

ORIGINAL

Decision No. 47203

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
CALIFORNIA WATER & TELEPHONE COMPANY)
to increase rates for water service)
in its Monterey Peninsula Division.)

Application No. 33106

Appearances for Applicant: Claude N. Rosenberg and
Hudson, Martin, Ferrante and Street by W. L. Rudson.

Protestants: Monte Regio Water System by Douglas Brookman;
Water Consumers Committee by S. Pedder; and E. Jones, Jr.;
City of Monterey by R. Zaches; City of Carmel-by-the Sea
by Thomas R. Perry; City of Pacific Grove by R. E. Foster;
County of Monterey by Burr Scott; Water Users by Zenas L.
Potter; Monterey Peninsula Garden Club by Mrs. W. M. O'Donnell;
Monterey Bowl by C. E. Brooks, Brooks & Winter.

Interested Parties: Owens-Illinois Glass Company by
M. E. Sinclair.

Commission Staff: Harold J. McCarthy, Senior Counsel;
C. G. Ferguson, Supervising Engineer; and John F. Donovan,
Asst. Director, Dept. of Finance and Accounts.

INTERIM OPINION AND ORDER
DENYING MOTION FOR INTERIM INCREASE

California Water & Telephone Company, operating water and telephone systems at various locations in California, on February 4, 1952 filed the above-entitled application for authority to increase rates for water service in its Monterey Peninsula Division by \$296,000 annually, or by approximately 40% based on the 1951 level of business. After due notice public hearings were held on this application at Monterey on April 30, 1952 and May 1, 1952 before Examiner M. W. Edwards, on which dates applicant's case was presented and certain cross-examination for clarification was undertaken by the parties.

Near the close of the hearing on May 1, 1952 the applicant made a motion seeking an immediate order of the Commission authorizing the proposed higher rates on an interim basis pending final determination of the case. Applicant's position in this matter was that it would be some time before the case could be completed and a final order issued by the Commission, and that in the meantime the earnings in the division would fall so low as to create an emergency condition, since it would be unable to finance new construction and borrow money on favorable terms with such low earnings.

Applicant's motion for interim relief was opposed by the several protestants, many of whom placed statements and arguments into the record to show that an emergency condition did not exist.

In reviewing the record to determine whether or not the applicant may be entitled to interim relief it was found that approximately 10% of the sales in the division are for nonutility purposes to the Del Monte Properties. Such sales are on contract rates and account for only some 3% of the revenue of the division.

The applicant did not furnish a cost-of-service study to show that the nonutility service was not burdening the utility operations of the system. In lieu of a cost study it figured the revenue from the nonutility business on the regular meter rate and showed that the revenue on such basis would increase from approximately 3% to 7% of the division's total revenues. This method had been used by the Commission's staff in the last rate case^{1/} in its computation of proper utility rate levels.

While such a method of arriving at the cost of furnishing the nonutility service may give a true picture, it must be realized that this customer is large and a sizable amount of service would be

1/ Decision No. 43856, Application No. 30025, dated February 20, 1950.

taken at the terminal rate level. ~~By this method, if the terminal~~ ^{P. 1. 2}
~~rate level.~~ By this method, if the terminal level on the meter rate
did not cover the cost of service based on the demand, commodity,
load factor and utilization characteristics and investment assignable
to this one customer, we might be unduly penalizing the regular
utility customers in authorizing an interim increase in utility rates
without a cost-of-service analysis.

In the absence of such a cost study we conclude that
applicant's showing is not complete and that its motion for interim
relief should be denied at this time. In our opinion this subject is
of sufficient importance to justify an order to the applicant to
prepare and present such a study at the next public hearing scheduled
for June 16, 1952 at Monterey or at some later date.

IT IS HEREBY ORDERED that the motion for interim relief
made by the California Water & Telephone Company is denied without
prejudice.

IT IS HEREBY FURTHER ORDERED that the California Water &
Telephone Company in connection with its showing in this rate case
shall prepare and submit a functional cost analysis of its Monterey
Division showing costs segregated by demand, commodity, customer

components and nonutility functions, and allocated to the various classes of service listed in Exhibit No. 9 in this proceeding for the year 1951 operations.

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

Dated at San Francisco, California, this 27th day of May, 1952.

R. J. [Signature]
President.
Justin F. [Signature]
Harold [Signature]
[Signature]
[Signature]
Commissioners.