

ORIGINAL

Decision No. 61589

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 Bear Gulch)
 district.

Application No. 42326

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 Broadmoor)
 district.

Application No. 42327

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 South San)
 Francisco district.

Application No. 42330

McCutchen, Doyle, Brown & Enersen, by Robert Minge Brown and A. Crawford Greene, Jr.,
 for applicant.

James M. Parmelee, for the County of San Mateo; Brobeck, Phleger & Harrison, by George D. Rives and Gordon E. Davis,
 for Ladera Water Company; interested parties.

Cyril M. Saroyan and John R. Gillanders,
 for the Commission staff.

O P I N I O N

Nature of Proceedings

By the above-entitled applications, filed June 8, 1960, California Water Service Company, a California corporation, seeks authority to increase water rates for service rendered by it in its Bear Gulch, Broadmoor and South San Francisco districts.

Public Hearing

After due notice, public hearings in these matters were held before Commissioner C. Lyn Fox and/or Examiner F. Everett Emerson

on November 9, 10, 28, 29 and December 16, 1960 at San Francisco. The matters are submitted and ready for decision.

Scope of Operations

Applicant's public utility operations consist of providing water service in 18 operating districts in California. Each district is a separate physical system, locally operated under the general supervision of the company's head office in San Jose. As of January 1, 1960, applicant's over-all utility plant represented an investment of more than \$76,660,000 and provided water service to approximately 230,000 customers.

Rate Requests

The present rates in the three districts here under consideration were authorized by this Commission on the dates indicated in the following tabulation. Also indicated are the requested increases in annual revenues and the average increase on a customer basis. Applicant requests that only the rates for general-metered service shall be increased.

<u>System</u>	<u>Present Rates Authorized</u>	<u>Approx. Increased Revenues Sought</u>	<u>Average Customer Present Rates</u>	<u>Customer Annual Bill Requested Rates</u>	<u>Percent Increase</u>
Bear Gulch	7-5-56	\$202,660	\$93.80	\$107.48	14.6%
Broadmoor	7-5-55	21,580	59.82	72.00	20.4
So. San Francisco	7-5-55	121,490	49.41	57.03	15.4

Summary of Presentations

Applicant points to continued inflationary influences of the economy, to increased wage and materials costs and, in particular, to increased ad valorem taxes as being the prime factors which have forced it again to seek rate relief in these districts. In these proceedings applicant presented the testimony of a number of witnesses and entered a number of exhibits in evidence, both as to its over-all operations and as to each of three districts herein being discussed, as support for its sought increased revenues. The Commission staff

also offered testimony and presented exhibits respecting its investigation and evaluation of applicant's operations and earnings position.

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

Item	<u>Summary of Earnings</u> <u>Year 1960, Estimated</u>			
	<u>Present Rates</u>		<u>Requested Rates</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>	<u>Applicant</u>	<u>CPUC Staff</u>
<u>Bear Gulch System</u>				
Operating Revenues	\$1,408,650	\$1,399,650	\$1,611,310	\$1,601,040
Operating Expenses	1,195,740	1,186,530	1,306,580	1,296,570
Net Revenue	212,910	213,120	304,730	304,470
Rate Base (Depr.)	4,217,400	4,185,000	4,217,400	4,185,000
Rate of Return	5.05%	5.09%	7.23%	7.28%
<u>Broadmoor District</u>				
Operating Revenues	\$ 109,900	\$ 109,680	\$ 131,480	\$ 131,230
Operating Expenses	95,280	96,000	107,100	107,780
Net Revenue	14,620	13,680	24,380	23,450
Rate Base (Depr.)	349,100	343,400	349,100	343,400
Rate of Return	4.19%	3.98%	6.98%	6.83%
<u>South San Francisco District</u>				
Operating Revenues	\$ 800,390	\$ 800,390	\$ 921,880	\$ 921,880
Operating Expenses	698,830	695,630	765,250	762,010
Net Revenue	101,560	104,760	156,630	159,870
Rate Base (Depr.)	2,184,400	2,176,900	2,184,400	2,176,900
Rate of Return	4.65%	4.81%	7.17%	7.34%

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

It may be computed, from the figures in this tabulation, that the greatest difference between applicant's estimates of operating revenues and expenses and those independently determined by the Commission staff amounts only to 8/10 of one percent. Both applicant and staff computed federal income tax expense on the basis of liberalized depreciation. Rate base calculations differ by a maximum of 1.6 percent. Further, as may be seen directly from the tabulation, the greatest difference in over-all results, as measured by rate of return, is only 21/100 of one percent. As illustrated by

these comparisons and their magnitude, the respective differences as to revenues and expenses indicate that the items have been determined within reasonable limits of estimating accuracy.

With respect to the depreciated rate bases, the evidence shows that the staff bases reflect a deduction for accrued income tax differentials, resulting from the use of liberalized income tax depreciation allocable to these three districts, at the beginning of each year.

In view of the evidence, and prior Commission decisions both with respect to this company and other companies, the adopted rate bases contain a deduction for the applicable accrued income tax differentials.

Conclusions

As this Commission has often stated, it is not possible to rely on the use of a formula alone for the determination as to what constitutes a reasonable rate of return. The finding of the Commission in this respect must represent the exercise of judgment after giving consideration to all the circumstances of each case. As hereinabove stated, applicant is entitled to increased revenues. In view of the evidence, however, the Commission finds and concludes that the water rates which applicant requests would produce rates of return which would be excessive and unreasonable.

New water rates cannot be effective for any part of the year 1960 used as a test year in these proceedings. Nor can new rates be made effective for the full year 1961. It is readily apparent from the evidence that applicant's rate of return has been declining and it is reasonable to assume that it will continue to do so. Such decline appears to be at the rate of approximately 3/10 of one percent on an annual basis and such will be taken into consideration in setting the initial rate of return for these three

districts. By so doing, the rates of return to be realized by applicant in the first full year of operations will be in the range of 6.2 to 6.3 percent which the Commission finds to be within a zone of reasonableness.

Based upon the record in these matters, the Commission concludes that applicant should be accorded increased revenues as shown in the following tabulations and the Commission finds that the rate bases, rates of return and net revenues therein set forth are fair and reasonable.

Summary of Operations - Authorized
(Based on Test Year 1960)

<u>Item</u>	<u>Amount</u>
<u>Bear Gulch System</u>	
Rate Base (Depreciated)	\$4,163,000
Rate of Return	6.7%
Net Revenue at 6.7% Rate of Return	\$ 278,900
Net Revenue at Present Rates (a)	216,100
Gross Increase in Revenues	138,600
<u>Broadmoor District</u>	
Rate Base (Depreciated)	\$ 346,500
Rate of Return	6.7%
Net Revenue at 6.7% Rate of Return	\$ 23,210
Net Revenue at Present Rates (a)	14,390
Gross Increase in Revenues	19,460
<u>South San Francisco District</u>	
Rate Base (Depreciated)	\$2,153,000
Rate of Return	6.7%
Net Revenue at 6.7% Rate of Return	\$ 144,300
Net Revenue at Present Rates (a)	103,900
Gross Increase in Revenues	88,900

(a) After allowance allocable to net revenue as the net income effect of applicant's sale of operative systems.

Rates for water service will be authorized accordingly.

The Commission finds as a fact that the increases in rates authorized herein are justified and that present rates, insofar as they differ from those herein authorized, are for the future unjust and unreasonable.

Applicant's Bear Gulch System serves the Ladera Water Company, a mutual company, at its regular water rate for commercial usage. Ladera serves approximately 377 customers and its evidence shows that its customers might sustain lesser costs, by about \$10,500 annually, if they were to be served directly by applicant rather than through their own system. Ladera requests that applicant be required to supply it at a "wholesale" rate in order to save its customers such costs. Applicant has no such rate. In the opinion of the Commission, the evidence presented by Ladera does not warrant requiring applicant to provide service at a special rate or under conditions different from those under which applicant's other customers are served. Accordingly, Ladera's request for special treatment will not be granted.

The following tabulation illustrates the increases in the monthly billing for an average-usage customer, on each of these systems, which will result from the increased water rates authorized herein:

<u>System</u>	<u>Average Monthly Bill</u>		<u>Percent Increase</u>
	<u>Present Rate</u>	<u>Authorized Rate</u>	
Bear Gulch	\$7.82	\$8.60	10%
Broadmoor	4.98	5.91	19
South San Francisco	4.12	4.52	10

O R D E R

Based upon the record, findings and conclusions herein,
 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 Appendices A, B and C attached to this order and, on

not less than five days' notice to the public and to the Commission, to make said rates and charges effective for all service rendered on and after April 1, 1961.

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

Dated at San Francisco, California, this 28th day of FEBRUARY, 1961.

Laurel B. Page
President
W. E. Mitchell
C. L. Fox
George H. Grover
Frederick B. Holhoff
Commissioners

APPENDIX A

Schedule No. BG-1

Bear Gulch Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The communities of Atherton, Menlo Park, Woodside, and vicinity, San Mateo County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Service Charges:	
For 5/8 x 3/4-inch meter	\$ 2.40
For 3/4-inch meter	2.65
For 1-inch meter	2.90
For 1 1/2-inch meter	4.90
For 2-inch meter	7.00
For 3-inch meter	13.00
For 4-inch meter	17.50
For 6-inch meter	26.00
For 8-inch meter	35.00
 Quantity Rates:	
For all water delivered, per 100 cu. ft.	0.295

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.

APPENDIX B

Schedule No. BD-1

Broadmoor Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within and adjacent to the unincorporated community known as Broadmoor, adjacent to Daly City, San Mateo County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 2.05
For 3/4-inch meter	2.25
For 1-inch meter	2.50
For 1 1/2-inch meter	4.20
For 2-inch meter	6.10
For 3-inch meter	11.00
For 4-inch meter	14.00
For 6-inch meter	22.00
For 8-inch meter	30.00
For 10-inch meter	42.00
Quantity Rates:	
For all water delivered, per 100 cu. ft.	\$ 0.35

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.

APPENDIX C

Schedule No. SS-1

South San Francisco Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within and adjacent to the City of South San Francisco, San Mateo County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 2.10
For 3/4-inch meter	2.30
For 1-inch meter	2.55
For 1 1/2-inch meter	4.30
For 2-inch meter	6.25
For 3-inch meter	11.40
For 4-inch meter	15.00
For 6-inch meter	23.00
For 8-inch meter	32.00
For 10-inch meter	44.00
Quantity Rates:	
For the first 50,000 cu.ft., per 100 cu.ft.	\$ 0.20
For all over 50,000 cu.ft., per 100 cu.ft.18

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.