

ORIGINAL

Decision No. 45656

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of MONTEREY BAY WATER COMPANY	)	
for an order authorizing it to increase	)	
rates charged for water service in the	)	Application No. 31847
communities of Soquel, Capitola, Aptos	)	
and Opal and surrounding territory.	)	

James A. Harris, Jr. and J. H. Jameson for applicants; Howard C. White and Juston P. Follette for Methodist Summer Conference Association, interested party; Howard C. White as interested party.

O P I N I O N

In this application, filed October 18, 1950, James A. Harris, Jr. and the Estate of George W. Cooper, a partnership doing business as Monterey Bay Water Company, seek authority to increase rates charged for water served in the City of Capitola and the communities of Soquel, Aptos, Opal, and adjacent territories in Santa Cruz County.

A public hearing in this matter was held before Examiner Emerson in Capitola on April 18, 1951.

Applicant's present rates consist of four schedules of flat and meter rates, Schedule No. 1 being for general metered service on a monthly basis, Schedule No. 2 being a flat rate monthly service charge, Schedule No. 3 being for metered service on an annual rate for seasonal users, and Schedule No. 4 being a fire hydrant rental rate. Typical basic rates, as set forth in Schedule No. 1, together with the rates proposed by applicant are as follows:

<u>Minimum Monthly Charge</u>	<u>Water included in Minimum</u>	<u>Rate Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
5/8 x 3/4-inch meter	500 cubic feet	\$1.50	\$1.75
3/4-inch meter	700 cubic feet	2.00	2.50
1-inch meter	900 cubic feet	2.50	3.00
2-inch meter	2,000 cubic feet	5.00	6.00
3-inch meter	5,000 cubic feet	10.00	12.00
 <u>Monthly Quantity Charge</u>			
First 500 cubic feet or less		\$1.50	\$1.75
Next 1,000 cubic feet, per 100 cubic feet		.25	.30
Next 1,500 cubic feet, per 100 cubic feet		.20	.25
Next 2,000 cubic feet, per 100 cubic feet		.15	.20
Next 5,000 cubic feet, per 100 cubic feet		.10	.15
Over 10,000 cubic feet, per 100 cubic feet		.075	.10

Applicant's proposed quantity rates for the annual schedule are likewise 5 cents per 100 cubic feet higher than present rates, and a 25-cent per month increase is proposed in the flat rate monthly service schedule. No increase is requested in fire hydrant rates but the rate schedule, as proposed, would not be available to private individuals or private corporations as it is at present.

Historically the present water company maintained three separate divisions known as Aptos, Opal, and Soquel under separate rate schedules.<sup>1/</sup> Since 1945 the same schedules of rates have been applied on a system-wide basis and the company is now considered to have integrated water system operations.

Applicant and the Commission staff presented testimony relative to operating revenues, expenses, rate base and rate of return, the staff presentation being entered as Exhibit No. 1 in this proceeding. Since the establishment of applicant's present rates, operating expenses have increased from approximately \$29,000 in 1946 to over \$47,000 in 1950, primarily due to general increases in costs which have affected all individuals and businesses, and, secondarily, because of the need for

<sup>1/</sup> See Decision No. 38448 in Application No. 26566 for a description of the system.

chlorination of water for purification purposes. In this connection applicant's manager testified that since 1945 the cost of meters had increased 91%, pipe 70%, office rent 100%, lumber 150%, taxes 236%, and wages 81%. During the same period capital expenditures of about \$100,000 were necessitated to handle increased demands of new customers and relocation of certain facilities occasioned by new highway construction. Net operating revenues have declined from about \$14,000 in 1946 to approximately \$12,000 in 1950. Further capital additions are necessary and applicant avers that the declining earnings of the company preclude the obtaining of bank loans or the attraction of outside money to finance the needed new construction.

Applicant's testimony with respect to estimated operating revenues and expenses was based upon the water usage experienced during 1949 and was estimated only for the year 1950. The staff presentation was based upon an average of the past six years' ✓ experience and included an estimate for a normal year 1951. The results of operations, as recorded for 1950 and as estimated by the staff for 1951, are summarized as follows:

Item	5% Modified Sinking Fund Method			
	1950		1951	
	Pres. Rates	Prop. Rates	Pres. Rates	Prop. Rates
Operating Revenues	\$60,235	\$71,635	\$65,500	\$78,100
Operating Expenses	47,930	51,580	52,020	56,900
Net Operating Revenues	12,305	20,055	13,480	21,200
Rate Base - Depreciated	245,775	245,775	257,000	257,000
Rate of Return	5.01%	8.16%	5.24%	8.25%

While the above tabulation indicates that applicant is not earning a full return on its investment, it by no means indicates that applicant is in a precarious financial condition or that its customers need suffer for lack of service, as alleged by applicant, if the rates requested are not authorized.

It is evident that the rates proposed would yield an excessive return and they will not be authorized. However, applicant is entitled to some relief in the form of increased revenues in view of the need for an improved earning position in order to attract capital for contemplated system improvements and growth. The rates hereinafter ordered are designed to yield a return of 6.5% on an average depreciated rate base of \$257,000 and therefore will produce a gross revenue increase of about \$6,200 annually as compared to the requested increase of approximately \$11,500.

Of the 31 customers present at the hearing, none came forward to protest the requested rates but several complained of lack of water pressure. Complaint was also made regarding the inability of a group of about 16 residents to obtain water service from applicant. With respect to the low pressure complaints, applicant's witness testified that a new water main had been programmed for the relief of such complaints and that the physical work of main replacement would be accomplished during 1951. Such work should be undertaken and completed without delay.

With respect to the main extension necessary to supply the 16 or more residents on Capitola Avenue who have requested service, it is of record that the group are bona fide applicants located within the area in which the company holds itself out to serve water and that the required main line extension deposits had once been made but later refunded by the company. In this latter respect the company has stated that the extension would not justify the expenditure of funds but that in the near future it might be justified. The company has on file a rule and regulation which sets forth the terms under which line extensions will be made. Such rule and regulation is in full force and

effect and no evidence as to its inadequacy or inappropriateness in the instant or any other situation has been placed before us. The rule and regulation is equally binding upon the company and the person applying for service and, if the prospective customer properly complies and makes the required deposit, the company is obligated to establish service without any undue delay.

Representatives of the Methodist Summer Conference Association testified that during periods when their camp is in full session an adequate supply of water is not always available. Demands of the camp vary from those required by about 15 permanent residents to those of about 350 during the 3-month summer season. The camp is now served by means of a booster pump and a 2-inch water main through a single meter and the Association requests that the main be increased in size and capacity. It would appear that the large water demands of this camp during such a limited period might well place an unreasonable burden upon the balance of the water system and that the company would be justified in requiring special compensation for the special service rendered. From the testimony offered in this proceeding, however, we are of the opinion that the Association's problem can better and more equitably be met by the installation by the Association of an adequate storage tank for its own specialized water requirements than by the company's replacing a major portion of its transmission and distribution facilities, which are otherwise adequate, for the sole benefit of the Association.

O R D E R

James A. Harris and Estate of George W. Cooper  
(Monterey Bay Water Company) having applied to this Commission  
for an order authorizing increases in rates and charges for

water service rendered in the City of Capitola and the communities of Soquel, Aptos, Opal and adjacent territories in Santa Cruz County, a public hearing having been held and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that the existing rates, in so far as they differ therefrom are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission the schedules of rates attached hereto as Exhibit A, in conformance with General Order No. 96, and, after not less than five (5) days' notice to the public and this Commission, to make said rates effective for all water service rendered on and after June 10, 1951.

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

Dated at Los Angeles, California, this 8th day of May, 1951.

R. J. Anderson  
Justice F. Craven  
Harold A. Kula  
Bernice P. Pottel  
John E. Mitchell  
Commissioners.

EXHIBIT A  
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Schedule No. 1

GENERAL METER RATES

PERMANENT CONSUMERS

APPLICABILITY

Applicable to all water service rendered to permanent consumers on a metered basis.

TERRITORY

In and in the vicinity of Aptos, Rio Del Mar, Monte Toyon, Monterey Bay Heights, Soquel, Capitola and Opal, in Santa Cruz County.

RATES

Quantity Charge:	<u>Per Meter</u> <u>Per Month</u>
First 500 cubic feet or less.....	\$1.75
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
Over 5,000 cubic feet, per 100 cubic feet.....	.10
 Minimum Charge:	
For 5/8-inch meter.....	\$ 1.75
For 3/4-inch meter.....	2.50
For 1-inch meter.....	3.00
For 1 1/2-inch meter.....	4.00
For 2-inch meter.....	6.00
For 3-inch meter.....	12.00

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

EXHIBIT A  
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Schedule No. 2

ANNUAL METER RATES

ANNUAL RATES TO NONPERMANENT CONSUMERS

APPLICABILITY

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

TERRITORY

In and in the vicinity of Aptos, Rio Del Mar, Monte Toyon, Monterey Bay Heights, Soquel, Capitola and Opal, in Santa Cruz County.

RATES

Annual Minimum Charge for the calendar year, due January 1st and payable on or before April 1st of each year, which entitles the consumer 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..... \$18.00

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.....	.25
Next	1,500 cubic feet, per 100 cubic feet.....	.20
Next	2,000 cubic feet, per 100 cubic feet.....	.15
Over	5,000 cubic feet, per 100 cubic feet.....	.10

For the months January, February, March and December

First	200 cubic feet, included in annual charge.	
Next	300 cubic feet, per 100 cubic feet.....	.35
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
Over	5,000 cubic feet, per 100 cubic feet.....	.10



EXHIBIT A  
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Schedule No. 3

GENERAL FLAT RATES

APPLICABILITY

Applicable to all present service rendered on a flat rate basis. This schedule is closed to new consumers. No new consumer will be served on a flat rate basis and all flat rates will be discontinued when such flat rates as now exist have been metered.

TERRITORY

In and in the vicinity of Aptos, Rio Del Mar, Monte Toyon, Monterey Bay Heights, Soquel, Capitola and Opal in Santa Cruz County.

RATES

	<u>Per Month</u>
For each residence or individual business unit.....	\$2.00

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.

TERRITORY

Within the entire territory served by the company, located within the limits of a duly organized fire district.

RATES

Per Month

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