

Decision No. 45655**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 authoriz-)
 ing it to increase rates charged for) Application No. 31429
 water service in the City of Chico) (As Amended)
 and vicinity.)

McCutchen, Thomas, Matthew, Griffiths & Greene,
 by Robert M. Brown, for applicant; Grayson Price,
 City Attorney, Jean Morony, Assistant City Attorney,
 and William H. Dick, Special Counsel for the City
 of Chico; C. A. Judy, interested party.

O P I N I O N

California Water Service Company in this proceeding requests authority to increase rates for water service in its Chico District. The application was filed on May 24, 1950, and an amendment to the application, revising the proposed schedules of rates and charges, was filed on February 14, 1951. Hearings were held in Chico on March 14 and 15, 1951, before Examiner O'Brien. The matter was taken under submission at the conclusion of the hearings.

The Chico District embraces an area of about 6-3/4 square miles, comprising the City of Chico and adjacent unincorporated territory in Butte County. The system serves a population of approximately 21,000 people.

Applicant acquired the Chico properties in 1927 from the Chico Water Supply Company, Chico-Vecino Water Company, and the W. E. White Water Company.

At the end of 1950, applicant served 5,814 consumers, 99.5% of whom were commercial and domestic accounts. Water is

obtained from 18 wells in the area, two of which are dug wells. The drilled wells range from 500 to 961 feet in depth. In 1950, about 2.18 billion gallons of water were produced. Storage capacity is about 850,000 gallons in four elevated steel tanks. The transmission and distribution system consists of approximately 78.5 miles of main, ranging in size from 2-inch to 14-inch. About 23% of the services are metered.

Applicant asserts that the need for increased rates arises primarily from the tremendous increase in labor rates and material prices in recent years. It cites as examples the 1941 installed cost of 6-inch cast iron main at \$1.64 per foot as compared to \$3.23 per foot in 1950; in 1941, \$15.35 covered the cost of installation of an average 3/4-inch flat rate domestic service whereas in 1950 a similar installation cost \$36.60. The costs of more complicated installations, such as a well and pumping station, show similar increases in that an installation which was installed in 1950 costing \$16,743 was similar to a 1940 installation costing \$10,900. Elevated steel storage tanks show similar increases in that a 300,000-gallon elevated tank installed for \$37,126 in 1945 cost \$59,048 to duplicate in 1950. The over-all effect of these increases in prices, according to applicant's testimony, is that its cost of doing business has increased approximately 95% since 1941.

Both applicant and the Commission staff made analyses of the results of operations of the Chico District and estimated the level of earnings from both present and proposed rates based upon the average levels of revenues and expenses for 1950 and 1951.

The following table summarizes a portion of those estimates and indicates that the staff's studies lead substantially to the same conclusion as does applicant's evidence.

Item	1950 Recorded		1950 Adjusted Present Rates		1951 Estimated Proposed Rates	
	Company	CPUC Staff	Company	CPUC Staff	Company	CPUC Staff
Operating Revenue	\$ 182,219	\$ 182,219	\$ 182,219	\$ 182,219	\$ 247,613	\$ 244,295
<u>Operating Expenses</u>						
Operation and Maintenance	105,422	105,016	107,568	107,568	113,840	112,014
Taxes	24,620	25,417	23,356	23,356	52,475	51,608
Depreciation (5% S.F.)	9,304	9,304	8,384	8,384	10,404	9,943
Total Operating Expenses	139,346	139,737	139,308	139,308	176,719	173,565
Net Revenue	42,873	42,482	42,911	42,911	70,894	70,730
Rate Base, Avg. Undepreciated	1,087,000*	1,098,000	1,087,000	1,087,000	1,233,000	1,230,000
Rate of Return	3.94%	3.9%	3.95%	3.95%	5.8%	5.75%

* CPUC staff rate base.

The table shows that applicant, under present rates in 1950, was able to produce a return of only about 3.9%.

Applicant proposes to increase its rates to produce an increase in gross annual revenues of about \$55,850, or 29%. About half of the increase would be absorbed by tax increases, principally federal income tax, leaving the remaining half to be retained by applicant in order to bring its net return up to a proper level.

The proposed rates produce maximum percentage increases on the flat rate consumers. According to the record, the present flat rates in the Chico District were established in 1933 and the present meter rates in 1935.

Applicant devised its proposed rate schedule after a study of the allocated cost of flat rate and metered service. That study indicated that revenues from present rates for a basic 3/4-inch service were 7 cents per 100 cubic feet, or 29% below the average cost to serve such basic customer. The total cost to serve of 9 cents per 100 cubic feet reflects a customer cost of 4.3 cents, a demand cost of 3.5 cents, and a supply cost of 1.2 cents.

A comparison of the present basic service rates with the proposed rates follows:

Flat Rate Service

<u>Classification</u>	<u>Per Service per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
For each residence of five rooms or less	\$1.10	\$1.50
For each additional room .....	.10	.14
For each flush toilet .....	.20	.27
For each bath or shower .....	.20	.27
For sprinkling or garden irrigation, payable every month in the year:		
Up to 3,000 sq. ft., per 100 sq. ft. of surface watered .....	.025	.034
Over 3,000 sq. ft., per 100 sq. ft. of surface watered .....	.01	.0136

Metered Service

<u>Quantity Rates</u>	<u>Per Meter per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
First 500 cu. ft., or less	\$1.00	\$1.35
Next 500 cu. ft., per 100 cu. ft. ....	.20	.15
Next 2,000 cu. ft., per 100 cu. ft. ....	.15	.15
Next 1,000 cu. ft., per 100 cu. ft. ....	.15	.10
Next 6,000 cu. ft., per 100 cu. ft. ....	.10	.10
Next 20,000 cu. ft., per 100 cu. ft. ....	.05	.10
Over 30,000 cu. ft., per 100 cu. ft. ....	.05	.05

Minimum Charges

For 5/8-inch meter	1.00	1.35
For 3/4-inch meter	1.00	1.80
For 1-inch meter	2.60	2.60
For 1 1/2-inch meter	3.20	4.75
For 2-inch meter	4.10	6.75
For 2 1/2-inch meter	4.70	-
For 3-inch meter	5.60	12.35
For 4-inch meter	7.00	18.75
For 6-inch meter	10.00	33.00
For 8-inch meter	13.00	46.00
For 10-inch meter	-	58.00

Upon a full review of the record, the Commission concludes that the earning level and return on the investment which the proposed rates are estimated to produce^{1/} are not unreasonable to

^{1/} As indicated in a preceding tabulation, the company estimated that the proposed rates would produce a return of 5.8% while the Commission's staff concluded they would produce a return of about 5.75% on an undepreciated rate base.

applicant's consumers and are necessary to provide applicant with some improvement in its system financial position.

Applicant proposes to change flat rate nondomestic customers to metered service. To do so will require the installation of proper equipment. Pending such installation, which may take some time because either the company or the customer may have difficulty in obtaining the required materials, or in making the necessary piping rearrangement, applicant requests authority to bill such customers at the present flat rates, increased in each case by 36%, the percentage increase proposed for residential flat rate customers. Applicant has offered to file with the Commission a list of such nondomestic customers pending institution of metered service.

The City of Chico through the city attorney urged the Commission to specify zone rates for applicant's Chico District. It asked that the incorporated city limits be adopted as zone boundaries and that one level of rates be applicable for service within the city limits and a second level of rates applicable to service outside the city limits. The city contends that much of the increasing cost of service is attributable to increased construction cost of recent plant additions compared to the cost of plant installed in earlier years. It further believes that such recent construction has taken place to a major extent in territory outside the city limits.

No evidence, however, was presented showing that a differential in rates would be reasonable or justified as between consumers located within and outside of the city's corporate limits or that such political boundary line would necessarily be a proper barrier. There is nothing in the record of this proceeding indicating that establishment of such an arbitrary preferential zone of lower rates within the incorporated area would not result in unfair discrimination against consumers living outside the city limits.

A public utility waterworks under the jurisdiction of this Commission operates as an independent system obligated to supply water to all members of the community residing within its area of service, under uniform rates, rules and regulations, regardless of municipal or other similar political subdivision boundaries.

This same issue was directly before this Commission in the investigation on its own motion into the operations of California Water Service Company's system in Oroville, Butte County, Case No. 3218, Decision No. 25337, decided November 7, 1932 (38 C.R.C. 222). In this decision, the Commission, among other things, found as follows:

"Since its inception this Commission has carefully avoided the placing of arbitrary and frivolous restrictions and delimitations upon rates and service to public utility consumers. No distinction without other controlling reasons has even been recognized either in the rates charged consumers or in the rules and regulations governing service to them solely by reason of the fact that delivery was received outside of the incorporated limits of a municipality. There being no just cause why such a distinction should be made in this case, the California Water Service Company necessarily will be directed in the following order to remove the unreasonable discrimination in Rule No. 19."

Upon the present record it appears that the factors tending to increase costs outside the city limits, such as the larger proportion of recent high cost capital, may be largely if not entirely offset by the fire protection costs and differences in density or average consumption within the city.

Under the circumstances, it appears appropriate to authorize the rates sought in the application herein.

Applicant made an oral request that it be authorized to prorate the metered billings rendered during the first billing period after the effective date of the new rates upon the basis of the average daily consumption established by the first meter reading subsequent to that effective date, in order to avoid the necessity

of reading the meters on the effective date. It further requested that the flat rates be made effective on either the first or sixteenth of the month following the effective date of the new rates. This procedure appears reasonable and may be followed by the company.

O R D E R

California Water Service Company having applied to this Commission for an order authorizing certain increases in rates and charges in its Chico District, 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 from the rates herein prescribed are unjust and unreasonable, therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedules of rates shown in Exhibit A attached hereto, and, after not less than five (5) days' notice to the Commission and to the public, to make said rates effective for service rendered on and after June 16, 1951; and concurrently to cancel existing rate schedules superseded by the schedules hereinabove authorized.
2. Applicant, within forty (40) days from the effective date of this order, shall file with this Commission four sets of rules and regulations governing customer relations, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon by distinctive markings the boundary of applicant's present service area and the location thereof with reference to the immediate surrounding territory, provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or portion thereof.
3. Applicant, within forty (40) days after the effective date of this order, shall file four copies of a comprehensive map, drawn to an indicated scale of not less than 400 feet to the inch, delineating by appropriate

markings the various tracts of land and territory served and the location of various properties of applicant.

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
Justus J. Casner
Harold P. Hula
Kenneth Potter
John E. Mitchell
Commissioners.

EXHIBIT A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In the City of Chico, Butte County, and in the vicinity thereof.

RATES

Quantity Charge:	Per Meter Per Month
For the first 500 cu.ft. or less	\$1.35
For the next 2,500 cu.ft., per 100 cu.ft.....	.15
For the next 27,000 cu.ft., per 100 cu.ft.....	.10
For all over 30,000 cu.ft., per 100 cu.ft.....	.05
Minimum Charge:	
For 5/8-inch meter.....	\$ 1.35
For 3/4-inch meter.....	1.80
For 1-inch meter.....	2.60
For 1½-inch meter.....	4.75
For 2-inch meter.....	6.75
For 3-inch meter.....	12.35
For 4-inch meter.....	18.75
For 6-inch meter.....	33.00
For 8-inch meter.....	46.00
For 10-inch meter.....	58.00

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

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Schedule No. 2

DOMESTIC FLAT RATE SERVICEAPPLICABILITY

Applicable to all unmeasured water service rendered to domestic or residential consumers.

TERRITORY

In the city of Chico, Butte County, and in the vicinity thereof.

RATES

	<u>Per Service Per Month</u>
For each residence of five rooms or less.....	\$1.50
For each additional room.....	.14
For each flush toilet.....	.27
For each bath or shower.....	.27
For sprinkling or garden irrigation, payable every month in the year:	
For the first 3,000 sq. ft., per 100 sq.ft. of surface watered.....	.034
For all over 3,000 sq. ft., per 100 sq.ft. of surface watered.....	.0136

SPECIAL CONDITIONS

Any new applicant for domestic or residential service of water may select either flat or meter rates. Any domestic or residential consumer heretofore served at meter rates may exercise his option to be served without a meter at flat rates and, likewise, any domestic or residential consumer heretofore served at flat rates may exercise his option to be served through a meter; provided, however, that when an applicant or consumer has exercised his option to be served under either schedule, such applicant or consumer must agree, while he remains a consumer, to accept such service at the selected rates for a period of at least twelve (12) consecutive months.

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Schedule No. 3

TEMPORARY FLAT RATE SERVICE

APPLICABILITY

Applicable to all unmeasured water service rendered to other than domestic or residential consumers until meters can be installed.

TERRITORY

In the city of Chico, Butte County, and in the vicinity thereof.

RATES

(Company to insert here a list of all classifications of service, except domestic and residential service, now being rendered at flat rates, showing monthly rates for such classifications which will result in charges no more than thirty-six (36) per cent greater than charges now being made.)

SPECIAL CONDITIONS

1. No new service connections may receive service under this schedule.
2. Existing nondomestic consumers may receive metered service as soon as the arrangement of piping will permit and thereafter may receive service only under General Metered Service rates, Schedule No. 1.

Schedule No. 4

FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service rendered to municipal fire cisterns and fire hydrants for the extinguishment of fires.

TERRITORY

In the city of Chico, Butte County.

RATES

	<u>Per Month</u>
For first 115 fire plugs and not more than 17 fire cisterns	\$275.00
For each additional fire plug or hydrant	1.00

SPECIAL CONDITIONS

The above monthly rates include use of water for fire protection and for no other purpose. For all other use by public agencies or for water delivered through fire hydrants for any other purpose, charges are to be made at the General Metered Service rates, Schedule No. 1.

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Schedule No. 5

PRIVATE AUTOMATIC FIRE SPRINKLER SERVICEAPPLICABILITY

Applicable to all water service rendered to private automatic fire sprinkler installations.

TERRITORY

In the city of Chico, Butte County, and in the vicinity thereof.

RATES

	<u>Per Month</u>
For each 2-inch connection.....	\$ 3.25
For each 4-inch connection.....	4.00
For each 6-inch connection.....	6.00
For each 8-inch connection.....	10.00
For each 1½-inch or under inside hose connection....	.50
For each 2-inch inside hose connection.....	.75

SPECIAL CONDITIONS

If not otherwise provided for, each private fire hydrant owned and attached by the consumer to a private automatic fire sprinkler service shall be charged for monthly at the same rate as charged for a municipal fire hydrant.

The above rates are applicable only to private automatic fire sprinkler service to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the company, and are maintained to the satisfaction of said company. The company may install the standard detector type meter approved by the Board of Underwriters for protection against theft, leakage, or waste of water.

If a distribution main of adequate size to serve a private automatic fire extinguishing system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed at the cost of the applicant.

For water delivered, based on monthly meter readings, General Metered Service rates, Schedule No. 1, shall apply.