

ORIGINAL

Decision No. 45307

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 charged for water service in the systems serving Atherton, Menlo Park, Woodside, San Carlos, San Mateo, South San Francisco and Broadmoor.

Application No. 32015

McCutchen, Thomas, Matthew, Griffiths, and Greene, by Robert Minge Brown, for applicant; Helen Negrin, protestant; M. W. Reece for Manufacturers' Association of South San Francisco, interested party; George Faulstich, for San Carlos Manor Water System, interested party.

O P I N I O N

In this application California Water Service Company requests authority to increase rates charged for water service in its Bear Gulch (Atherton, Menlo Park, and Woodside), San Carlos, San Mateo, South San Francisco, and Broadmoor districts, made necessary by an increase in the water rates charged by the Water Department of the City of San Francisco to its consumers on the San Francisco Peninsula. Water purchased from the San Francisco Water Department is a principal source of supply for all systems operated by applicant on the San Francisco Peninsula and in some systems is the sole source of water supply. On January 2, 1951, the City and County of San Francisco adopted a revised rate schedule effective February 1, 1951, increasing the rates charged to large consumers on the San Francisco Peninsula. The effect on applicant is to increase the cost of water purchased from the San Francisco Water Department by an amount of 4.2¢ per 100

cubic feet for all water deliveries over 333,300 cubic feet per month at its various points of delivery.

Based upon the estimated quantities of water to be purchased for the year 1951, applicant has computed the effect of this rate increase upon its operating expenses in its peninsula districts, as follows:

Bear Gulch District	\$ 69,450
San Carlos District	34,380
San Mateo District	94,930
South San Francisco District	42,110
Broadmoor District	<u>6,040</u>
Total	\$246,910

The above increases exceed 50% of applicant's entire annual net income from these districts for the 12 months ended November 30, 1950. This application limits the proposed rate increases to the increase in costs of purchased water in these seriously affected districts. In preparing proposed revised rate schedules, applicant has added the approximate estimated average increase in unit costs to the existing rates per 100 cubic feet in each rate block. Proportionate increases in monthly minimum charges are also proposed for Bear Gulch, San Carlos, and South San Francisco. The service charge in the San Mateo and Broadmoor tariffs will remain unchanged. Applicant requests that the Commission authorize the establishment of the revised rates for the districts listed above, to become effective commencing February 1, 1951.

A public hearing on this application was held in San Carlos on January 22, 1951, by Examiner O'Brien.

The rates now in effect in applicant's Bear Gulch District were authorized by this Commission's Decision No. 43878, dated March 7, 1950, in Application No. 30049 (49 Cal. P.U.C. 463), and have been in

effect since April 1, 1950. The basic rates in the San Carlos District were established by Decision No. 21664, dated October 10, 1929, in Case No. 2661 (33 CRC 614), since modified by a filing made effective July 11, 1944, providing for a 10% reduction to be applied to the amount by which each monthly bill exceeds the minimum charge. The rates in the San Mateo District have been in effect since February 15, 1950, established by Decision No. 43697, dated January 17, 1950, in Application No. 30270. The present rates in the South San Francisco District have been in effect since April 16, 1949, authorized by Decision No. 42584, dated March 8, 1949, in Application No. 29615. The rates for service in the Broadmoor District were originally established by Decision No. 39328, dated August 13, 1946, in Application No. 27696, since which time service charges have been reduced by a filing made effective February 19, 1950.

At the hearing applicant introduced testimony concerning the results of its operations in these districts, based on its present effective rate schedules. The following table summarizes operating results and rate of return for the five districts, based on revenues and expenses as recorded for the 12 months ended November 30, 1950:

Item	<u>Recorded Operating Results</u> <u>12 Months Ended November 30, 1950</u>				
	<u>Bear Gulch District</u>	<u>San Carlos District</u>	<u>San Mateo District</u>	<u>South San Francisco District</u>	<u>Broadmoor District</u>
Total Operating Revenues	\$542,683	\$255,867	\$695,233	\$350,270	\$ 57,494
Oper. Expenses (Exc. Income Taxes)	359,956	190,089	497,322	252,118	39,230
Fed. & State Income Taxes (Est.)	46,519	14,581	47,296	25,280	4,972
Net Operating Revenues	136,208	51,197	150,615	72,872	13,292
Average Rate Base	2,489,300	1,008,000	3,030,000	1,266,200	218,500
Per Cent Return	5.47%	5.08%	4.97%	5.76%	6.08%

To reflect the rate changes which occurred during the 12-month period, applicant adjusted its recorded operating revenues for the Bear Gulch, San Mateo, and Broadmoor districts to show the results of these rate changes had they been in effect for the entire 12-month period. Applicant also adjusted its operating expenses to show the annual effect of known changes in expenses which will be experienced in the future, namely:

- a. In the Bear Gulch District the cost of purchased water was adjusted for the average amount of water which can be produced from its surface supply.
- b. Pumping costs were increased to reflect the increased rate for electric power which became effective during the 12-month period.
- c. General expenses were increased to reflect the upward costs of the new pension and retirement plan which was put into effect November 1, 1950.
- d. Federal income taxes have been re-estimated on the basis of the rates which have been established by federal and state authorities effective for the year 1951.

The results of these adjustments in operating revenues and expenses for the same 12 months ended November 30, 1950 and the effect upon the rate of return in the five districts is shown in the following summary:

Item	Adjusted Operating Results				
	12 Months Ended November 30, 1950				
	Bear Gulch District	San Carlos District	San Mateo District	South San Francisco District	Broadmoor District
Total Operating Revenues	\$555,109	\$255,867	\$709,381	\$350,270	\$ 56,596
Oper. Expenses (Exc. Income Taxes)	373,410	191,446	500,233	253,891	39,526
Fed. & State Income Taxes (Est.)	51,471	15,557	58,375	27,257	4,935
Net Operating Revenues	130,228	48,864	150,773	69,122	12,135
Average Rate Base	2,489,300	1,008,000	3,030,000	1,266,200	218,500
Per Cent Return	5.23%	4.85%	4.98%	5.46%	5.55%

Since the proposed revisions of its several rate schedules are intended to recover only the out-of-pocket increased cost of water purchased from the City of San Francisco, the net revenues will not be affected thereby. Testimony of applicant showed that the increase in rates for water estimated to be sold in the year 1951 will be as follows for the five districts:

<u>Name of District</u>	<u>Increased Cost Per 100 Cu. Ft.</u>	<u>Est. Avg. Increase in Revenues</u>
Bear Gulch	3.5¢	11.7%
San Carlos	4.2	12.1
San Mateo	3.9	12.0
South San Francisco	2.1	11.3
Broadmoor	3.1	<u>8.3</u>
Average		11.7

The differences in the increases indicated above result from variations in purchase requirements and conditions. In its Bear Gulch District applicant purchases 73% of its total water requirements, and in its South San Francisco District, 53%. Furthermore, applicant obtains various amounts of water from the City of San Francisco, to which the recent rate increases do not apply.

A member of the Commission's staff testified that engineers of the Hydraulic Division reviewed applicant's methods and computations underlying the proposed revised rate schedules. The staff's analysis of operating results indicated rates of return substantially comparable to those computed by applicant. Such rates of return were found to be not in excess of those authorized by the Commission in recent rate investigations concerning applicant's Bear Gulch, San San Mateo, and South San Francisco districts. Furthermore, the proposed increases in rates per 100 cubic feet of estimated sales in 1951 were found to agree with the staff's calculations within 1/10 of a cent or less for each of the five districts.

No protests against the proposed increases were made by officials of any of the communities concerned. A consumer in applicant's San Mateo District, objected to increasing the cost of water for sanitary and gardening purposes. M. W. Reece, appearing for the Manufacturers' Association of South San Francisco, pointed out that industries served directly from the pipe lines of the City of San Francisco could obtain water in excess of 333,300 cubic feet per month at rates 10% lower than other consumers of large quantities of water who purchase it for resale. He expressed the desire that steps be taken to arrange for such 10% saving to those industries supplied from the same pipe lines through applicant's system. Applicant expressed its willingness to cooperate in passing on to its consumers any such rate reduction which would be made available to it by the City of San Francisco Water Department. George Faulstich, owner of San Carlos Manor Water System, a public utility purchasing some of its water from applicant's San Carlos District, indicated a desire for a lower rate to be made applicable to large users of water supplied from applicant's system. Applicant also indicated its willingness to cooperate in studies of the cost of service to large consumers. In view of the indicated level of earnings in applicant's San Carlos District, any changes in the spread of rates, such as reductions in the terminal rate, might entail coincident upward revisions in other charges. Such major modifications, therefore, should be handled through negotiations of interested parties or be made the subject matter of a separate proceeding.

Applicant made an urgent oral request that the proposed rates be authorized to become effective on February 1, 1951, the same day on which the increased costs for City of San Francisco water will become effective. Applicant proposes to prorate the water quantities

indicated by readings of its meters made subsequent to February 1, 1951, except that for customers using over 30,000 cubic feet per month, meters will be read on February 1.

It appears that the increases in rates requested by applicant should be authorized promptly if serious adverse reductions in its earning position are to be avoided and its current level of earnings maintained.

O R D E R

California Water Service Company having applied to this Commission for an order authorizing increases in rates in its Bear Gulch, San Carlos, San Mateo, South San Francisco, and Broadmoor districts, 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, to the extent the tariff schedules superseded by the schedules attached hereto differ therefrom, that they are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, in conformity with the Commission's General Order No. 96, the schedules of rates shown in Exhibit A attached hereto for the five districts and to make said rates effective for all metered service rendered thereunder on and after February 1, 1951.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 30th day of January, 1951.

R. F. [Signature]
Justin F. [Signature]
Harold [Signature]
Penelope [Signature]

Commissioners

BEAR GULCH DISTRICT

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In the communities of Atherton, Menlo Park and Woodside and the territory immediately contiguous thereto, in San Mateo County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 500 cubic feet or less	\$1.85
Next 2,500 cubic feet, per 100 cubic feet .....	.32 $\frac{1}{2}$
Next 27,000 cubic feet, per 100 cubic feet .....	.28 $\frac{1}{2}$
Over 30,000 cubic feet, per 100 cubic feet .....	.23 $\frac{1}{2}$
 Minimum Charge:	
For 5/8-inch meter	\$1.85
For 3/4-inch meter	3.00
For 1-inch meter	4.65
For 1 $\frac{1}{2}$ -inch meter	8.70
For 2-inch meter	13.60
For 3-inch meter	24.50
For 4-inch meter	38.00
For 6-inch meter	76.00
For 8-inch meter	115.00

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

SAN CARLOS DISTRICT

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In the City of San Carlos, San Mateo County, in Brittan Acres Nos. 1 and 2, Sunset Highlands Map No. 2, Howard Park No. 2, White Oaks and Devonshire (both inside and outside of the incorporated limits of the City of San Carlos) and in the territory immediately contiguous thereto.

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 400 cubic feet or less	\$1.65
Next 3,200 cubic feet, per 100 cubic feet .....	.396
Over 3,600 cubic feet, per 100 cubic feet .....	.376

Minimum Charge:

For 5/8-inch meter	\$1.65
For 3/4-inch meter	2.20
For 1-inch meter	3.30
For 1 1/2-inch meter	6.60
For 2-inch meter	9.90
For 3-inch meter	19.80
For 4-inch meter	31.00

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

SPECIAL CONDITIONS

A ten per cent (10%) reduction will be applied to the amount by which each bill exceeds the monthly minimum charge, computed at the foregoing quantity rates. In no case shall a monthly bill be less than any one of the monthly minimum charges listed above.

SAN MATEO DISTRICT

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In the City of San Mateo, San Mateo County, and in the vicinity thereof.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 3,000 cubic feet, per 100 cubic feet	\$0.314
Next 27,000 cubic feet, per 100 cubic feet .....	.300
Over 30,000 cubic feet, per 100 cubic feet .....	.245
 Service Charge:	
For 5/8-inch meter	\$0.60
For 3/4-inch meter .....	.80
For 1-inch meter	1.50
For 1 1/2-inch meter	2.10
For 2-inch meter	3.60
For 3-inch meter	5.40
For 4-inch meter	7.20
For 5-inch meter	9.60
For 6-inch meter	14.40
For 8-inch meter	22.00

The Service Charge is a readiness-to-serve charge to apply to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

SOUTH SAN FRANCISCO DISTRICT

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In the City of South San Francisco, San Mateo County, and in the vicinity thereof.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 500 cubic feet or less	\$1.59
Next 2,500 cubic feet, per 100 cubic feet .....	.29
Next 47,000 cubic feet, per 100 cubic feet .....	.18
Over 50,000 cubic feet, per 100 cubic feet .....	.136

Minimum Charge:

For 5/8-inch meter	\$1.59
For 3/4-inch meter	2.10
For 1-inch meter	3.20
For 1 1/2-inch meter	5.25
For 2-inch meter	8.00
For 3-inch meter	13.50
For 4-inch meter	20.70
For 6-inch meter	42.20
For 8-inch meter	68.50
For 10-inch meter	100.00

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

BROADMOOR DISTRICT

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In the subdivided tract known as Broadmoor, adjacent to Daly City, San Mateo County, as delineated on the map included in the tariff schedules as Map No. 1.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 600 cubic feet, per 100 cubic feet	\$0.39
Over 600 cubic feet, per 100 cubic feet .....	.242
 Service Charge:	
For 5/8-inch meter	\$0.70
For 3/4-inch meter	1.05
For 1-inch meter	1.40
For 1 1/2-inch meter	2.45
For 2-inch meter	4.20

The Service Charge is a readiness-to-serve charge to apply to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.