

ORIGINALDecision No. 57469

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 authorizing)
 it to increase rates charged for water)
 service in the San Carlos district. }

Application No. 39888

McCutchen, Doyle, Brown & Enersen, by Robert Minge Brown
 and A. C. Greene, Jr., for applicant.
 City of San Carlos, by Melvin E. Cohn; San Carlos
 Elementary School District, by Mrs. Egon W. Strandberg
 and Albert R. Beardsley; in propria persona, John D.
McLaughlin, interested parties.
Cyril M. Saroyan and Jean B. Balcomb, for the Commission
 staff.

O P I N I O NNature of Proceeding

By the above entitled application, filed March 10, 1958, California Water Service Company, a California corporation, seeks an order of this Commission authorizing it to increase rates for general metered water service rendered by it in its San Carlos district.

Public Hearing

Public hearing in the matter was held before Examiner F. Everett Emerson on September 10 and 11, 1958 at San Carlos. The matter was submitted on the latter date, subject to the receipt of a late-filed exhibit which now has been received.

Applicant's Position

The water rates presently in effect in the San Carlos district became effective, on this Commission's authorization, on October 15, 1952. In the period of six years since that time, the

levels of wages and the prices of materials have risen several times. Applicant's costs for electric power have also been increased and larger amounts of power are required to lift water to the higher lands which are now being built up with residences. Property tax assessments and tax rates have also risen markedly. Maintenance and replacement costs have increased, along with all other costs, but especially so because of municipal street regrading and relocation or realignment.

In short, applicant finds itself caught in the pinch produced by continuing inflation. The steady decline in earnings in the San Carlos district has reduced its rate of return to the point where it feels that rate relief has become imperative. Applicant seeks a rate of return which over a three-year period will approximate 6 percent. The rates which it alleges will produce such a return would, on the average, increase the bills of water users by approximately 13 percent.

Rates, Present and Proposed

Applicant proposes a higher service charge for meters two inches or smaller in size and a lower service charge for meters three inches and over in size. Applicant further proposes to increase the charge for water by 2 cents per 100 cubic feet. No changes in charges are proposed in any schedule other than that for metered service. Present and proposed meter rates are set forth in the following tabulation.

<u>Service Charge</u>	<u>Per Meter Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
For 5/8 x 3/4-inch meter	\$ 1.50	\$ 2.00
For 3/4-inch meter	1.80	2.20
For 1-inch meter	2.25	2.40
For 1½-inch meter	3.70	4.00
For 2-inch meter	5.00	6.00
For 3-inch meter	17.00	11.00
For 4-inch meter	25.00	14.00
For 6-inch meter	34.00	21.00
For 8-inch meter	50.00	29.00
For 10-inch meter		40.00

<u>Quantity Rate</u>		
For all water delivered, per 100 cu.ft.	0.30	0.32

Nature of Evidence

Applicant and the Commission staff presented evidence respecting applicant's over-all operations and all phases of applicant's San Carlos district operations and the results of such operations as they pertain to the company's financial position. Cross-examination was undertaken by all active appearances.

The following tabulation will serve to summarize the evidence adduced respecting the results of applicant's operations for the estimated year 1958.

SAN CARLOS DISTRICT
SUMMARY OF EARNINGS - ESTIMATED YEAR 1958

At Existing Water Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 474,530	\$ 476,060
Operating Expenses		
Before Taxes	331,730	331,320
Taxes	72,410	73,390
Total Oper. Exps.	\$ 404,140	\$ 404,710
Net Revenue	\$ 70,390	\$ 71,350
Rate Base (depreciated)	\$1,547,300	\$1,531,200
Rate of Return	4.55%	4.66%

At Applicant's Proposed Water Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 536,330	\$ 537,490
Operating Expenses		
Before Taxes	331,790	331,320
Taxes	105,700	106,510
Total Oper. Exps.	\$ 437,490	\$ 437,830
Net Revenue	\$ 98,840	\$ 99,660
Rate Base (depreciated)	\$1,547,300	\$1,531,200
Rate of Return	6.39%	6.51%

Findings and Conclusions

The foregoing tabulation is predicated on straight-line depreciation for income tax purposes. Applicant elected to use accelerated depreciation for income tax purposes in 1957 but has not yet determined its position relative thereto for the year 1958. Applicant is placed on notice that the matter of the treatment to be accorded depreciation for tax expense purposes has not finally been determined. It is appropriate, therefore, that applicant promptly notify this Commission of its election, under Section 167 of the 1954 Internal Revenue Code, for the year 1958. Upon receipt of such notice and upon final determination of the over-all depreciation matter, the Commission may reopen this proceeding and adjust water rates accordingly.

As may be seen from the foregoing tabulation, there is no significant difference between the showing of applicant and the independently determined showing of the Commission staff. The evidence makes it abundantly clear that applicant has itself adopted Commission staff methods in analyzing results of operations. The

very minor differences are well within the limits of accuracy in any estimating process or are the result of the staff's having eliminated certain items from rate base in accordance with long-established practices. Accordingly, the two showings may be accepted as of equal accuracy and, for all practical purposes of equal weight, for the purpose of determining applicant's financial position. In our opinion, the evidence presented by the Commission staff corroborates applicant's evidence. We therefore adopt as fair and reasonable estimates of the results of operations for the estimated year 1958, predicated on an assumed full-year 1958 operations under existing and proposed water rates, the showing of applicant as set forth in the above tabulation. Further, in view of the evidence we find that applicant is in need of and entitled to increased revenues in the San Carlos district.

Both applicant and the Commission staff analyzed the trend of rate of return for this district. Applicant's calculations indicate an average yearly decline of 0.37 percent, while the staff computations indicate 0.29 percent. It is reasonable to assume that the decline to be experienced will lie between these extremes for the immediate future. It follows, therefore, that after applying these percentages to the respective end results of applicant and staff, applicant will earn no greater than a reasonable return if applicant's proposed rates are authorized, and we so find the fact to be.

The present form of metered water rate for this district was established by this Commission in 1952. The rate is of the "service charge plus commodity charge" type. The prior form was

of the "block" or "stepped" type. The San Carlos School District urges a return to the block type rate. In our opinion, the present rate form is the most equitable and should be continued.

Applicant's present rate proposal with respect to the appropriate service charges for various sized meters is the direct result of an engineering and economic study by which the inter-relationship of such charges is determinable. No such study was available in 1952. However, the study is in evidence in this proceeding (Exhibit No. 5), and is of considerable value. Its use will permit even greater equability in setting the level of service charges. In view of the evidence we find that applicant's specific rate proposal is fair and reasonable and should be authorized.

Over-all Conclusion

The findings hereinabove set forth produce an over-all result which we find to be fair and reasonable and in the public interest. Further, we hereby find as a fact that the increases in rates and charges authorized herein are justified and that present rates and charges, insofar as they differ from those herein prescribed, for the future are unjust and unreasonable.

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 San Carlos district, public hearing thereon having been held, the matter having been submitted and now being ready for decision based upon the evidence and the findings and conclusions contained in the foregoing opinion; therefore,

IT IS HEREBY ORDERED that California Water Service Company 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 schedule of rates shown in Appendix A attached hereto, and, on not less than five days' notice to the public and to this Commission, to make said schedule effective for water service rendered on and after November 10, 1958.

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

Dated at San Francisco, California, this 15th day of October, 1958.

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

APPENDIX A

Schedule No. SC-1

San Carlos Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the City of San Carlos and vicinity, San Mateo County.

RATES

Service Charge:	Per Meter Per Month
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 1/2-inch meter	4.00
For 2-inch meter	6.00
For 3-inch meter	11.00
For 4-inch meter	14.00
For 6-inch meter	21.00
For 8-inch meter	29.00
For 10-inch meter	40.00

Quantity Rate:

For all water delivered, per 100 cu.ft. \$ 0.32

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.