

Decision No. 51460**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|-------------------------------------|---|-----------------------|
| In the Matter of the Application |) | |
| of CALIFORNIA WATER & TELEPHONE |) | Application No. 35751 |
| COMPANY to increase rates for water |) | (Amended) |
| service in its Sweetwater District. |) | |

Bacigalupi, Elkus and Salinger by Claude N. Rosenberg; and Higgs, Fletcher & Mack by DeWitt A. Higgs, for applicant.

South Bay Irrigation District by Paul D. Engstrand, Jr., and C. T. Mess; City of National City by Robert O. Curran, James A. Bird and C. T. Mess; National City Taxpayers Association, Inc., by Mrs. S. J. Kodish, protestants.

County of San Diego by James Don Keller and Jean L. Vincenz; California Farm Bureau Federation by J. J. Deuel; Rohr Aircraft Corporation by S. W. Shepard, interested parties.

Boris H. Lakusta, John F. Donovan and Carol T. Coffey, for the Commission staff.

O P I N I O NNature of Proceeding

By the above amended application, filed December 1, 1954, California Water & Telephone Company, a California corporation, seeks an order of this Commission authorizing increases in rates and charges for water service rendered in its Sweetwater District, comprising the cities of National City and Chula Vista and adjacent territory in San Diego County.

Hearings

Public hearing in the matter was held before Examiner F. Everett Emerson on February 10, 1955 at National City and before Commissioner Justus F. Craemer and Examiner Emerson on March 9, 10, and 11, 1955 at Chula Vista. The matter was submitted on March 11 with permission granted appearances to file written closing arguments, concurrently, on March 21, 1955.

Applicant's Position and Request

Applicant alleges that the presently effective rates and charges for water service rendered in its Sweetwater District for some time past have been, still are, and in the immediate future will be, inadequate and insufficient to yield a reasonable return to it on either the fair value or the original cost of its properties and facilities devoted to serving the public in such district. Applicant claims that present water rates are unreasonable, unfair to it and noncompensatory and do not produce revenues sufficient to meet the requirements of interest on indebtedness or sufficient to provide an adequate margin for dividend payments on its outstanding securities properly allocable to the district. Applicant further alleges that it is necessary that increased water rates be authorized in an amount sufficient to make the district self-sustaining, so that future financing for needed capital additions will not be jeopardized.

Applicant basically seeks an increase of approximately \$348,000 in annual gross revenues, based upon the level of business during 1954. According to applicant, had its proposed rates been in effect during 1954, a rate of return of 6.92 per cent would have been realized on a rate base of \$7,274,000. Under present rates it claims to have earned a rate of return of only 4.71 per cent on such rate base.^{1/}

A comparison of applicant's proposed rates with those presently charged is set forth in the following tabulations.

Commercial Metered Sales
(Residence, Small Business)

| Two Months' Usage in Cu.Ft.: | Bimonthly Billing | | Per Cent Increase: |
|------------------------------|-------------------|---------------|--------------------|
| | Present Rate | Proposed Rate | |
| 1,000 | \$ 4.80 | \$ 6.00 | 25.0% |
| 1,500 | 6.70 | 8.40 | 25.4 |
| 2,000 | 8.60 | 10.80 | 25.6 |
| 4,000 | 16.20 | 20.40 | 25.9 |
| 8,000 | 26.20 | 33.60 | 28.2 |

^{1/} From Exhibits Nos. 7 and 9 in this proceeding.

Industrial Metered Sales

| Monthly Usage in Cu. Ft. | Monthly Bill | | Per Cent Increase |
|--------------------------|--------------|---------------|-------------------|
| | Present Rate | Proposed Rate | |
| 500 | \$ 2.40 | \$ 3.00 | 25.0% |
| 10,000 | 28.10 | 36.60 | 30.2 |
| 20,000 | 53.10 | 69.60 | 31.1 |
| 100,000 | 232.10 | 281.10 | 21.1 |
| 500,000 | 1,112.10 | 1,321.10 | 18.8 |
| 1,000,000 | 2,212.10 | 2,471.10 | 11.7 |
| 2,000,000 | 4,412.10 | 4,421.10 | 0.2 |
| 5,000,000 | 11,012.10 | 9,221.10 | (16.3) |

(Reduction)

Irrigation Metered Sales

| Monthly Usage in Cu. Ft. | Monthly Bill | | Per Cent Increase |
|--------------------------|--------------|---------------|-------------------|
| | Present Rate | Proposed Rate | |
| 500 | \$ 2.40 | \$ 3.00 | 25.0% |
| 5,000 | 13.50 | 17.70 | 31.1 |
| 50,000 | 62.50 | 88.20 | 41.1 |
| 100,000 | 112.50 | 153.20 | 36.2 |
| 500,000 | 512.50 | 673.20 | 31.4 |

Municipal Metered Sales

| Monthly Usage in Cu. Ft. | Monthly Bill | | Per Cent Increase |
|--------------------------|--------------|---------------|-------------------|
| | Present Rate | Proposed Rate | |
| 500 | \$ 2.40 | \$ 3.00 | 25.0% |
| 1,000 | 2.50 | 5.40 | 116.0 |
| 2,000 | 5.00 | 10.20 | 104.0 |
| 4,000 | 10.00 | 16.80 | 68.0 |
| 8,000 | 20.00 | 30.00 | 50.0 |
| 15,000 | 37.50 | 53.10 | 41.6 |
| 30,000 | 75.00 | 99.10 | 32.1 |

Applicant now charges \$3.75 per month per standard fire hydrant and \$2.50 per month for small "sprinkling" hydrants. It proposes to charge \$4.00 per month per hydrant, irrespective of size or type of hydrant.

Applicant's present rates were authorized on a temporary basis by this Commission's Decision No. 46377, issued November 6, 1951, and on a permanent basis by Decision No. 46928, issued April 1, 1952, in Application No. 32447.

Applicant's Operations

As applicant's corporate name indicates, it is engaged in rendering both telephone and water service in California. Telephone service is furnished in portions of Riverside, San Bernardino and Los Angeles Counties. Its water service is rendered in three widely separated areas: Monterey Peninsula, San Gabriel Valley and San Diego Bay Divisions. The San Diego Bay Division contains two districts, Coronado and Sweetwater, physically separate but under common local supervision.

The three divisions, while in effect separate operating entities with each maintaining its own accounting records, are controlled from applicant's main office in San Francisco. The San Francisco office is also the general office for four affiliated corporations whose operations are controlled, or substantially controlled, through stock ownership by the same interests. In such office are maintained the accounting records which provide a means of controlling investments in the various divisions of applicant and which record those transactions applicable to the corporation as a whole. The personnel in the San Francisco office perform accounting, engineering and administrative services for the associated companies as well as for the applicant herein.

The Sweetwater District serves the Cities of National City and Chula Vista and adjacent unincorporated territory. Water for this district comes from three primary sources. The major source is watershed run-off through the Sweetwater River. The second source is purchased Colorado River water, obtained from the San Diego County Water Authority, which is spilled into Sweetwater Reservoir at the terminal of the Authority's aqueduct. The third source is from a deep well in National City.

Water storage capacity for the system totals 53,756 acre feet, distributed as follows:

| | |
|----------------------|------------------|
| Lake Loveland | 25,400 acre feet |
| Sweetwater Reservoir | 27,700 acre feet |
| Judson Reservoir | 650 acre feet |
| Storage Tanks (10) | 5.96 acre feet |

Transmission of water from Sweetwater Reservoir to the distribution system is accomplished by two large transmission mains, a 24-inch main down the north side of Sweetwater Valley to National City and a 36-inch main down the south side of the valley to Chula Vista. The transmission and distribution piped system contains nearly 200 miles of main and is serviced by 17 booster pumps. All water served the public from the distribution system is chlorinated.

As of September 30, 1954, there were 15,080 active services served by this system. Of these, 14,551 served domestic and commercial customers, 86 served industrial customers, 357 served irrigation customers and 86 served public housing or other municipal departments. In addition, applicant provided service to 439 fire hydrants.

During the year 1954 applicant had approximately 89 employees in the San Diego Bay Division. The 1954 payroll of the Sweetwater District approximated \$233,400 while that for the Coronado District approximated \$116,700.

Position of Protestants and Others

The City of National City protests an increase of rates on general grounds. It early questioned the propriety of having applicant's Sweetwater District a separate subdivision of the company for rate-making purposes and also indicated that it felt that National City should be a rate zone separate from the balance of the system. The city attorney did not pursue the subject, however, and confined the city's participation to the cross-examination of witnesses.

The South Bay Irrigation District, whose boundaries contain all of applicant's Sweetwater District service area outside of National City, protests an increase in rates on general grounds. Its participation was confined to the cross-examination of witnesses. By its cross-examination, this district attempted to show that applicant's Loveland Project constitutes a major burden on the ratepayer and that such project's cost is out of proportion to the benefit derived. On such premise the district urged that a separate rate base be developed for this one element of plant and that this Commission allow a lesser return on that base than on the balance of the system.

The National City Taxpayers Association confined its protest to a statement of position, voicing a general objection to rate increases and indicating that if rate increases were granted during periods of deficient rainfall, corresponding decreases should be ordered during periods of heavy rainfall.

The County of San Diego participated in cross-examination of witnesses throughout this proceeding through its District Attorney and its Director of Public Works.

The California Farm Bureau Federation, on behalf of its member irrigators served by applicant, called two witnesses who testified respecting the economic condition of farmers in the area. The farm bureau participated throughout the proceeding.

Summary of Presentations

Applicant, through the testimony of three witnesses and the introduction of 16 exhibits, and the Commission staff, through four witnesses and 2 exhibits, presented analyses of applicant's operations. Such presentations are summarized in the following tabulations. Protestants and interested parties made no comparable showing and in the main confined their participation to statements of position and to the cross-examination of witnesses. As will be

discussed later, the tabulations following are not strictly comparable but do indicate summaries of the over-all presentations.

SWEETWATER DISTRICT
RESULTS OF OPERATIONS
(Adjusted or Normalized Basis)

Present Rates

| Item | Year 1953 ^a | | Year 1954 ^a | | Year 1955 ^b |
|------------------|------------------------|-------------------------|------------------------|-------------------------|-------------------------|
| | Applicant | CPUC Staff ^d | Applicant | CPUC Staff ^d | CPUC Staff ^d |
| Oper. Revs. | \$1,196,500 | \$1,218,950 | \$1,239,100 | \$1,270,200 | \$1,336,550 |
| Oper. Exps. | 883,800 | 897,791 | 932,900 | 950,019 | 1,004,581 |
| Net Revenue | 312,700 | 321,159 | 306,200 | 320,181 | 331,969 |
| Rate Base (Depr) | 7,028,000 | 6,579,300 | 7,265,900 | 6,810,900 | 7,120,700 |
| Rate of Ret. | 4.45% | 4.88% | 4.21% | 4.70% | 4.66% |

- a. Adjusted and normalized
- b. Estimated normalized
- c. From Exhibit No. 6
- d. From Exhibit No. 17, as corrected

Proposed Rates

| Item | Year 1953 ^a | | Year 1954 ^a | | Year 1955 ^b |
|------------------|------------------------|-------------------------|------------------------|-------------------------|-------------------------|
| | Applicant | CPUC Staff ^d | Applicant | CPUC Staff ^d | CPUC Staff ^d |
| Oper. Revs. | \$1,517,500 | \$1,544,750 | \$1,565,100 | \$1,602,950 | \$1,682,300 |
| Oper. Exps. | 1,056,800 | 1,073,651 | 1,108,700 | 1,129,689 | 1,191,261 |
| Net Revenue | 460,700 | 471,099 | 456,400 | 473,261 | 491,039 |
| Rate Base (Depr) | 7,028,000 | 6,579,300 | 7,265,900 | 6,810,900 | 7,120,700 |
| Rate of Ret. | 6.56% | 7.16% | 6.28% | 6.95% | 6.90% |

- a. Adjusted and normalized
- b. Estimated normalized
- c. From Exhibit No. 6
- d. From Exhibit No. 17, as corrected

SWEETWATER DISTRICT
RESULTS OF OPERATIONS
(Actual or Anticipated Actual Basis)

Present Rates^a

| Item | Actual Year 1954 | Estimated Actual Year 1955 |
|-------------------------|------------------|----------------------------|
| | Applicant | Applicant |
| Operating Revenues | \$1,321,604 | \$1,354,900 |
| Operating Expenses | 978,959 | 1,044,000 |
| Net Revenue | 342,645 | 310,900 |
| Rate Base (Depreciated) | 7,274,000 | 7,518,700 |
| Rate of Return | 4.71% | 4.14% |

- a. From Exhibit No. 7

Proposed Rates^b

| Item | Actual Year 1954 Applicant | Estimated Actual Year 1955 Applicant |
|-------------------------|-------------------------------|---|
| Operating Revenues | \$1,669,900 | \$1,706,100 |
| Operating Expenses | 1,166,782 | 1,233,400 |
| Net Revenue | 503,118 | 472,700 |
| Rate Base (Depreciated) | 7,274,000 | 7,519,000 |
| Rate of Return | 6.92% | 6.29% |

b. From Exhibit No. 9

In addition to the above data, which is applicable to the Sweetwater District, results of total company operations as presented by applicant are summarized as follows:

Total Operations
(Water and Telephone Depts.)
Existing Rates

| Item | Year 1953 Actual | Year 1954 Estimated |
|----------------|------------------|---------------------|
| Revenues | \$ 9,508,075 | \$10,517,200 |
| Expenses | 7,305,741 | 8,229,200 |
| Net Revenue | 2,202,334 | 2,288,000 |
| Rate Base | 34,403,025 | 39,460,000 |
| Rate of Return | 6.40% | 5.80% |

Revenues and Expenses

Both applicant and staff employed the years 1953, 1954 and 1955 in their studies pertaining to results of operations. Each undertook to show revenues and expenses for 1953 and 1954 on a normalized or average year basis as well as on an actual basis. For the year 1955 the respective estimates reflect a fundamental difference in approach, the staff placing such year on a normalized basis with provision for system, customer and usage growth while applicant estimated the results of operations for 1955 on the basis of what it anticipated would actually be experienced. The staff method, by which all years are placed on a comparable basis, has the very real advantage that trends are clearly indicated.

Applicant's method, whereby two years are normalized and the third year is presented with no adjustments for abnormalities or nonrecurrent items, has the decided disadvantage that trends are not indicated. While it is true that the rate-making process is prospective in nature and, wherever possible, should take into account those operations and conditions which may prevail during the future periods when new rates will be in effect, it would be erroneous to accept either one abnormal or one subnormal year as the basis on which a new rate structure would be designed. To follow such an erroneous concept would be fair neither to the utility nor to its customers. For the purposes of this proceeding, therefore, we shall adopt as reasonable those past and prospective normalized revenues developed by the Commission staff.

It should be obvious that rates set on the basis of subnormal expenses would be unfair to the utility and that rates set on the basis of abnormal expenses would be unfair to the ratepayer in normal years. Considerable engineering and economic judgment must be exercised in both the normalizing and future estimating processes. The two processes are not fully separable but we favor and believe to be most fair, in the matter before us, that process which follows clearly defined trends developed from reliable data for known periods. With respect to operating expenses the only substantial difference between the studies of applicant and staff concerns the item of purchased water, the largest single item of expense on this system. The staff adjusted water purchases for 1953 to 3,700 acre feet, for 1954 to 3,900 acre feet and included 4,200 acre feet as its normalized estimate for the year 1955. Applicant adjusted the years 1953 and 1954 to 4,000 acre feet of purchased water but in its estimate of actual purchases for the

year 1955 provided for 10,400 acre feet. The respective dollar amounts of expense are as follows:

WATER PURCHASES

| <u>Year</u> | <u>Applicant</u> | <u>CPUC Staff</u> |
|-----------------|------------------|-------------------|
| 1953 Normalized | \$175,200 | \$172,500 |
| 1954 Normalized | 186,000 | 185,500 |
| 1955 Normalized | - | 195,900 |
| 1955 Actual | 266,350 | - |

The evidence is clear that the water purchases during the last seven-year period, while fluctuating somewhat, have averaged 7,238 acre feet. The corresponding dollar amount of expense, if such quantity were purchased in 1955, would be approximately \$220,000. There is no convincing evidence in this record that such an average amount should not be used as a near-future normalized expense for this item. Accordingly, we shall include such sum in our adoption of the total reasonable operating expenses for this system.

Summarizing, we find the following to be fair and reasonable revenues and operating expenses on the normalized basis used by applicant and staff for 1954 and on the normalized basis used by the staff for 1955, adjusted to allow for average water purchases of 7,238 acre feet.

| Item | <u>Year 1954</u> | | <u>Year 1955</u> | |
|--------------------|------------------|-----------------|------------------|-----------------|
| | <u>Present</u> | <u>Proposed</u> | <u>Present</u> | <u>Proposed</u> |
| | <u>Rates</u> | <u>Rates</u> | <u>Rates</u> | <u>Rates</u> |
| Operating Revenues | \$1,270,000 | \$1,603,000 | \$1,337,000 | \$1,682,000 |
| Operating Expenses | 950,000 | 1,130,000 | 1,017,000 | 1,203,000 |
| Net Revenue | 320,000 | 473,000 | 320,000 | 479,000 |

Rate Base

As can be seen from the summary tabulation of results of operations, above, the staff-computed 1954 rate base is about \$455,000 less than that computed by applicant. For the year 1955, the difference is still some \$398,000 although the respective

presentations for such year are not fully comparable. Such differences are of major import in this proceeding and a great portion of the record is devoted to this subject. Both applicant and the staff had a common starting point, applicant's book figures, for development of their respective rate bases. Applicant used such book figures throughout. The staff made numerous subtractive adjustments. In weighing the evidence we shall analyze each of the adjustments and determine its propriety.

The largest adjustment made by the staff concerns landed capital and amounts to a deduction of \$266,616 from this account. Protestants urge the acceptance of such a deduction. The details of the calculations for deriving this total are clearly set forth in Chapter 4 and a discussion of the subject is contained in Chapter 13 of Exhibit No. 17 in this proceeding. The basis for this adjustment lies in an audit of the records of one of applicant's predecessors for the period 1896 to 1911. The staff, in this proceeding, assumes that this audit completely accounts for the original cost of all of the lands used by and useful to utility operations at the time of the audit. The audit, however, accounted only for cash transactions. Lands or rights of way obtained for any consideration other than cash are not included in such audit. From the very considerable amount of evidence on this subject we find as a fact that such audit does not set forth the original cost of total landed utility capital as of any date and conclude, therefore, that reliance on the same for such purpose must lead to an incomplete and false conclusion as to the amount properly chargeable to the land account of applicant's predecessors and subsequently to the land account of applicant.

Applicant's plant accounts, including the land account, were initially set up on its books under the authorization of this Commission's Decision No. 28556 issued February 10, 1936 in

Application No. 20127. As is clearly apparent from such decision the only questionable journal entries at that time concerned those for applicant's Monterey Division properties. All other entries, including those for the Sweetwater District, were approved. In Decision No. 28276, this Commission indicated that the utility properties should be recorded on the books on the basis of historical cost and that, in the future, properties should be retired at the unit costs at which the properties were reported on the books. Since that time, retirements have been recorded on the basis of the plant accounts so set up, shares of stock have been sold and credit has been extended on the basis of the book figures thus established. Since 1935 this Commission, in 33 separate formal proceedings, has authorized applicant to issue securities in an aggregate amount of \$68,452,400^{1/} based on the book figures theretofore authorized. We take official notice of our opinions and actions in said decisions and conclude therefrom and now reaffirm that the entries authorized were proper. The present record contains no convincing evidence on which to base a contrary finding. The deduction of \$266,616 from applicant's fixed capital accounts will not be made.

The staff made a deduction of \$44,300 from fixed capital for nonoperative or nonutility plant items reputed to be associated with the Lake Loveland project. In a prior decision this Commission excluded this identical amount. In the present proceeding applicant contends that the items heretofore excluded have since been dedicated to public use and put to public use. In this connection we take official notice of our Decision No. 43721 issued January 17, 1950 in Application No. 29094, in which this

^{1/} Some of these issues were for refunding purposes, hence this total exceeds the total of securities presently outstanding.

specific amount was excluded from fixed capital. Even a cursory examination of the items which comprise such amount would show that they could not be put to operative water utility use.^{2/} The deduction of this \$44,300 from fixed capital is proper and will be made herein.

A deduction of \$62,714 for the year 1954 and of \$68,214 for the year 1955 was made to account for relocation of applicant's plant for the benefit of others. The evidence is clear that such sums inadvertently include \$6,500 in 1954 and approximately \$12,000 in 1955, which do not pertain to relocation work but rather to the acquisition of utility plant. The proper deduction is \$56,000 for 1954 and for 1955 and such will be made herein.

The main office building and annex, and the warehouse, storage yard and related plant items in the Sweetwater District are facilities used in common with applicant's Coronado District. The staff allocated 27 per cent of the cost of this plant to Coronado District, such allocation being represented by a net deduction of approximately \$45,300 from Sweetwater fixed capital. The staff has not made such an adjustment in any prior rate case on either district. Applicant has never made any allocation of these facilities, on the premise that such facilities would be required for the Sweetwater District alone, even if there were no Coronado District. It has no objection, however, to adopting the appropriate allocation procedure in the future but it does object to it in this proceeding on the grounds that applicant will be denied any return on the allocated properties until such time as a rate case for the Coronado District may include such amount in

^{2/} They include building silos, picking olives, baling hay, butchering cattle, the purchase of fertilizer and seed, orchard spraying and divers other activities pertaining to ranch operations.

the rate base for such district. If the allocation is proper at all, and we deem it to be proper in view of the evidence in this proceeding, it should be made now. Sweetwater ratepayers should not be burdened with providing a return on a system or a portion thereof not devoted to their service. As to applicant's contention that such treatment is unfair to it, we point out that if such allocated amount so affects its earnings on the Coronado system as to accord applicant a less than reasonable return on such system, applicant has recourse to the rate-increase procedure of filing an appropriate rate application for that system. The deduction of this \$45,300 is proper and will be made herein.

The staff has classified 9 of the 15 wells lying in the valley below Sweetwater Reservoir as being no longer needed in utility operations. The net effect on a depreciated rate base is zero, since there is neither salvage nor cost of removal. The rate base to be adopted herein will be based upon the premise that these 9 wells are not in utility plant.

The staff-computed deductions for donations in aid of construction and for consumers' advances for construction, on a weighted-average basis, differ but little from the amounts computed by applicant. They appear to be reasonable and will be adopted herein in the total amounts of \$678,500 for the year 1954 and \$889,750 for the year 1955.

Based upon the evidence and as a recapitulation of the above-discussed items we find the following rate bases to be fair and reasonable for the purposes of this proceeding:

SWEETWATER DISTRICT
Average Depreciated Rate Bases

| <u>Item</u> | <u>Year 1954</u> | <u>Year 1955</u> |
|-----------------------------------|------------------|------------------|
| Total Average Fixed Capital | \$8,557,500 | \$9,162,500 |
| Deductions from Fixed Capital | | |
| Donations and Advances | 678,500 | 889,750 |
| Relocations for Benefit of Others | 56,000 | 56,000 |
| Nonutility Plant | 44,300 | 44,300 |
| Allocation to Coronado | 45,300 | 45,300 |
| Depreciation Reserve | 815,600 | 897,000 |
| | 1,639,700 | 1,932,350 |
| Working Capital Additions | | |
| Average Materials | 135,500 | 137,350 |
| Working Cash | 40,000 | 40,000 |
| | 175,500 | 177,350 |
| Average Depreciated Rate Base | 7,093,300 | 7,407,500 |

Rate of Return

Relating the above-adopted net revenues and rate bases indicates rates of return as follows:

| <u>Item</u> | <u>Year 1954</u> | | <u>Year 1955</u> | |
|----------------|------------------|-----------------|------------------|-----------------|
| | <u>Present</u> | <u>Proposed</u> | <u>Present</u> | <u>Proposed</u> |
| | <u>Rates</u> | <u>Rates</u> | <u>Rates</u> | <u>Rates</u> |
| Net Revenue | \$ 320,000 | \$ 473,000 | \$ 320,000 | \$ 479,000 |
| Rate Base | 7,093,300 | 7,093,300 | 7,407,500 | 7,407,500 |
| Rate of Return | 4.51% | 6.67% | 4.32% | 6.47% |

The evidence is clear and the above tabulation indicates that applicant is earning an unsatisfactory return under existing water rates. Applicant is in need of and entitled to an improvement in its earning position. The water rates which it has proposed; however, would in this instance produce an excessive return. In view of the evidence we conclude that a rate of return of 6 per cent on a depreciated rate base of \$7,407,500 is fair and reasonable and the water rates hereinafter authorized will be designed to

produce such a rate of return after due allowance for the average decline in rate of return now being experienced.

Spread of Water Rates

In spreading needed revenues through water rates the Commission has before it in this proceeding considerable factual evidence as well as evidence respecting the other factors upon which applicant based its proposed rate spread. The problem is one of making such spread an equitable one between classes of consumers. The "cost-of-service" study in evidence is a valuable guide in this respect, although not of itself conclusive. It clearly demonstrates, however, the disparity now existent in the proportionate earnings being provided by the various classes. The rates hereinafter authorized should lessen that disparity.

It can be computed readily from the evidence that the average commodity cost is approximately 24 cents per 100 cubic feet of water. Applicant's lowest present blocking is 22 cents. It proposes to reduce substantially such rate for the industrial class of users, while raising it for all other classes, on the basis of giving recognition to the large industrial users' very favorable load factor. On an incremental cost basis some rate below average cost is justified, but in our opinion not to the extent proposed by applicant. The terminal-block charge will be maintained at its present level for this class of users. By so doing, the largest industry, assuming present use and use characteristics, will experience an increase of about 4 per cent in its annual bills while an increase of about 12 per cent will be realized by the average industrial user of water.

Applicant proposes to increase charges for irrigation service an average of 37 per cent. It also proposes that the terminal-block rate remain at a level less than average cost. The evidence

is clear that irrigation service has been supplied for some period of time without applicant's having earned any return on the facilities properly apportioned to such service. Applicant's proposed irrigation rates would partially equalize the present disproportionate earning situation. We find that the prescription of higher irrigation rates would tend, in our opinion, to cause irrigation customers to discontinue or reduce such service, thus diminishing substantially applicant's revenues. In view of the evidence we conclude that applicant's proposed irrigation rates should be authorized.

The over-all average rate increase granted herein amounts approximately to 24 per cent based upon the level of business during 1954. At present water rates the average residential or small business customer, for a bimonthly consumption of 2,600 cubic feet, is charged \$10.88. At the rates which applicant proposed such charge would be \$13.68. At the rates authorized herein such charge will be \$13.16, or an increase of approximately 21 per cent.

Initial billings under the new rates will be prorated on the basis of average daily consumption.

O R D E R

California Water & Telephone Company having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in its Sweetwater District, public hearing thereon having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates and charges, in so far as they differ from those authorized herein, are for the future unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, on or after the effective date

of this order and in conformity with the provisions of General Order No. 96, the tariffs attached hereto as Appendix A and, after not less than five days' notice to the public and to this Commission to make said tariffs effective for all service rendered in its Sweetwater District on and after June 6, 1955.

IT IS HEREBY FURTHER ORDERED that applicant shall file, within thirty days after the effective date of this order, four copies of a comprehensive map drawn to an indicated scale not smaller than 1,000 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, the principal water production, storage, transmission and distribution facilities and the location of the various properties of applicant in its Sweetwater District.

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

Dated at San Francisco, California, this 10th day of May, 1955.

Carl E. Mitchell
President

Justus J. Caswell

Raulo Lehtinen

Markus D. ...

Commissioners

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all general metered water service.

TERRITORY

Within the incorporated cities of Chula Vista and National City, and adjacent territory, San Diego County.

RATES

| Quantity Rates: | Per Meter per Month |
|---|------------------------|
| First 500 cu.ft. or less | \$2.90 |
| Next 1,500 cu.ft., per 100 cu.ft..... | .46 |
| Next 23,000 cu.ft., per 100 cu.ft..... | .32 |
| Next 475,000 cu.ft., per 100 cu.ft..... | .26 |
| Over 500,000 cu.ft., per 100 cu.ft..... | .22 |
| Minimum Charge: | |
| For 5/8 x 3/4-inch meter | \$ 2.90 |
| For 3/4-inch meter | 3.75 |
| For 1-inch meter | 4.50 |
| For 1-1/2-inch meter | 6.50 |
| For 2-inch meter | 9.00 |
| For 3-inch meter | 15.00 |
| For 4-inch meter | 25.00 |
| For 6-inch meter | 45.00 |
| For 8-inch meter | 55.00 |
| For 10-inch meter | 70.00 |
| For 12-inch meter | 100.00 |

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

Schedule No. 2

MEASURED IRRIGATION SERVICEAPPLICABILITY

Applicable to all measured irrigation water service.

TERRITORY

Within the incorporated cities of Chula Vista and National City, and adjacent territory, San Diego County.

RATES

| Quantity Rates: | <u>Per Meter per Month</u> |
|--|--------------------------------|
| First 500 cu.ft. or less | \$2.90 |
| Next 1,500 cu.ft., per 100 cu.ft..... | .46 |
| Next 13,000 cu.ft., per 100 cu.ft..... | .25 |
| Over 15,000 cu.ft., per 100 cu.ft..... | .13 |

Minimum Charge:

| | |
|--------------------------------|---------|
| For 5/8 x 3/4-inch meter | \$ 2.90 |
| For 3/4-inch meter | 3.75 |
| For 1-inch meter | 4.50 |
| For 1-1/2-inch meter | 6.50 |
| For 2-inch meter | 9.00 |
| For 3-inch meter | 15.00 |
| For 4-inch meter | 25.00 |
| For 6-inch meter | 45.00 |
| For 8-inch meter | 55.00 |
| For 10-inch meter | 70.00 |
| For 12-inch meter | 100.00 |

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

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service to municipalities and other political subdivisions.

TERRITORY

Within the incorporated cities of Chula Vista and National City, and adjacent territory, San Diego County.

RATE

| | <u>Per Month</u> |
|-----------------------------|------------------|
| For each fire hydrant | \$4.00 |

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service rendered for private fire protection purposes.

TERRITORY

Within the incorporated cities of Chula Vista and National City, and adjacent territory, San Diego County.

RATES

| | <u>Per Month</u> |
|--|------------------|
| For each 4-inch connection, or smaller | \$10.00 |
| For each 6-inch connection | 20.00 |
| For each 8-inch connection | 30.00 |
| For each 10-inch connection | 45.00 |
| For each 12-inch connection | 65.00 |

SPECIAL CONDITIONS

1. All water used for other than fire extinguishing purposes shall be paid for at general metered service rates.
2. Connections for private fire protection systems shall be equipped with standard detector type meters approved by the Board of Fire Underwriters and the cost of the meter and appurtenant structure shall be paid, without refund, by the applicant.
3. If a distribution main of adequate size to serve a private fire service in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served hereunder, then a service main from the nearest existing main of adequate capacity will be installed by the company at the cost of the applicant. The amounts paid by the applicant hereunder to establish private fire protection service shall not be subject to refund.