

ORIGINAL

Decision No. 51636

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 author-)
izing it to increase rates charged)
for water service in South San)
Francisco and vicinity.)

Application No. 35963

McCutchen, Thomas, Matthew, Griffiths & Greene by
Robert Minge Brown, for applicant;
Mary Moran Pajalich and Carol T. Coffey, for the
Commission staff.

O P I N I O N

By the above-entitled application, filed November 9, 1954, California Water Service Company, a California corporation, seeks an order of this Commission authorizing increases in rates and charges for water service rendered in the City of South San Francisco and vicinity in San Mateo County.

Public hearings in the matter were held before Commissioner Ray E. Untereiner and Examiner F. Everett Emerson on April 20, 1955, at Los Angeles and on May 12, 1955, at San Francisco. No person appeared at the hearing on this district to protest or otherwise comment upon applicant's rate request or the service being rendered. The Los Angeles hearing concerned the over-all operations of applicant, while that at San Francisco concerned applicant's South San Francisco District operations. Oral argument, heard on May 19, 1955, at San Francisco, concerned certain allocation factors and the treatment to be accorded customers' advances for construction applicable to all districts.^{1/}

1/ For the Commission's conclusions on such subjects see Decision No. 51618 in Application No. 35959 issued June 28, 1955.

Rates, Present and Proposed

Applicant's existing rates for its South San Francisco District were authorized by this Commission's Decision No. 45307 in Application No. 32015, issued January 30, 1951. Such rates were designed to produce additional revenues of approximately \$42,000 annually. The rate increases which applicant now seeks would produce additional revenues of about \$85,000 annually, based on the normalized level of business during 1954, and in the main would be derived from increases in charges to residential and business customers.

The existing rates are of the "minimum charge" type whereby the delivery of 500 cubic feet of water is made at a stated and minimum charge with additional usage being charged through three steps or blocks of usage at a relatively high initial rate and a low terminal rate. The proposed rates are of the "service charge" type. The service charge is a "readiness-to-serve" charge to which quantity charges, at relatively low rates, are added for each 100 cubic feet of water used.

On a yearly basis, the sum of the 12 monthly bills under either type of rate, theoretically, would be the same. The service charge type of rate, however, has the advantage, to the customer and the utility alike, of lessening the usually wide variations in billings for winter and summer usage. Under such a rate, the winter bills would be somewhat higher and the summer bills somewhat lower than those computed under an equivalent minimum charge type of rate.

Present and proposed water rates are compared in the following tabulation. The average residential and business customers would have their annual billings increased by approximately 18 per cent under the proposed rates, based on the level of business during 1954. Customers with larger usage characteristics would, in some months, experience decreases in billings. However, these latter

customers, in total, use less than 10 per cent of the total water deliveries. Such situation further illustrates the nonuniformity of charges under existing rates and the equity in the service charge type of rates proposed.

Billing Comparisons
(5/8 x 3/4-inch Meter)

<u>Usage in Cubic Feet</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Per Cent Increase</u>
100	\$ 1.59	\$ 2.18	37.1%
500	1.59	2.88	81.1
1,000	3.04	3.75	23.4
1,100 (Avg. Usage)	3.33	3.93	18.0
1,200	3.62	4.10	13.3
1,500	4.49	4.63	3.1
2,000	5.94	5.50	(7.4)
2,500	7.39	6.38	(13.7)
3,000	8.84	7.25	(18.0)
4,000	10.64	9.00	(15.4)
5,000	12.44	10.75	(13.6)

(Decrease)

Applicant proposes no increase in charges for public fire hydrant service. The present rate schedule for private automatic fire sprinkler service includes rates for service through 4-, 6-, and 8-inch connections. Applicant now proposes a schedule of rates for private fire protection service to include additional sizes of connections and to increase certain of the existing rates, but to eliminate charges for inside hose connections.

As of the end of 1954, the company served approximately 8,008 residential, 336 business, 25 irrigation, 53 industrial, 61 municipal and 6 other metered service connections and provided service to 552 fire hydrants.

The System, Growth and Cost Trends

South San Francisco District is one of applicant's 21 operating districts. Its water system was acquired by applicant in 1931. The water supply is obtained from 9 company-owned wells and by purchase from the Water Department of the City of San Francisco. The

wells have a reported safe yield of approximately 60 million gallons of water per month and applicant has been operating on a pumping schedule based on such a yield. Purchased water, therefore, is used to make up the balance required by the public demand. Of the total supply of 1,782,718,000 gallons used in 1953, 1,068,042,000 gallons were obtained by purchase.

The wells are pumped into a collecting tank and thence into storage reservoirs having an aggregate capacity of 5,140,000 gallons. Storage is distributed over the system in 11 reservoirs or tanks placed, because of the variations in terrain, so as to maintain a number of approximately equal pressure zones.

As of June 30, 1954, the system contained over 410,000 feet of mains with sizes up to 18 inches in diameter. Of the various types of pipes used, over one half is cast iron and approximately one quarter is asbestos cement.

The last rate increase in this district was made necessary by a substantial increase in the costs of purchased water, resulting from increased rates set by the City of San Francisco. The rate relief granted applicant in 1951 was only that necessary to directly offset the increased cost of purchased water and did not improve applicant's rate of return on its investment in this district. The last over-all district rate proceeding^{2/} was held in 1948 and was made necessary by the increased costs of construction, replacement and operation encountered up to the end of that year. At that time labor and material costs had more than doubled over the same costs before World War II. The processes of inflation have continued and applicant's present-day costs, on the average, are approximately 40 per cent above the average during 1948. Since 1948 applicant

^{2/} See Decision No. 42584 in Application No. 29615, issued March 8, 1949.

has added plant in this district totaling approximately \$926,000. Its construction budget for 1955 will add an additional \$213,315 in plant facilities.

Financing of Properties

The record shows that the amount which applicant has invested in South San Francisco since 1948 is greater than the aggregate net revenues received from the District. Monies for investment in South San Francisco, therefore, primarily come from sale of securities. In meeting its capital requirements through issuance of securities applicant must provide for all of its plants and not for this district 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 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 South San Francisco 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	\$ 70,562	\$ 69,530	\$ 109,714	\$ 108,042
Rate Base (Deprec.)	1,678,200	1,671,100	1,678,200	1,671,100
Rate of Return	4.20%	4.16%	6.54%	6.47%
<u>Estimated Year 1955</u>				
Net Revenue	\$ 72,917	\$ 73,160	\$ 115,004	\$ 114,864
Rate Base (Deprec.)	1,825,000	1,848,100	1,825,000	1,848,100
Rate of Return	4.00%	3.96%	6.30%	6.22%

- 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 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 and is also faced with a declining rate of return under the proposed rates. 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, because of the downward trend indicated by the record in this proceeding, 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.

Conclusions

We find that applicant is in need of and entitled to the increased revenues sought. The rates which it has proposed are reasonable and will be authorized. 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 for metered service and on the ratio of days remaining to total calendar days for flat rate service.

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 South San Francisco 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 South San Francisco District system in conformity with the provisions of General Order No. 96 and of a comprehensive map of the South San Francisco District

system, to an indicated scale of approximately 800 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. Calver
 President

Paul J. ...

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Commissioners

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

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Schedule No. 1

South San Francisco Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of South San Francisco and vicinity; San Mateo County.

RATES

	<u>Per Meter Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$2.00
For 3/4-inch meter	2.20
For 1-inch meter	2.40
For 1 1/4-inch meter	4.00
For 2-inch meter	5.80
For 3-inch meter	10.60
For 4-inch meter	13.80
For 6-inch meter	21.00
For 8-inch meter	29.00
For 10-inch meter	40.00

Quantity Rates:

First 50,000 cu.ft.; per-100 cu.ft:	0.175
Over 50,000 cu.ft.; per-100 cu.ft:	0.155

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 Rates.

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Schedule No. 2

South San Francisco Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The City of South San Francisco and vicinity, San Mateo County.

RATE

Per Month

For each fire hydrant \$1.00

SPECIAL CONDITIONS

1. Hydrants will be installed and maintained at the expense of the municipality, county, or other political subdivision of the State. The utility will install and maintain the tee in the main, the hydrant branch and the control valve.

2. The above rate includes 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 will be made therefor at the quantity rates under Schedule No. 1, General Metered Service.

3. 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. 3

South San Francisco Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

The City of South San Francisco and vicinity, San Mateo County.

RATES

Per Month

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

South San Francisco Tariff AreaPRIVATE FIRE PROTECTION SERVICESPECIAL CONDITIONS—Contd.

3. Service hereunder is for private 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 specification 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

South San Francisco 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 City of South San Francisco and vicinity, 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.