

Decision No. 40194

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

CALIFORNIA WATER SERVICE COMPANY,
a corporation,

for an order authorizing it to increase
rates in certain classifications charged
for water service in South San Francisco.

Application No. 27575

McCutchen, Thomas, Matthew, Griffith & Greene,
by Henry D. Costigan and
Robert M. Brown, for Applicant.

Brobeck, Falger & Harrison, by
James S. Moore, Jr., and R. E. Clarke,
for South San Francisco Manufacturers
Association.

O P I N I O N

California Water Service Company, a corporation, is engaged in the public utility water business in several cities and towns in California and through its South San Francisco system supplies water for domestic and industrial use in and in the vicinity of South San Francisco, San Mateo County.

In this proceeding the company alleges that the decline in production of its own well sources of supply renders it necessary to make up the deficiency through purchase of water from the City and County of San Francisco. Effective September 1, 1945, the City of San Francisco increased its water charges to consumers located outside of its city limits, including the applicant company, by approximately 18 per cent, resulting in the sale by the company of water in excess of 150,000 cubic feet per month under its now existing schedule of rates at less than the cost of purchased water. Request is made that the schedule of rates heretofore established by this Commission in 1925 and voluntarily reduced by the

company in 1932, be reinstated, which change will affect only those consumers using in excess of 150,000 cubic feet of water per month.

Public hearings in this matter were held in South San Francisco and in San Francisco before Examiner MacKell.

The water system in South San Francisco in former years obtained its entire water supply from its own well fields. For many years last past however the company has been forced to purchase increasing quantities of water from the City of San Francisco. The testimony of Mr. F. C. Horrmann and Mr. A. Kempkey, consulting engineers appearing on behalf of the company, indicated that the net safe yield of the utility's wells, to prevent salt water intrusion, is a maximum of 60 million gallons per month, or 720 million gallons per year. Actual pumpage for 1946 was 739.176 million gallons. Water purchased from the City of San Francisco in 1946 amounted to 415.319 million gallons, exclusive of water purchased for resale to Western Pipe and Steel Company under special contract which amounted to 40.334 million gallons. The total amount of purchased water in 1946 was 455.653 million gallons. The company, therefore, during 1946 was required to purchase 56.19 per cent of the water supply necessary to meet the consumer demand, exclusive of Western Pipe and Steel Company which is not affected by this proceeding as said steel company's special contract, filed with this Commission, already provides for payment for water service on the basis of cost of water at purchase price from the City of San Francisco plus certain additional service and delivery charges.

Documentary evidence and testimony on system performance were presented by Mr. George L. Williams, vice president of applicant company, and Mr. Vernor R. Muth, one of the Commission's engineers. From the record, the Commission's engineer reported the estimated historical cost of the operative properties, as of December 31, 1946, to be \$860,547 after deducting \$60,696 for donations in aid of construction and consumer advances.

The gross revenues for 1946, presented by the company, were \$203,702, and expenses, including depreciation on the 5 per cent sinking fund basis, amounted to \$175,593. This indicates a net return of 3.4 per cent on the average capital investment reported by the company to be \$824,904 for 1946. The net return on the company's estimated average capital investment for 1947, using the new rates as proposed, was estimated to yield a return of 4.8 per cent.

Upon the basis of the studies of operation presented by the Commission's engineer, using the actual revenues received of \$203,702 and expenses of \$177,507, including depreciation, the operations of the utility for the year 1946 resulted in a net return of 3.04 per cent upon the capital investment of \$850,547 as of December 31, 1946.

The evidence presented by the company gave the average cost of all water delivered as 12.0¢ per 100 cubic feet, the range being from 18.4¢ for monthly use of 1,000 cubic feet to 10¢ at the 150,000 cubic foot level and 9.9¢ at 350,000 cubic feet. These figures are subject to certain minor corrections.

Set out below is a comparison of the present and proposed rate schedules, the proposed schedule being identical with that established by the Commission in Decision No. 15506, dated October 9, 1925.

<u>Monthly Meter Rates:</u>		<u>Present</u>	<u>Proposed</u>
From	0 to 500 cubic feet; per 100 cubic feet	\$0.25	\$0.25
	500 to 2,000 cubic feet; per 100 cubic feet	.22	.22
	2,000 to 50,000 cubic feet; per 100 cubic feet	.13	.13
	50,000 to 150,000 cubic feet; per 100 cubic feet	.11 $\frac{1}{2}$.11 $\frac{1}{2}$
	150,000 to 350,000 cubic feet; per 100 cubic feet	.09 $\frac{1}{2}$.11 $\frac{1}{2}$
	All over 350,000 cubic feet; per 100 cubic feet	.077	.11 $\frac{1}{2}$

From the figures set out above, a comparison with the present rate schedule plainly shows that consumers using water from 150,000 cubic feet per month are actually receiving water at less than cost. These consumers should bear their fair share of the costs of water service. The original schedule of rates established by this Commission so provided. At the time the company voluntarily reduced its industrial rate, at the insistence of civic leaders, officials and

manufacturers to encourage local industrial development, the conditions then existing did not present the problem of unfair discrimination. However, with the greatly increased cost of labor and materials, together with the increased charges now paid for purchased water resulting from the new schedule of rates promulgated by the City and County of San Francisco, wherein the lowest bracket is 11.8 cents per 100 cubic feet and then only for use above 330,000 cubic feet per month, no alternative presents itself other than to grant the increase as requested and reinstate the former schedule of rates established in 1925. The spread of rates in this schedule appears still to be proper at this time and also is fair and reasonable under existing conditions.

The request of counsel for the South San Francisco Manufacturers Association that the industrial load was entitled to, and should be supplied directly from the company's wells under charges based upon well production costs, would leave to the domestic and small commercial consumers the full burden of supporting higher costs of purchased water, which obviously is neither fair nor reasonable.

O R D E R

Application as entitled above having been filed with the Public Utilities Commission of the State of California, public hearings 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 California Water Service Company, a corporation, for water supplied to its customers in the City of South San Francisco, San Mateo County, and territory immediately contiguous thereto, are unjust and unreasonable in so far as they differ from the rates established herein, and that the rates herein established are just and reasonable rates to be charged for the service rendered, and basing its Order upon the foregoing finding of fact and upon further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that California Water Service Company, a corporation, be and it is hereby authorized to file with the Public Utilities Commission of the State of California, within sixty (60) days from the date of this Order, the following schedule of rates to become effective on and after the first day of May, 1947:

Schedule No. 1

METER RATES

Applicability:

Applicable to all water service furnished on a metered basis.

Territory:

In the City of South San Francisco, San Mateo County, and territory immediately contiguous thereto.

Rates:

	<u>Per Meter</u> <u>Per Month</u>
<u>Monthly Quantity Charge:</u>	
First 500 cubic foot or less	\$1.25
Next 1,500 cubic foot; per 100 cubic foot22
Next 48,000 cubic foot; per 100 cubic foot13
Over 50,000 cubic foot, per 100 cubic foot11 $\frac{1}{2}$
<u>Monthly Minimum Charge:</u>	
For 5/8-inch meter	\$1.25
For 3/4-inch meter	1.75
For 1-inch meter	2.50
For 1 $\frac{1}{2}$ -inch meter	4.50
For 2-inch meter	6.00
For 3-inch meter	12.00
For 4-inch meter	20.00
For 6-inch meter	35.00
For 8-inch meter	55.00
For 10-inch meter	78.00

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

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

Dated at San Francisco, California, this 22nd day of April, 1947.

Harold P. Gula

James Russell

A. J. [unclear]

Francis P. [unclear]
Commissioners.