

ORIGINALDecision No. 53834

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)
 water service in the San Mateo)
 district.)

Application No. 37285

McCutchen, Thomas, Matthew, Griffiths & Greene
 by Robert Minge Brown, for applicant; Dick Harris,
 for Manufacturers Association of San Mateo County;
W. I. Rice, for San Mateo Federation of Improvement
 Clubs; Wallace Deming, for Peninsular and College
 Park Improvement Club; G. Albert Lansburgh in
 propria persona, protestants; Arthur B. Sullivan,
 for City of San Mateo, interested party.
Harold J. McCarthy, Carol T. Coffey and John F. Donovan,
 for the Commission staff.

O P I N I O NNature 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 San Mateo and vicinity. Basically, applicant seeks a rate of return of approximately 6 per cent on its investment in physical plant and increased revenues of approximately \$318,000 annually, based on the estimated level of business during 1956. The specific rates which applicant requests be authorized for water service in the San Mateo District would produce revenues approximately 26 per cent greater than would those rates now in effect.

Public Hearing

Public hearing in the matter was held before Commissioner Ray E. Untereiner and/or Examiner F. Everett Emerson on April 5,

6 and 23, 1956, in San Francisco, and on May 17 and 18, 1956, in San Mateo. 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 locally operated under the general supervision of the utility's head office in San Jose. With the exception of two districts, neither of which is now before us, there is no physical connection between them. The preparation of customers' bills for all districts is handled in the Central Billing Office in Stockton.

As of the end of September, 1955, applicant in conducting its over-all 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 December, 1955, applicant served approximately 18,491 active service connections and 1,151 fire protection connections in its San Mateo District and during the year sold approximately 319,782,000 cubic feet of water in the district. The district's source of water supply is obtained from the Water Department of the City and County of San Francisco.

Rate Request

Applicant's present request for authority to increase rates is the second for the San Mateo District since the end of World War II. The rates presently in effect were authorized during the year 1951. Applicant seeks an increase of 26 per cent in gross revenues. Increases to individual customers would vary, but the average user of water for residential service would experience an average increase of about 29 per cent under the

proposed rates while a customer using only one half the average consumption would face a 50.6 per cent increase. Large users would be increased about 17 per cent under the company's proposal. Under present water rates residential and business water users provide approximately 98 per cent of applicant's gross revenues, while under the proposed rates such users would provide approximately 95 per cent of all revenues.

Applicant points to a combination of a number of circumstances as being the cause which has forced it to seek further rate relief. Most important in its effect is the additional capital expenditure of about \$800,000 which must be made to eliminate reliance on a transmission main of the San Francisco Water Department, which is nearing the end of its useful life and which San Francisco will not replace, and for the reduction of applicant's peak water requirements as demanded by San Francisco. This particular capital expenditure will not result in the addition of new customers or any increase in revenues. Additional circumstances are those of continued inflation, system growth, higher costs of pumping, higher costs of wages and materials and substantial increases in taxes, federal income taxes alone having increased 24 per cent since the present water rates were made effective.

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. Experts of the Commission staff also offered testimony and presented exhibits respecting their independent investigation and evaluation of applicant's operations and earnings position. Protestants confined their presentations to statements of position and opposition to increased rates or testified respecting service problems.

The results of operation as determined by applicant and the Commission staff are summarized in the following tabulation:

Summary of Earnings
Year 1956 Estimated

Item	Present Rates		Proposed Rates	
	Applicant	CPUC Staff	Applicant	CPUC Staff
Operating Revenues	\$1,188,750	\$1,217,910	\$1,506,930	\$1,542,540
Operating Expenses	1,005,220	1,033,440	1,176,870	1,208,780
Net Revenue	183,530	184,470	330,060	333,760
Rate Base	5,135,000	4,977,800	5,135,000	4,977,800
Rate of Return "B"	3.6%	3.7%	6.4%	6.7%

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

The major difference between the rate bases shown above arises primarily from an unusually large subdivider's advance for construction, received by applicant in August, 1955. In view of the evidence, it appears that the abnormal nature of the advance, received during the middle of the test period, makes appropriate the adoption of the company's rather than the staff's calculation of the rate base. We find, therefore, that a rate base of \$5,135,000 is fair and reasonable for the estimated year 1956 and it is hereby adopted. An adjustment also will be made to operating expenses in order to allow for taxes increased by the City of San Mateo subsequent to the preparation of the respective exhibits of applicant and staff.

Conclusion

It is apparent that applicant is entitled to increased revenues. Applicant has suggested that there is a downward trend of rate of return in this district, whereas the staff's showing indicates that there is an upward trend. In view of the evidence, we find that a rate of return of 6 per cent is fair and reasonable on the above adopted rate base and that no allowance for trend of

return is required. An increase of about \$274,000 or 22.5 per cent in gross revenue will increase applicant's earnings to 6 per cent on the adopted rate base of \$5,135,000. Applicant's proposed rates will not be authorized but the rates set forth in Appendix A are justified and will be authorized. We find that present rates in so far as they differ from those authorized herein are for the future unjust and unreasonable.

O R D E R

California Water Service Company having applied to this Commission for an order authorizing increased rates and charges in its San Mateo 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, in conformity with the provisions of General Order No. 96, the schedules of rates and charges set forth in Appendix A attached to this order and, on not less than five days' notice to the public and to this Commission, to make said rates and charges effective for all service rendered on and after October 22, 1956.

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

Dated at San Francisco, California, this 1st day of OCTOBER, 1956.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

Schedule No. SM-1

San Mateo Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

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

RATES

	<u>Per Meter per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 1.65
For 3/4-inch meter	1.85
For 1-inch meter	2.00
For 1-1/2-inch meter	3.35
For 2-inch meter	5.00
For 3-inch meter	9.00
For 4-inch meter	12.00
For 6-inch meter	18.00
For 8-inch meter	25.00
For 10-inch meter	35.00

Quantity Rates:

For the first 30,000 cu.ft., per 100 cu.ft.....	\$ 0.32
For all over 30,000 cu.ft., per 100 cu.ft.....	.29

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.

Schedule No. SM-4

San Mateo Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

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

RATES

	<u>Per Month</u>
For each 1-1/2-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.
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. SM-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. SM-5

San Mateo Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service furnished to duly organized or incorporated fire protection districts or other political subdivisions of the State.

TERRITORY

The City of San Mateo and Vicinity, San Mateo County.

RATES

	<u>Per Hydrant per Month</u>
For Fire Hydrants owned by the public authority	\$1.00
For Fire Hydrants owned by the Utility	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. Hydrants owned by the Utility will be maintained by it. The Utility will install and own the tee in the main, the hydrant branch, the valve, and the bury and hydrant. The public authority will pay for the relocation of any hydrants owned by the Utility when such relocation has been requested by the public authority.

3. The above rates include use of water for fire protection and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges will be made at the monthly quantity rates under Schedule No. SM-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.

5. 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.