

ORIGINAL

Decision No. 53746

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, and to revise contracts)
relating to, water service in the)
County of Contra Costa.)

Application No. 37287

McCutchen, Thomas, Matthew, Griffiths & Greene, by
Robert Minge Brown, for applicant;
Citizens Water Committee of Contra Costa County, by
Robert T. Anderson; Cities of Walnut Creek and
Crockett Citizens Group, by Milton H. Gordon;
City of Concord, by Thomas F. McBride; Pleasant
Hill Civic Council and Citizens, by Maurice S.
Marcus; Sidney J. Golman, Thomas John Coll, in
propria personae; protestants.
Senator George Miller, Jr., in propria persona;
Frank R. Hanrahan, for affected parties,
Pleasant Hill; John A. Nejedly for Crockett
Citizens Committee, A. Rodriguez, chairman and
for City of Walnut Creek; interested parties;
Harold J. McCarthy, Carol T. Coffey and John F.
Donovan for the Commission staff.

O P I N I O N

Nature of Proceeding

By the above-entitled application, filed September 14, 1955, California Water Service Company seeks an order of this Commission authorizing increased rates and charges for water service rendered in its Contra Costa District. Applicant seeks a rate of return of approximately 5.8 per cent on its investment in physical plant and increased revenues of approximately \$700,000 annually, based on the estimated level of business during 1956.

Public Hearing

Public hearing in the matter was held before Commissioner Ray E. Untereiner and Examiner F. Everett Emerson on April 5, 6 and 23, 1956 in San Francisco, and on April 25, May 31 and August 1, 1956

in Concord. The matter was submitted on the latter date.

Applicant's Operations

Applicant's operations consist of providing public utility water service in 21 operating districts in California. Each district is operated separately and with the exception of two, neither of which is now before us, there is no physical connection between the districts. Each system is locally operated under the general supervision of the company's head office in San Jose. The preparation of customers' bills for all districts is handled in a Central Billing Office at Stockton, with the costs thereof distributed over all districts.

As of the end of September 1955, applicant in conducting its company-wide operations had an investment in utility plant of approximately \$62,250,000, served a total of 215,804 customers and employed 488 persons. Gross operating revenues approach \$11,800,000 annually and applicant's total payroll is about \$2,270,000 annually.

As of the end of 1955, applicant served approximately 23,624 active service connections in its Contra Costa District and during the year sold about 3-1/2 billions of gallons of water in the district. The district comprises two separate systems, the system at Port Chicago being served from water sources separate from the balance of the system.

Rate Request

Applicant's present request for authority to increase rates is the second for the Contra Costa District since the end of World War II. The rates presently in effect were authorized during the year 1951. Applicant seeks an increase of approximately 40 per cent in gross revenues. Revenues from service to residential customers constitute about 82 per cent of all revenues received in the district and the average increase sought from such customers is 42.2 per cent.

Applicant points to continued inflation, increased taxes, a phenomenal growth which has added an average of about 2,000 new services per year to the system during the past four years, higher costs of pumping, yearly wage increases and a continuing spiral of higher construction costs as being the causes which have persuaded it to seek further rate relief. It further points to the fact that it has not realized the rate of return intended by the Commission in the last rate proceeding.

Results of Operations

In this proceeding applicant presented the testimony of a number of witnesses and entered a number of exhibits in evidence in support of its sought increased revenues. Accountants and engineers of the Commission staff also offered testimony and presented exhibits respecting their independent investigation and evaluation of applicant's operations and earnings position. Protestants did not attempt an earnings study although they fully participated in the cross-examination of company and staff witnesses.

The results of operation as determined by applicant and by the Commission staff are summarized as follows:

Summary of Earnings

Year 1956 Estimated

	<u>Present Rates</u>		<u>Requested Rates</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 1,751,260	\$ 1,773,100	\$ 2,450,690	\$ 2,487,300
Operating Expenses	1,468,840	1,499,500	1,846,730	1,884,590
Net Revenue	282,420	273,600	603,960	602,710
Rate Base (Depreciated)	10,349,000	10,315,700	10,349,000	10,315,700
Rate of Return	2.7%	2.65%	5.8%	5.84 %

The above tabulation indicates, as the evidence demonstrates, that applicant is in need of and entitled to increased revenues.

Protestants' Participation

Protestants made a number of statements of position, called numerous customer witnesses and presented the testimony of one expert

witness. Among the protests were charges of inefficiency on the part of applicant, charges of both low and high water pressures, complaints respecting poor water quality, inferior construction methods, the installation of inferior materials, instances of numerous leaks, inattention and lack of cooperation with public road building, general inattention to customers' problems, prevention of water distribution by public bodies, and testimony regarding the adverse effect of increased water rates on the economy of the communities served by applicant. In general, protestants recognized the need of applicant for increased revenues but urged that a lesser increase than that sought be granted.

Protestants were unanimous in predicting unreasonable adverse effects on the entire area as the result of an increase of the magnitude proposed by applicant. Protestants' expert witness calculated the effect on rate of return of gross revenue increases of 30 per cent and 25 per cent as opposed to the 40 per cent increase sought by applicant.

Conclusions

In view of the evidence and after careful consideration of the views and arguments of all parties we find as a fact that applicant has demonstrated its need for and entitlement to increased revenues. We are of the opinion, however, that an increase of the magnitude sought is not justified and if granted would place an unreasonable burden upon applicant's customers. We shall authorize rates which are designed to produce an increase of approximately 30 per cent in gross revenues. Such an increase should produce the following results of operations, and we hereby find the indicated revenues, expenses, rate base and rate of return to be fair and reasonable. Under the authorized rates for water service, any net revenues which applicant may attain in excess of those indicated will arise primarily from economies and increased efficiencies in applicant's operations of the water system.

Adopted Results of Operations

Authorized Rates, Estimated Year 1956

<u>Item</u>	<u>Amount</u>
Gross Operating Revenue	\$ 2,305,000
Total Operating Expense	1,786,300
Net Revenue	518,700
Rate Base (depreciated)	10,315,700
Rate of Return	5.03%

It is hereby found as a fact that the increases in rates and charges authorized herein are justified and that existing rates and charges, insofar as they differ therefrom are for the future unjust and unreasonable. .

O R D E R

California Water Service Company having applied to this Commission for authority to increase rates for water service rendered in its Contra Costa District, public hearing thereon having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96, the tariff schedules attached to this order as Appendix A and, after not less than five days' notice to the public and to this Commission, to make said schedules effective for all service rendered on and after October 1, 1956.

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

Dated at San Francisco, California, this 11th day of September, 1956.

[Signature] President
[Signature]
[Signature]
[Signature]
[Signature] Commissioners

Schedule No. CC-1

Contra Costa Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of Concord and vicinity and the unincorporated territory including the communities of Clayton, Crockett, Danville, Pleasant Hill and Port Costa, Contra Costa County.

RATES

	<u>Per Meter per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 2.75
For 3/4-inch meter	3.00
For 1-inch meter	3.50
For 1 1/2-inch meter	6.00
For 2-inch meter	9.00
For 3-inch meter	16.00
For 4-inch meter	21.00
For 6-inch meter	32.00
For 8-inch meter	43.00
For 10-inch meter	60.00
For 12-inch meter	90.00

Quantity Rates:

For the first 30,000 cu.ft., per 100 cu.ft. ..	\$ 0.36
For all over 30,000 cu.ft., per 100 cu.ft. ..	.27

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. CCP-1

Contra Costa Tariff Area

Port Chicago Zone

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Port Chicago and vicinity, Contra Costa County.

RATES

	<u>Per Meter per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 2.75
For 3/4-inch meter	3.00
For 1-inch meter	3.50
For 1 1/2-inch meter	6.00
For 2-inch meter	9.00
For 3-inch meter	16.00
For 4-inch meter	21.00
For 6-inch meter	32.00
For 8-inch meter	43.00
For 10-inch meter	60.00

Quantity Rate:

For all water delivered, per 100 cu.ft. \$ 0.20

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. CC-4

Contra Costa Tariff AreaPRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

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

TERRITORY

The City of Concord and vicinity, and the unincorporated territory including the communities of Clayton, Crockett, Danville, Pleasant Hill, Port Costa and Port Chicago, Contra Costa County.

RATES

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

Schedule No. CC-4

Contra Costa Tariff Area

PRIVATE FIRE PROTECTION SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

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 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. CC-1, or No. CCP-1; General Metered Service, as applicable.

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.

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Schedule No. CC-5

Contra Costa Tariff AreaPUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

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

TERRITORY

The City of Concord and vicinity and the unincorporated territory including the communities of Clayton, Crockett, Danville, Pleasant Hill and Port Costa, Contra Costa County.

RATES

	<u>Per Month</u>
For each 2-inch hydrant	\$1.25
For each 3-inch hydrant	1.75
For each 4-inch hydrant	2.50
For each 6-inch hydrant	3.00

SPECIAL CONDITIONS

- Hydrants will be owned by the public authority and 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.
- 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. CC-1, General Metered Service.
- 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.
- Fire hydrants will be attached to the Utility's distribution mains only as authorized by the proper public authority. Such authorization must designate the ownership, size, and type of hydrants and specifically state the location at which each is to be installed.

Schedule No. CCP-5
Contra Costa Tariff Area
Port Chicago Zone
PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Port Chicago and vicinity, Contra Costa County.

RATE

	<u>Per Month</u>
For each fire hydrant	\$1.50

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. 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. CCP-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. CC-9U

Contra Costa Tariff Area

UNTREATED WATER SERVICE

APPLICABILITY

Applicable to all untreated water service.

TERRITORY

Along the Utility's existing untreated water pipeline, Contra Costa County.

RATES

Per Month

Delivery Charge:

For the first 10,000,000 gals., per million gals.	\$40.00
For the next 10,000,000 gals., per million gals.	32.50
For the next 10,000,000 gals., per million gals.	24.00
For all over 30,000,000 gals., per million gals.	16.50

Commodity Charge:

For water acquired by the Utility from Canal Service or water obtained by the Utility from sources other than Canal Service, including water from Mallard Slough, the customer shall pay Utility at a rate equivalent to the cost to the Utility of water delivered to it as Canal Service by Contra Costa County Water District.

SPECIAL CONDITION

Sales under this schedule will be made only under written contracts as a condition to the receipt of service, a copy of the general form of such contract being filed as a part of these tariff schedules.