

ORIGINALDecision No. 49999

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of the C. L. BELTZ WATER SYSTEM) Application No. 34189
for an Order Authorizing an)
Increase in Rates for Water Service)

John C. Luthin, for applicant.
C. Garrity, for the Commission staff.

O P I N I O N

By the above-entitled application, filed March 27, 1953, Chester L. Beltz seeks an order of this Commission authorizing increases in rates and charges for water service rendered in an unincorporated area of about one square mile, located approximately four miles east of the City of Santa Cruz.

A public hearing in this matter was held before Examiner Emerson on September 30, 1953, at Santa Cruz. A number of customers were in attendance and four offered testimony respecting service conditions.

Applicant's Position and Request

By this rate proposal applicant seeks an increase in annual gross revenues of about \$3,200, an amount which, on the basis of 1953 usage, he estimates will be sufficient to increase his rate of return from 3.2 per cent to 6.5 per cent on his claimed investment of approximately \$72,500 in water properties. The record in this proceeding shows that applicant's earnings have been steadily declining in recent years as the result of almost constant increases in costs which affect nearly every phase of operations. Costs of operation have increased at a greater rate than have revenues, thus allegedly leaving applicant in a worsened financial position each year.

Applicant's present rates were made effective in mid-1949. At that time it was anticipated that the spiraling increases in costs of operation might tend to level off. Such a desirable situation has not occurred and applicant finds that he must seek a further increase in water rates.

A comparison of applicant's basic rates and charges, as presently effective and as proposed, is as follows:

| | <u>Present Rates</u> | <u>Proposed Rates</u> |
|---|----------------------|-----------------------|
| Annual minimum charge including quantity of 500 cu.ft. per month for nonpermanent residents | \$20.00 | \$24.00 |
| Monthly charge, 5/8 x 3/4-inch meter: | | |
| 500 cubic feet | \$1.75 | \$2.10 |
| 1,000 cubic feet | 2.75 | 3.10 |
| 2,000 cubic feet | 4.75 | 5.10 |
| 4,000 cubic feet | 7.15 | 8.10 |
| 10,000 cubic feet | 13.15 | 14.10 |

Under the rates proposed by applicant the average permanent water user would experience an increase of about 14.6 per cent in his water bill while the average nonpermanent resident's increase would amount to 20 per cent. Applicant serves 750 active service connections of which 532 are metered.

Applicant supplies fire hydrant service for about ten hydrants, under a contract with the local fire protection district. No increase in charges for such service is sought in this application.

Summary of Presentations

The tabulation below is a summary of the presentations respecting results of operations as made by applicant and the Commission staff.

| | <u>Applicant</u> | <u>CPUC Staff</u> |
|------------------------|------------------|-------------------|
| <u>Year 1952</u> | | |
| Operating Revenues | \$21,031 | \$21,031 |
| Operating Expenses | | |
| Before Taxes and Depr. | 13,040 | 13,690 |
| Taxes | 1,475 | 1,230 |
| Depreciation | 3,860 | 3,420 |
| Total Oper. Expenses | 18,375 | 18,340 |
| Net Revenue | 2,656 | 2,691 |
| Rate Base (Depr.) | 72,303 | 64,835 |
| Rate of Return | 3.7% | 4.2% |

| Year 1953 | Present Rates | | Proposed Rates | |
|------------------------|---------------|------------|----------------|------------|
| | Applicant | CPUC Staff | Applicant | CPUC Staff |
| Operating Revenues | \$22,230 | \$21,715 | \$25,465 | \$25,057 |
| Operating Expenses | | | | |
| Before Taxes and Depr. | 14,183 | 14,180 | 14,189 | 14,190 |
| Taxes | 1,578 | 1,360 | 2,466 | 2,305 |
| Depreciation | 4,120 | 3,500 | 4,120 | 3,500 |
| Total Oper. Exps. | 19,881 | 19,040 | 20,775 | 19,995 |
| Net Revenue | 2,349 | 2,675 | 4,690 | 5,062 |
| Rate Base (Depr.) | 72,535 | 65,138 | 72,535 | 65,138 |
| Rate of Return | 3.2% | 4.1% | 6.5% | 7.8% |

Analysis of Presentations

As will be noted from the summary tabulation, the major differences in the two presentations occur in rate base, depreciation and tax computations. Basically such differences arise from the staff having excluded certain nonutility property from fixed capital, from having reduced the land area claimed by applicant to parcels only sufficient in size to contain and protect pump and storage tank sites, and from adjustment of taxes to exclude nonutility taxes. The staff adjustments in the main appear to be reasonable and will be adopted herein.

In view of the record, we find the following tabulation to be a reasonable estimate of the results of 1953 operations under present and proposed water rates.

| Year 1953 | Present Rates | Proposed Rates |
|-------------------------|---------------|----------------|
| Operating Revenues | \$22,000 | \$25,200 |
| Operating Expenses | | |
| Before Taxes and Depr. | 14,180 | 14,190 |
| Taxes | 1,360 | 2,310 |
| Depreciation | 3,500 | 3,500 |
| Total Oper. Expenses | 19,040 | 20,000 |
| Net Revenue | 2,960 | 5,200 |
| Rate Base (Depreciated) | 66,000 | 66,000 |
| Rate of Return | 4.5% | 7.9% |

From the above it is apparent that this utility is entitled to an improvement in its earning position. Applicant's requested rates, however, would produce a rate of return in excess of a reasonable return. A lesser increase than that requested will be authorized.

Customer Participation

Four of applicant's customers testified at the hearing in this matter. In the main, they complained about past and present service conditions relative to muddy water and low pressure. In addition, complaint was made regarding an odor to the water. One customer objected to the present situation wherein some customers are metered while others are served at flat rates, and charged that discrimination resulted from applicant's policy respecting metering.

In response to these complaints and comments applicant testified that the well water had a high mineral content which had a tendency to accumulate deposits in the lines and in the storage tank. He attributed the occasional odor to sulphur and stated that he was unable to eliminate it. He further testified that, as a routine matter, regular and frequent flushing of mains was undertaken. He offered no better solution to the problem of satisfying these complaints.

With respect to pressure complaints applicant indicated that his elevated storage tank, on a tower 112 feet above the ground, should provide a differential or static pressure head sufficient adequately to supply all consumers, including those at the higher elevations of the service area. He attributed low pressure complaints to localized conditions and promised an investigation of their causes.

The utility's policy with respect to the metering of customers has been to install meters on premises whose lot frontage exceeds 50 feet. Applicant claimed such policy resulted from economic necessity since he has not capital funds sufficient to purchase meters for the entire system. Applicant intends to increase the number of meters as funds become available, however. It is estimated that a complete metering program would require additional

capital approximating \$6,000. He claimed that such a total expenditure could not be justified economically and that the increased revenues to be derived, if any, would not produce a reasonable return on the added investment. Although partial metering of a system is an objectionable situation to a few of the customers whose water usage is metered, if fairly and impartially administered such partial metering properly will meet or balance the economic conditions mentioned by applicant and by permitting lower total costs of capital, operation and maintenance insure somewhat lower water rates for all consumers. Neither applicant nor his consumers should condone the wastage of water.

Conclusions

From the record in this proceeding we find no element of discrimination respecting the metering practices of applicant. However, we are of the opinion that a more acceptable situation may result from a policy whereby installation of meters is based upon lot area rather than upon lot frontage and the tariffs hereinafter authorized will so provide.

Elimination of sulphurous odors from the water is possible by means of aeration or chlorination or a combination thereof. Accumulation of sandy or muddy sediments or other deposits may be controlled and their undesirable effects lessened by proper flushing of mains. Applicant will be expected to undertake the measures necessary to improve present conditions respecting these items. In addition applicant will be required to make certain pressure checks and report the results thereof to this Commission.

We shall authorize rates which, on the basis of the estimated 1953 water usage of record in this proceeding, should produce gross revenues of \$24,000. After deduction of reasonable operating expenses, including provision for taxes and depreciation,

totaling \$20,010, a net revenue of \$3,990 will result and yield an indicated rate of return of 6.05 per cent on an average depreciated rate base of \$66,000. We find such rate base and rate of return to be reasonable.

Applicant will be required to file a revised and modernized set of rules together with current forms used in connection with service to its customers.

The Commission staff recommended that applicant adopt the remaining life method of computing depreciation accruals. Applicant made no objection to such method and its adoption, therefore, will be ordered.

Authorized Rates

The rates hereinafter authorized should increase annual gross revenues by approximately \$2,250. The new schedules are designed equitably to balance consumer interests. By them the flat rate water usage will be billed at an average rate, the metered usage at a somewhat lesser rate as a minimum but increasing in proportion to consumption. Summer resort or other nonpermanent residents will be charged on the basis of the average rate with due recognition being accorded their shorter periods of demand. By such spreading of rates all consumers will bear their proportionate and reasonable share of meeting the utility's revenue requirements.

The new basic rates will be as follows:

| | |
|---|---------|
| Summer Resort and Nonpermanent Residents: | |
| For 10 months' service..... | \$21.50 |
| Permanent Resident, Flat Rate: | |
| Annual service | 25.80 |
| General Metered Service: | |
| Annual minimum (incl. 500 cu.ft. per mo.) | 24.00 |
| Monthly quantity charge: | |
| 501-1,500 cu.ft., per 100 cu.ft. | .20 |
| 1,501-3,500 cu.ft., per 100 cu.ft. | .15 |
| Over 4,000 cu.ft., per 100 cu.ft. | .10 |

All domestic service supplied to any premises whose area is in excess of 4,000 square feet will be metered. All commercial service, irrespective of premises area will be metered.

O R D E R

Chester L. Beltz having applied to the Commission for an order authorizing increases in rates and charges for water service rendered in Santa Cruz County, public hearing thereon 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, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission the schedules of rates and charges set forth in Appendix A attached to this order, in conformance with General Order No. 96 and, after not less than five days' notice to the public and to this Commission, to make said rates and charges effective for all water service rendered on and after December 1, 1953.
2. Applicant is authorized to render additional billings, to those customers who have prepaid their 1953 minimum annual or seasonal bills, representing one twelfth the increase between the minimum charges set forth in Appendix A attached hereto and the minimum charges set forth in the rates being replaced.
3. Effective not later than January 1, 1954, applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; further, applicant shall review such accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.
4. Within ninety days from and after the effective date of this order applicant shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not smaller than

200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location and composition of the various properties of applicant.

- 5. Applicant shall obtain pressure gauge readings, at intervals not exceeding two hours between 7 a.m. and 7 p.m., of the pressure available at the following listed locations on the dates indicated. A record of said readings shall be forwarded to this Commission not more than ten days thereafter.

| <u>Location</u> | <u>Date</u> |
|--|-------------|
| 600 Thirty-Sixth Avenue | November 21 |
| | November 23 |
| Vicinity of Soquel and Thirty-Eighth Aves. | November 23 |
| Vicinity of Soquel and Forty-First Aves. | November 23 |

- 6. Within sixty days from and after the effective date of this order applicant shall file with this Commission and in conformance with General Order No. 96, four copies of rules and regulations reflecting present-day operations and relations with its patrons together with currently used forms pertaining thereto and four copies of a tariff service area map.

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

Dated at Los Angeles, California, this 17th day of October, 1953.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated communities situated between 41st Avenue and Corcoran Lagoon, and Monterey Bay and Lower Soquel Road, approximately 4 miles east of Santa Cruz, Santa Cruz County.

RATES

| Monthly Quantity Rates: | Per Meter per Month |
|--|------------------------|
| First 500 cu.ft. or less | \$2.00 |
| Next 1,500 cu.ft., per 100 cu.ft. | .20 |
| Next 2,000 cu.ft., per 100 cu.ft. | .15 |
| Over 4,000 cu.ft., per 100 cu.ft. | .10 |
| Annual Minimum Charge: | Per Meter per Year |
| For 5/8 x 3/4-inch meter | \$24.00 |
| For 3/4-inch meter | 36.00 |
| For 1-inch meter | 48.00 |
| For 2-inch meter | 96.00 |
| For 3-inch meter | 180.00 |

The Annual Minimum Charge will entitle the consumer to a monthly quantity of water which one twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during the 12-month period commencing January 1 and are due in advance. A customer who has established his permanency by having taken service for the preceding 12 months may elect to pay the annual minimum charge on a monthly basis equal to one twelfth of the annual minimum charge.

Schedule No. 1

GENERAL METERED SERVICE

SPECIAL CONDITIONS --contd.

2. For initial service the above annual minimum charge will be prorated.

3. When the annual minimum charge is paid annually in advance, charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly, or quarterly at the option of the utility on a noncumulative monthly consumption basis.

Schedule No. 2

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished to residential consumers who reside permanently in the service area.

TERRITORY

The unincorporated communities situated between 41st Avenue and Corcoran Lagoon, and Monterey Bay and Lower Soquel Road, approximately 4 miles east of Santa Cruz, Santa Cruz County.

RATES

| | |
|--|--|
| | For Each 3/4-inch Service Connection <u>per Year</u> |
| For each single family residence, including premises the area of which is not over 4,000 square feet | \$25.80 |

SPECIAL CONDITIONS

1. The above annual residential flat rate applies to service during the 12-month period commencing January 1 and is due in advance. A customer who has established his permanency by having taken service for the preceding 12 months may elect to pay the annual flat rate charge on a monthly basis equal to one twelfth of the annual flat rate.
2. For initial service the above annual charge will be prorated.
3. All service not covered by the above classification will be furnished only on a metered basis.
4. Meters may be installed at option of utility or customer in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 3

SEASONAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished to residential consumers not permanent residents of the service area who require water service during the summer or vacation period, week ends and holidays.

TERRITORY

The unincorporated communities situated between 41st Avenue and Corcoran Lagoon, and Monterey Bay and Lower Sequel Road, approximately 4 miles east of Santa Cruz, Santa Cruz County.

RATES

For Each 3/4-inch
Service Connection
per Year

For any ten consecutive months beginning
and ending in the same calendar year:

For each single family residence, includ-
ing premises the area of which is not
over 4,000 square feet \$21.50

SPECIAL CONDITIONS

1. The above seasonal residential flat rate applies to service during the 12-month period commencing January 1 and is due in advance.
2. For initial service the above seasonal charge will be prorated.
3. All service not covered by the above classification will be furnished only on a metered basis.
4. Customers who have paid the above seasonal charge may obtain service during any of the remaining months in the calendar year for \$2.15 per month upon notice to the utility stating the months that such service is desired.
5. Meters may be installed at option of utility or customer in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 4

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service rendered to duly organized or incorporated fire districts when contracts have been entered into for such service.

TERRITORY

The unincorporated communities situated between 41st Avenue and Corcoran Lagoon, and Monterey Bay and Lower Sequel Road, approximately 4 miles east of Santa Cruz, Santa Cruz County.

RATES

| | |
|--|------------------|
| | <u>Per Month</u> |
| Flat rate charge for each hydrant | \$1.50 |
| | <u>Per Year</u> |
| Flat rate charge for use of flush gates and outlets | \$10.00 |

SPECIAL CONDITIONS

1. Charges under this schedule are due and payable quarterly on presentation of bill.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
3. The utility will supply only such water at such pressures as may be available from time to time as a result of its normal operation of the system.