

Rates, Present and Proposed

Applicant's original rates for its Broadmoor District were authorized by this Commission's Decision No. 39328 in Application No. 27696, issued August 13, 1946, in which applicant was authorized to acquire the water system installed by subdivision developers in the unincorporated area known as Broadmoor, adjacent to and west of Daly City. A voluntary reduction in the service charge portion of the general metered service rate was made by it effective February 19, 1950. Subsequently, the quantity charges for this same service were authorized to be increased by this Commission's Decision No. 45307 in Application No. 32015, issued January 30, 1951.

The rate increases which applicant seeks would produce additional revenues of about \$13,700 annually, based on the normalized level of business during 1954; an average increase of 17.4 per cent.

A comparison of charges under existing and proposed rates is as follows:

<u>Usage in Cubic Feet</u>	<u>Metered Service</u> (5/8 x 3/4-inch Meter)		<u>Per Cent Increase</u>
	<u>Present Charge</u>	<u>Proposed Charge</u>	
100	\$1.09	\$ 2.27	108%
500	2.65	3.35	26.4
1,000	4.01	4.70	17.2
1,200 (Avg. Usage)	4.49	5.24	16.7
1,500	5.22	6.05	15.9
2,000	6.43	7.40	15.1
2,500	7.64	8.75	14.5
3,000	8.85	10.10	14.1

Applicant proposes no increase in charges for public fire hydrant service. Applicant proposes a schedule of rates for private fire protection service not heretofore available in this district.

As of the end of 1954, the company served approximately 1,427 residential, 34 business, 6 irrigation and 6 other service connections and provided service to 87 fire hydrants.

The System, Growth and Cost Trends

Broadmoor District is one of applicant's 21 operating districts. Its water system was initially installed by the real estate developers of the tract and was acquired by applicant in 1946. In that year the tract had relatively few lots in it, and water system capital was about \$30,000. The growth of the area has been phenomenal. Approximately \$300,000 has been invested in plant and the area contains a population in excess of 5,500 persons. The area is now nearly completely developed and little, if any, future growth is expected. The Commission staff estimates that only 29 new service connections may be added to the system in 1955.

During the period since 1946 applicant has had to meet ever-increasing costs of construction and operation of the system, and points to such items as a 90 per cent increase in wage costs, increase from the 38 per cent federal income tax rate in 1946 to the 52 per cent rate now in effect, an over-all increase of 82 per cent in general construction costs, and an increase in costs of pavement replacement of 115 per cent, as having so reduced its earnings from the Broadmoor District that rate relief has become imperative.

Financing of Properties

The record shows that the amount which applicant has invested in Broadmoor since 1950 has exceeded the aggregate net revenues received from the District. Monies for investment in Broadmoor, therefore, could come only from sale of securities. In meeting its capital requirements through issuance of securities applicant must provide for all of its plants and not for Broadmoor alone. In general, it has financed its investment in plant through the issue of bonds, notes, preferred stock and common stock. Its securities are widely distributed. In passing upon the present proceeding, the Commission must consider, among other things, the maintenance of

applicant's earnings at such a level as will afford the utility an opportunity to earn a reasonable return on the capital reasonably employed by it so as to maintain its credit and attract capital sufficient to enable it to discharge its public duty in meeting the demands for service. From the rate and earning viewpoint its standing in the money market must be on at least the level of other utilities of like characteristics or it may not be able to obtain the amount of capital necessary to its expanding growth in plant.

Summary of Presentations

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

	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>	<u>Applicant</u>	<u>CPUC Staff</u>
<u>Adjusted Year 1954^a</u>				
Net Revenue	\$ 12,149	\$ 11,710	\$ 18,452	\$ 18,183
Rate Base (Deprec.)	290,700	294,000	290,700	294,000
Rate of Return	4.18%	3.98%	6.35%	6.18%
<u>Estimated Year 1955</u>				
Net Revenue	\$ 11,775	\$ 11,875	\$ 18,185	\$ 18,497
Rate Base (Deprec.)	296,000	296,900	296,000	296,900
Rate of Return	3.98%	4.00%	6.14%	6.23%

- a. Adjusted to eliminate certain dues, donations and contributions and to place certain non-recurring or abnormal costs or expenses on a normalized basis.

From the above summary it may be seen that there is no substantial disagreement between the estimated 1955 results of operations as presented by applicant and as independently determined by the Commission staff.

It is apparent that applicant is experiencing a less than reasonable return. Applicant cannot enjoy the increased water revenues which its proposed rates might produce during the full year 1955 and will not realize the returns indicated in the above tabulation. It is reasonable to expect that applicant will realize a rate of

return not significantly higher than 6 per cent in the first full calendar year in which new rates may be fully effective. Such a rate of return is reasonable.

Position of Protestant

Protestant opposes an increase in rates on general grounds, but particularly objects to the magnitude of the proposed increase in the service charge. Counsel for protestant participated in the cross-examination of witnesses throughout the hearing and questioned the estimates of continuing increased costs in view of the physical limitations on growth in the area which would preclude further costly expansion.

Witnesses for applicant agreed that there is little growth to be realized in the area. They pointed out, however, that the system is new and has required relatively little replacement, or maintenance thus far; but that the necessity for maintenance and replacement of plant increases with the age of the plant and, further, that the costs of such work are continuing to increase.

Applicant's witness based his support of the proposed increase in the service charge on a "cost of service" study. Such study indicated that the existing service charge is unreasonably low; but, in our opinion, does not indicate that the service charge need be as high as that proposed in this district. While cost of service studies are informative and helpful, they are not of themselves conclusive. We are convinced that an increase of the magnitude proposed^{2/} is not warranted in this instance. The rates to be authorized herein will provide a lesser increase in such charge but the quantity charge will be increased so as to provide for the same estimated revenues from this schedule.

^{2/} For the usual residential service, the service charge is 70 cents per month. Applicant's proposal is to increase this charge to \$2 per month, an increase of 186 per cent. The authorized charge is \$1.75 per month.

Conclusions

We find that applicant is in need of and entitled to the increased revenues sought. The rates which it has proposed are reasonable when modified in accordance with the foregoing discussion, and they will be authorized.

At present water rates, the charge for a consumption of 1,200 cubic feet of water is \$4.49. At the authorized rates such charge would be \$5.25 or an increase of 16.7 per cent. The rates authorized for service to employees will be set in accordance with those being made effective in other of applicant's districts.

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

O R D E R

California Water Service Company having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in its Broadmoor District, public hearing thereon having been held, the Commission having been fully advised, the matter having been submitted and being now 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 herein authorized, are for the future unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96, the tariffs attached to this order as Appendix A and, on not less than five days' notice to the public and to this Commission, to make said tariffs effective for all service rendered on and after August 1, 1955.

IT IS HEREBY FURTHER ORDERED that applicant, within thirty days of the effective date of this order, shall file four copies each of an appropriate tariff service area map of the Broadmoor District system in conformity with the provisions of General Order No. 96 and of a comprehensive map of the Broadmoor District system, to an indicated scale of approximately 400 feet to the inch, on which will be delineated the various tracts of land and territory served and appropriate markings showing the principal water production, storage, transmission and distribution facilities within such district.

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

Dated at San Francisco, California, this 5th day of July, 1955

Justin J. Adams
~~President~~
Richard L. Adams
William J. Adams
P. H. Adams

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

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Schedule No. 1

Broadmoor Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community known as Broadmoor, and vicinity, adjacent to Daly City, San Mateo County.

RATES

Service Charge:	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter	\$ 1.75
For 3/4-inch meter	1.95
For 1-inch meter	2.15
For 1 1/2-inch meter	3.50
For 2-inch meter	5.10
For 3-inch meter	9.25
For 4-inch meter	12.00
For 6-inch meter	18.50
For 8-inch meter	25.00
For 10-inch meter	35.00

Quantity Rate:

For all water delivered, per 100 cu.ft. \$ 0.292

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

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Schedule No. 2

Broadmoor-Tariff-Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service rendered for public fire protection to a public authority such as a municipality, county, or other political subdivision of the State.

TERRITORY

The unincorporated community known as Broadmoor; and vicinity, adjacent to Daly City, San Mateo County.

RATES

Per-Hydrant-Per Month

:Hydrant : :Owned by:	: Size of: : Hydrant:	: Type:	: If Attached to:			: If Attached:
			: 2 or 2½" Main :	: to 3" Main :	: to 4" Main :	: to 6" Main :
Authority	2"	Wharf	\$0.75	\$1.00	\$1.25	\$1.50
Utility	2"	Wharf	1.00	1.25	1.50	1.75
Authority	2½"	Wharf	1.00	1.25	1.50	1.75
Utility	2½"	Wharf	1.25	1.50	1.75	2.00
Authority	3"	Wharf	-	1.50	1.75	2.00
Utility	3"	Wharf	-	1.75	2.00	2.25
Authority	4"	Standard	=	-	2.00	2.50
Utility	4"	Standard	=	-	2.50	3.00
Authority	6"	Standard	=	-	-	3.00
Utility	6"	Standard	=	-	-	3.50

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Schedule No. 2

Broadmoor Tariff Area

PUBLIC FIRE HYDRANT SERVICE

SPECIAL CONDITIONS

1. Hydrants owned by the public authority will be installed, maintained, painted, inspected and relocated at the expense of the public authority. The utility will install and own the tee in the main, the hydrant branch and the control valve.

2. Hydrants owned by the utility will be maintained by it. The utility will install and own the tee in the main, hydrant branch, valve, bury and hydrant. The public authority will pay for the relocation of any hydrants owned by the utility.

3. The above rates include use of water for fire protection and for no other purpose. For water delivered through fire hydrants for any other purpose, charges will be made therefor at the quantity rate under Schedule No. 1, General Metered Service.

4. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

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Schedule No. 3

Broadmoor Tariff AreaPRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

Applicable to all water service rendered for privately owned fire protection systems.

TERRITORY

The unincorporated community known as Broadmoor, and vicinity, adjacent to Daly City, San Mateo County.

RATES

	<u>Per Month</u>
For each 1½-inch service connection	\$ 2.25
For each 2-inch service connection	3.00
For each 3-inch service connection	4.50
For each 4-inch service connection	6.00
For each 6-inch service connection	9.00
For each 8-inch service connection	12.00
For each 10-inch service connection	15.00

SPECIAL CONDITIONS

1. The fire protection service connection will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.

2. If a distribution main of adequate size to serve a private fire protection 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 will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.

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Schedule No. 3

Broadmoor Tariff Area

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS—Contd.

3. Service hereunder is for fire protection systems 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 utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water.

4. For water delivered for other than fire protection purposes, charges will be made therefor under Schedule No. 1, General Metered Service.

5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

Schedule No. 4

Broadmoor Tariff Area

SERVICE TO COMPANY EMPLOYEES

APPLICABILITY

Applicable to water service furnished for domestic use at the place of residence of the employee.

TERRITORY

The unincorporated community known as Broadmoor, and vicinity, adjacent to Daly City, San Mateo County.

RATE

The filed rate or rates applicable to the type of service in the territory where service is supplied, less 25% discount.