remaining and major portion of the City of Monterey; and that a recently authorized increase in rates granted that company will further increase applicant's losses.

A public hearing in this proceeding was held in Monterey before Examiner Kimball.

Romie C. Jacks, husband of applicant herein, installed the water system in 1926 to serve property which he was subdividing. This property, consisting of Monte Regio Tracts Nos. 1 and 3, includes some 135 acres, and is subdivided into 423 lots. The system was constructed to conform to the specifications of the Monterey County Water

^{1/} Hereinafter referred to as California Company.

Works, a predecessor in interest to California Company. However, as a result of failure to reach an agreement on the refunding of the costs of piping the Monte Regio subdivision, Mr. Jacks decided to operate the water system himself. Mr. Jacks operated the system until his death in 1948, and Mabel W. Jacks, who resides in San Mateo, has operated the system since that time.

The system obtains its water supply by purchase through a master meter from the system of the California Company. No storage facilities have been provided, as the California Company's storage regulates the supply. Water is distributed through some 33,700 feet of mains that vary in size from 6 inches to 2 inches in diameter. There were 215 consumers being served, as of December 31, 1949, all on a metered basis.

By Decision No. 40331, dated May 27, 1947, the Commission declared this water system to be a public utility, in proceedings involving a formal complaint filed by the Monterey Peninsula Association, and an investigation by the Commission instituted on its own motion. The decision permitted the owners of this water system to continue to charge the rates then in effect, which provided for a minimum charge of \$1.10 per month and an allowance of 300 cubic feet of water through a 5/8 by 3/4-inch meter. The charges for quantities over the minimum were reduced through two blocks to 25 cents per 100 cubic feet for all water used in excess of 1,000 cubic feet per month. A municipal fire hydrant rate provided for a charge of \$2.50 per hydrant per month.

The rates proposed by applicant include a minimum charge of \$2 per month for 300 cubic feet of water through a 5/8 by 3/4-inch meter, together with an additional service charge of 50 cents per meter per month, resulting in a total minimum monthly charge of \$2.50. Proposed quantity charges over the minimum allowance are reduced

through two blocks to 30 cents per 100 cubic feet per month for all water used in excess of 1,000 cubic feet per month. Although no increase in the fire hydrant rate was requested in the application, applicant amended the application at the hearing, and asked that the municipal fire hydrant rate be increased to \$3 per hydrant per month, which is now being charged by the California Company.

The City of Monterey, through its city attorney, objected to the proposed increase in rates on the grounds that the service furnished by applicant is not comparable with the service furnished by the California Company and that the California Company's recently authorized rates are much lower than those requested by applicant. The City also objected to any increase in the fire hydrant rate and showed through the testimony of its fire chief that the water supply and pressures are not adequate for good fire protection.

Testimony presented by applicant showed the results of operation of the system for the year 1948 and for the first seven months of 1949. The 1948 figures indicated an operating loss of \$8,247 for the calendar year. However, cross-examination disclosed that the expenses were unusually high during this year and that both the revenues and the capital were subject to some adjustments. The results of operation for the first seven months of 1949 showed an operating loss of \$1,441, according to applicant's testimony.

One of the Commission's engineers presented a report covering an investigation of the operations of this water system. The report indicated that the system operated at a loss during 1949 and would also operate at a loss during 1950, under present rates. However, the report shows an increase in recorded operating expenses from \$5,245 in 1947, when the system was under the management of Mr. Jacks, to \$15,543 in 1948, or an increase of nearly threefold. The report further shows the adjusted 1949 expenses as \$11,026, including

straight-line depreciation expenses of \$1,316. The 1949 expenses, excluding source of water supply, pumping, purification, taxes, and depreciation per customer, amounted to \$17.38, compared to a comparable figure of \$10.71 per customer for the California system. The evidence indicates that the system could reduce its expenses by having a local manager at Monterey, who could take care of the bookkeeping, billing, meter reading, and general office work.

The record indicates that applicant has computed depreciation expense using very short estimated lives, and that many capital items are shown on the system's records to be fully depreciated.

The record shows that the present distribution system was constructed to serve all of the lots in Monte Regio Tracts Nos. 1 and 3, but that only about half of these lots are being served at the present time. This situation raises a question as to the reasonableness of charging the present number of customers with the total investment in facilities that are capable of serving nearly twice as many users. Similarly, the operating expenses with the exception of the cost of purchased water would not be increased materially if all of the lots were being served.

In view of the high level of operating expenses, the depreciation practices followed by the system in the past, and the fact that the distribution facilities are capable of serving nearly twice the number of customers presently served, it is concluded that the rates requested by applicant would yield an excessive return. However, applicant is entitled to some relief, and the order herein will provide for rates which will increase revenues approximately \$2,050 annually, resulting in an increase of about 24% as compared with applicant's request for a 52% increase.

Two customers testified that periodically the water is dirty. One of these customers, who owns property in Monte Regio Tract No. 3

on Via Castanada, stated that during the summer months there were periods when no water was available at his premises. Although applicant showed that it has been necessary at times to shut down a portion of the system in order to repair mains, the record also shows that the pressures at this end of the system are low, owing to the distance from the source of supply. The pressure will continue to decrease as more customers are served in this area, unless water can be obtained from the California Company at some point near Monte Regio Tract No. 3. The dirty water is apparently due to sediment which has been allowed to collect in the mains over a period of years, as all water presently purchased from the California Company is filtered. It should be possible to clear up the dirty water condition by flushing the mains periodically.

The Monte Regio Water System, as a customer of the California Company, has been purchasing water at the general meter rate since the system was installed in 1926. The evidence of record in this proceeding clearly indicates that public interest requires the provision by the California Company of an additional connection near Monte Regio Tract No. 3, and the Commission is of the opinion that such installation should be provided within a reasonable period after application by Monte Regio Water System.

The following order will include a schedule of fire hydrant rates authorizing applicant to charge the City of Monterey the same rates for this service as the California Company is now authorized to charge in its service area.

O R D E R

Mabel W. Jacks, doing business as Monte Regio Water System, having applied to this Commission for an order authorizing increased rates, a public hearing having been held, the matter having been submitted and now being ready for decision,

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service rendered on a measured basis.

TERRITORY

In the subdivided tracts designated as Monte Regio No. 1, Monte Regio No. 2 and Monte Regio No. 3, situated within the city limits of the City of Monterey.

RATES

| Minimum Monthly Rates: | <u>Per Meter</u> <u>Per Month</u> |
|--------------------------------|--------------------------------------|
| For 5/8 x 3/4-inch meter | \$1.50 |
| For 3/4-inch meter | 1.75 |
| For 1-inch meter | 2.50 |
| For 1 1/2-inch meter | 5.00 |
| For 2-inch meter | 7.50 |
| For 3-inch meter | 14.00 |
| For 4-inch meter | 28.00 |
| For 6-inch meter | 40.00 |

Monthly Quantity Rates:

| | | |
|-------|--|--------|
| First | 300 cubic feet included in minimum charge. | |
| Next | 700 cubic feet, per 100 cubic feet | \$0.35 |
| Over | 1,000 cubic feet, per 100 cubic feet | 0.30 |

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.

Schedule No. 2

MUNICIPAL FIRE SERVICE

APPLICABILITY

Applicable to the City of Monterey.

TERRITORY

In the subdivided tracts designated as Monte Regio No. 1, Monte Regio No. 2, and Monte Regio No. 3, situated within the city limits of the City of Monterey.

RATES

Per Hydrant per month \$3.00

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order, in conformity with General Order No. 96, the schedule of rates shown in Exhibit A attached hereto, and, after not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after July 1, 1950.

IT IS HEREBY FURTHER ORDERED that within fifteen (15) days after the effective date of this order applicant shall apply to the California Water & Telephone Company for an additional 6-inch service connection in the vicinity of Monte Regio Tract No. 3, provided further that in the event California Water & Telephone Company has not completed the installation of said service connection within thirty (30) days after receiving application therefor, applicant shall notify this Commission in writing within ten (10) days thereafter in order that appropriate action may be taken.

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

Dated at San Francisco, California, this 20th day of June, 1950.

R. Z. [Signature]

[Signature]

[Signature]

[Signature]
Commissioners.