

ORIGINAL

Decision No. 68443

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of North Los Altos Water Co., a corporation, for Authority to Increase its Rates and Charges for its Water System serving portions of the Cities of Los Altos, Palo Alto, and an adjacent unincorporated area, in Santa Clara County.)

) Application No. 45625
) (Filed July 29, 1963)
) (Amended December 12, 1963)

Bacigalupi, Elkus & Salinger, by William G. Fleckles, for applicant.
Russell M. Thrig, and Clyde W. Parmenter, protestants.
Anthony A. Lagorio, for the City of Los Altos, interested party.
Cyril M. Sarovan and Robert W. Beardslee, for the Commission staff.

OPINION

Proceeding

This application was heard before Examiner Coffey at Los Altos on March 18, 19 and 20, and at San Francisco on March 30 and 31, and April 1, 1964. It was submitted upon the receipt of late-filed exhibits and transcripts on June 10, 1964. Copies of the application and notice of hearing were served in accordance with the Commission's procedural rules.

Applicant presented nine exhibits and testimony by three witnesses in support of its request to increase its rates and charges for water service in portions of the Cities of Los Altos, Palo Alto and adjacent unincorporated areas in Santa Clara County. Five witnesses from the Commission staff presented the results of their independent study and investigation of applicant's operations. Public attendance at the initial hearing was approximately 90 persons, all of whom indicated their opposition to the requested rate increase.

Eleven public witnesses testified relative to their dissatisfaction with the quality of the water, the service of the utility, the water pressure or the availability of water. Written customer comments were received during the hearing and made a part of the record to afford the applicant an opportunity to investigate the complaints and report to the Commission.

System and Service Area

Applicant is a wholly owned subsidiary of Citizens Utilities Company (Citizens Delaware) headquartered at Stamford, Connecticut, and is, together with nine other California water service companies, an affiliate of Citizens Utilities Company of California (Citizens California), with headquarters at Redding, California. Citizens Delaware operates or controls utility companies with gas, electric, telephone and water operations in nearly 400 communities in the United States. Citizens Delaware engages actively in the administrative direction of applicant and performs certain administrative, financial, engineering, and purchasing services for applicant as well as for its own operating districts and other subsidiary corporations. An office is maintained by Citizens California in Redding, California, where administration and engineering for the telephone department of Citizens California, and general accounting, including billing, for the applicant and the California affiliated companies are performed. Administration of applicant, of Citizens California water department operations in six districts, and of other California affiliated companies is performed from an office maintained in North Sacramento.

As of December 31, 1963, applicant served approximately 1,357 metered and 2 private fire protection customers and 107 fire hydrants. On February 25, 1964, this Commission authorized applicant to sell 104 services, seven fire hydrants and associated mains to

the City of Palo Alto.

Applicant's Request and Rate Proposal

Applicant's tariff schedules provide for general metered, private fire protection and public fire hydrant types of service. By Decision No. 67512, dated July 14, 1964, this Commission issued an interim order which granted applicant's request to increase its then existing rates for the purpose of offsetting certain taxes on the pumping of ground water which became effective July 1, 1964. The following table summarizes applicant's pre-interim, interim and proposed metered rates, no increase being requested for private and public fire protection services:

PRE-INTERIM, INTERIM, AND PROPOSED RATES

GENERAL METERED SERVICE

PER METER PER MONTH

Pre-Interim: Interim^{a,b}: Proposed^c: Proposed^d
Adjusted

RATES

Quantity Rates:

First 600 cu.ft. or less	\$ 2.75	\$ 2.90	\$ 3.85	\$ 5.00
Next 2,400 cu.ft., per 100 cu.ft. ....	.36	.385	.50	.525
Over 3,000 cu.ft., per 100 cu.ft. ....	.24	.265	.34	.365

Minimum Charge:

For 5/8 x 3/4-inch meter	2.75	2.90	3.85	5.00
For 3/4-inch meter	4.00	4.25	5.50	5.75
For 1-inch meter	6.00	6.40	8.40	8.65
For 1 1/2-inch meter	10.00	10.65	14.00	14.65
For 2-inch meter	15.00	16.15	21.00	21.15
For 3-inch meter	30.00	32.70	42.00	42.70

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

- a. Customers who receive water deliveries for agricultural purposes under this schedule, and who present evidence to the utility that such deliveries qualify for the lower pump tax rates levied by Santa Clara County Flood Control and Water Conservation District and by Santa Santa Clara Valley Water Conservation District for agricultural water, shall receive a credit of 1 1/2 cents per 100 cubic feet on each water bill for the quantities of water used during the period covered by that bill.
- b. Interim rates authorized to compensate applicant for the ground water tax based on consumption.
- c. Applicant's "proposed" rates do not provide revenue to compensate applicant for the ground water tax based on consumption.
- d. In its late-filed Exhibit 9 and in its petition for an interim increase applicant set forth "proposed adjusted" rates which appear to provide revenue to compensate applicant for the ground water tax based on consumption. However, without explanation, the "proposed adjusted" rates were not consistently increased by the amount of interim increase requested.

During the hearing, applicant clarified its amended application to indicate that in addition to the foregoing "proposed rates" authorization of a surcharge to recover the ground water extraction tax was being requested. The amount of said taxes being unknown at the time of the hearing, late-filed Exhibit 9 was received to include in the record of this proceeding the amount of said tax and applicant's rate proposal to pass along said tax. No mention is made of a surcharge either in Exhibit 9 or in applicant's petition received June 12, 1964, for an interim order to increase its rates and charges to pass along to consumers said tax. Applicant indicated its belief that said tax will not fluctuate materially from year to year. The estimated amount of said tax will be included in the adopted summary of earnings and a surcharge type of rate will not be authorized. Under applicant's "proposed adjusted" rates the bill for the typical usage of 2,300 cubic feet per month would increase from \$8.87 at pre-interim rates to \$13.93, an increase of 57 percent.

Issues

The following are the issues in this proceeding:

1. Reasonableness of the estimates of operating revenues, expenses, including taxes and depreciation, and rate base.
2. Reasonableness of the rate of return.
3. Adequacy of the water service rendered by applicant.

Results of Operation

The following estimates of the results of operation made by the applicant and the staff for both present and proposed rates are from Exhibit 6:

SUMMARY OF EARNINGS
Year 1964 Estimated

<u>Item</u>	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$127,135	\$137,300	\$186,489	\$190,300
Operating Expenses:				
Operation & Maintenance Expenses	51,096 ^{a,b}	38,500	51,296 ^{a,b}	38,500
Administration & General & Miscellaneous Expenses	21,200 ^a	14,900	21,200 ^a	14,900
Depreciation Expense	26,930	24,200	26,930	24,200
Taxes Other Than On Income	24,964 ^b	23,700	25,595 ^b	24,300
Income Taxes	100	2,600	21,429	26,300
Total Operating Expenses	124,290	103,900	146,450	128,200
Net Revenue	2,845	33,400	40,039	62,100
Depreciated Rate Base	734,736	711,400	734,736	711,400
Rate of Return	0.39%	4.69%	5.45%	8.73%

a. In applicant's showing an amount of \$2,250 for rental of well sites is included in "Operation & Maintenance Expenses". To be comparable to staff presentation, this amount has been included in "Administration & General & Miscellaneous Expenses" on this table.

b. In applicant's showing an amount of \$10,000 for proposed ground water tax is included in "Taxes Other Than On Income". For comparative purposes this amount has been included in "Operation & Maintenance Expenses" on this table.

Applicant's estimate of operating revenues under present rates is \$10,165 less than that of the staff. Only \$250 of this difference results from the estimates of fire protection service revenues. Applicant estimated metered service revenues by assuming that the average metered revenue per customer in 1964 would continue at the 1963 level. Applicant and staff each estimated substantially the same average number of metered customers in 1964. The staff's estimate of metered service revenues was based on the estimated average number of customers, the consumption per customer-year, the distribution of meters by size, and the water use table provided by

applicant. By successive graphic approximation, the multiple correlation of consumption per customer-year, rainfall and temperature was determined by the staff for the period 1955-1963. Staff Exhibit 12 indicates that after eliminating the effects of rainfall and temperature, the consumption per customer-year increased an average of 300 cubic feet per year. Adjusted consumption ranged from a low of 258 hundred cubic feet (ccf) in 1955 to a high of 294 ccf in 1962. Projecting the net regression curve of the time series of consumption per customer-year, the staff estimated the average consumption would be 288 ccf per consumer in 1963 and 291 ccf in 1964.

On the basis of its operating experience in areas other than Los Altos, applicant maintained that the maximum amount of water consumption comes in the initial years of development when water is being used during hot periods of the year for irrigation purposes and that such customer usage decreases in each succeeding year. Applicant's Exhibit 10 sets forth the unadjusted consumption per customer in its service area for the years 1958 through 1963. This unadjusted consumption ranged from a low of 250 ccf in 1963 to a high of 312 ccf in 1959. Exhibit 10 indicates that the unadjusted consumption per customer decreases an average of 300 cubic feet per year and that the average consumption would be 259 ccf in 1964. The decrease from 272 ccf in 1962 to 250 ccf in 1963 was attributed by applicant to the loss of five large consumers with an estimated annual revenue effect of \$9,000.

Applicant contended that the annual effects of rainfall and temperature should not be considered in principle as the basis for estimating levels of consumption. In support of this position applicant produced Exhibit 13, a reprint of an article which appeared in the journal of the American Waterworks Association. This article, utilizing data of cities and areas in the Metropolitan Water District of Southern California, stated:

".....On an annual basis, however, the effect of such hot spells is compensated for and becomes negligible. Likewise, the rainfall factor appears to be of only slight importance.....".

Charts and graphs in the article depicted increased water production per capita per day during the 1928-1950 period, the variations appearing to be correlated with an index of business activity.

We have carefully reviewed the testimony, exhibits and arguments relating to the estimates of revenue and note:

(1) The staff adjusted annual rainfall and temperature data to correspond to the periods of actual consumption. The applicant did not adjust for the phase differences resulting from bimonthly billing in its considerations of average daily temperature and annual rainfall. A comparison of Exhibits 10 and 12 indicates that this adjustment is significant.

(2) If the recorded consumptions per customer from Exhibit 12 for the years 1955 and 1957 (the latter a year of rationing and thus to be given less weight) are plotted on Exhibit 10, it appears by inspection that neither a decline nor an increase in the annual consumption per customer can be established for the period 1955 to 1963 from unadjusted data.

(3) Conclusions on changes in consumption based on data and experience of other areas cannot reasonably be applied to the North Los Altos area without a showing of the comparability of the areas. Said comparability showing is not in this record.

(4) The net regression curves developed in Exhibit 12 indicate a reasonably consistent multiple correlation in the area served by applicant of the annual customer consumption, annual rainfall and average temperature, both adjusted for bimonthly billing.

(5) Applicant's conclusions are not correct that the staff's initial assumptions of the deviation effects on consumption

and of the normals of rainfall and temperature materially determined the net regression curves ultimately developed. Such initial assumptions were used by the staff merely to implement a rapid solution to the problem under consideration. It is also not correct to assume that the staff procedure eliminated the effects of rainfall and temperature by applying to recorded annual usages fixed factors of changes in usage per unit deviation of rainfall and temperature from normals of rainfall and temperature.

(6) The staff procedure did not take into account changes in the average consumption which resulted from the loss of large customers in 1963.

(7) Applicant did not support its opinion evidence as to the cause of the apparent downward trend in average consumption with any factual evidence on changes in the character of its service area. No information on the annual number of new lawns or of irrigation consumption appears in this record. Further, applicant's rationalization of a downward trend in average consumption based on decreased irrigation from the initial development of a subdivision is not supported by the evidence which shows that the system was established in 1924 and that since at least 1958 applicant has experienced a relatively constant and small consumer-growth rate.

(8) The record is not adequate to make any determinations relative to the existence of climatic cycles in the area served by applicant.

(9) Applicant's late-filed Exhibit 14 setting forth adjustments to recorded metered revenue will not be given any weight since applicant did not set forth the basis of said adjustments as directed by the examiner.

We are of the opinion that applicant's estimate of revenues based on the revenue per customer in 1963, a year in which more than an average amount of rainfall fell and which was cooler than normal, is unreasonably low. A review of Exhibit 12 reveals the staff's estimate of revenues is unreasonably high in that it only reflects in part the loss of large customers in 1963. From applicant's testimony of the loss of \$9,000 per year from the five large customers we estimate that the recorded consumption per customer in 1963 would have been approximately 277 ccf if the large customers had not been lost. After adjusting staff Exhibit 12 to reflect this adjusted 1963 consumption, we estimate that the consumption in 1963 would have been 307 ccf per customer, with precipitation and temperature effects eliminated, if the large customers had not been lost. We further estimate that this amount of average consumption will produce an average annual revenue of \$105.56 by 1,312 customers in the year 1964, or \$133,500 of metered revenue. From this amount we deduct \$9,000 to reflect the loss of the large customers. We find that \$129,500 of metered revenue and \$4,000 of revenue from fire protection services, a total of \$133,500, is a reasonable estimate of the 1964 revenue at present rates.

Applicant's estimate of operation and maintenance expenses under present rates exceeds that of the staff by \$2,600 in addition to the \$10,000 for the proposed ground water tax. The principal items of this difference involve the estimates of payroll expense, uncollectible expense, and miscellaneous customer and accounting expense.

Applicant for 1964 increased its 1963 salary and wage estimate by 5 percent for anticipated increases. The staff's estimate was based on salary and wage levels of December 1963, and allocations were made on the basis of 1962 operations. Applicant presented

insufficient factual support for its contention that wages had increased in 1964 over those of December 1963.

The staff's estimate of uncollectible expense was based on the net of actual bad debts written off and collections, for the years 1961 and 1962, \$559 and \$341, respectively. Applicant testified that the similar amount for 1963 was \$1,291 and this amount was high because of periodic motivation of managers.

The staff testimony shows that it did not include in its estimate \$540 for miscellaneous customer accounting and collecting which appeared in applicant's 1963 annual report but not in its monthly reports.

We find the staff's estimate of operation and maintenance expenses reasonable after adding \$250 to increase the allowance for uncollectibles to the average of three years and after adding \$540 to increase the amount of miscellaneous customer accounting and collecting expense and reducing pumping expense to reflect adopted consumption and revenues.

Applicant's estimate of administration and general expense and miscellaneous expenses exceeds that of the staff by \$6,300. The principal items of this difference involve the estimates of regulatory commission expense and outside services employed expense, and the allocated expense for mutual service.

The staff estimated the cost of the present rate proceeding to be \$3,500 and applicant estimated \$5,000, amortized over a five-year period. We find the staff's estimate of regulatory expense to be a fair and reasonable amount to be included in our adopted summary of earnings.

Included in applicant's estimate of regulatory expense was \$700, based on 1963 experience, for outside services employed. Outside services employed averaged about \$175 for the period 1959 through 1962. We find reasonable the staff's estimate of \$240.

Applicant's estimate of the expenses incurred at Stamford and Redding which are allocated through mutual service accounts exceeded that of the staff by \$3,850.

To recover the expenses that Citizens Delaware incurs in providing executive supervision, it accumulates the cost of operating its Stamford office, with minor exceptions, in a mutual service clearing account and distributes such charges to operating districts or subsidiaries as follows:

- a. Direct charges -- Expenses received or incurred by the Stamford office which can be directly assigned to an operation are charged to the operation.
- b. Accounting service -- Based on a 1949 study, Citizens Delaware bills a proportional part of its accounting salary and associated expenses as a direct charge to those operations for whom the Stamford office performs general accounting service. Since general accounting for California subsidiaries is performed in California, no direct charge for accounting service is billed to California operations.
- c. Construction overheads -- In order to remove from Stamford office expense those executive, engineering and accounting items chargeable to construction, based on a 1958 study, a percentage of selected direct construction costs is credited to the mutual service account.
- d. Mutual service charges -- The balance in the mutual service clearing account is distributed to operating units using the four factor method of distribution for California and Arizona properties and a revenue basis for all other properties.

A report of the results of the staff's audit in 1962 of the Stamford Mutual Service Account was presented during the hearings in 1962 on the application (No. 44221) of the Inverness Water Company, an affiliate of applicant, for increased rates. The audit disclosed that \$90,149 of \$586,662 recorded in 1961 in the Stamford Mutual Service Account could be identified and directly assigned to the operations of a district or subsidiary of Citizens Delaware. Only \$2,795 of these direct charges were assignable to California operations.

Based on the results of the audit, the staff has recommended that all direct charges be eliminated from the mutual service accounts, and that the percentage additives to California construction be reduced from 4 percent to 3½ percent for Stamford office construction overheads, and from 3 percent to 1½ percent for Redding office construction overheads. The revision of the Stamford construction overheads was based on the recommendation by the staff that all of the accounting department and 50 percent of the engineering department salaries be eliminated from the mutual service account and charged directly to related operations. In our Decision No. 65404 (Inverness Water Company, Application No. 44221) and Decision No. 65425 (Citizens California, Guerneville District, Application No. 44209) we adopted staff estimates of allocated mutual service expenses which were based on the audit recommendations.

In our Decision No. 66366 (Parkway Water Company, Application No. 45176, dated November 26, 1963), we noted that Parkway had adopted the staff's recommendations relative to the reduction of construction overheads but had not adopted the recommendation to eliminate direct charges from the Stamford Mutual Service Account and said:

"...Applicant has failed to produce any convincing evidence that (1) the Commission should not follow the general principle guiding the staff, to wit, that Stamford expenses should be charged to California operations only to the extent that such expenses are in the interest of California consumers, and (2) the proper method of effecting such charges to California operations is to allocate by the four factor method only those items which remain after the elimination of amounts which can be identified and assigned directly, which result from activities of no benefit to California consumers and which relate to construction overheads.

"In order that the Commission may be informed of staff recommendation of the amount of Stamford expenses which should be charged to California operations, it is necessary that the staff examine the Stamford books and records and/or the applicant make adequate responses to staff requests for data. It is not in the public interest that California consumers be required to bear the expenses of an audit in Stamford each year that applicant or an affiliate requests a rate increase. Applicant and its affiliates are placed on notice that the expense of such out-of-state audits may be disallowed in the future as a rate-making expense, or that the production of appropriate books and records in California may be required, or that the Commission will disallow expenses which are not proved by applicant to be reasonable.....".

In the foregoing decision we adopted Parkway's estimate of expense which would be incurred in 1963 at Stamford (\$752,000) plus \$28,000 for pension expense associated with Stamford salary and wage expense.

Since the Parkway record did not include an adjustment for appropriate direct charges applicable to the foregoing adopted 1963 Stamford expenses, we estimated that the direct charges, based on the relationships of the staff's audit, would be \$124,500 in addition to the \$54,000 which applicant estimated would be directly billed for accounting costs. We provided also for increased direct charges to California amounting to \$3,600. An allowance for mutual service resulted which was less than that requested by applicant and more than the staff's estimate.

Applicant in this proceeding continued the estimate that expenses charged to the Stamford Mutual Service Account would total \$752,000 in 1963, of which it proposed to allocate \$178,300 to California operations. Approximately \$7,100 of the Stamford expenses would be allocated to applicant which together with the allocation of mutual services incurred at Redding would total \$12,600. Applicant estimated its 1964 allocated mutual service expense to be \$13,750, based on a judgment downward adjustment of the trend indicated by the level of 1962 and 1963 expenses.

The staff in this proceeding estimated that the average annual increase in the total of Stamford mutual service charges and construction credits would be \$49,000 if Citizens Delaware had adopted the staff's audit recommendations on direct charges. This increment was added, together with the staff's pension adjustment of \$28,000, to the total amount of the Stamford mutual service charges, \$496,513, as adjusted in the 1961 audit to eliminate recommended direct charges. Thus, the staff for 1963 estimated net mutual service expense to be allocated to be \$329,000, of which the staff proposed that \$118,400 be allocated to California operations. Approximately \$4,600 of the Stamford expenses would be allocated by the staff to applicant, which together with its allocations of Redding mutual services and California direct apportionments would total about \$9,200. The staff estimated the 1964 allocated mutual service expense to be \$9,900, based on the trend indicated by the level of 1962 and 1963 expenses on the staff recommended basis. The foregoing staff estimates did not include the effect of an increase in the net mutual service expense to \$339,000 and an allowance for increased direct charges to California operations from Stamford which cross-examination disclosed to be appropriate. These adjustments would increase the staff's 1964 estimate from \$9,900 to \$10,180 for mutual service expense.

Generally applying the relations of the 1961 audit to estimates of Stamford salaries and expenses subject to direct charges, and normalizing construction overheads to represent expected future conditions, the staff developed total Stamford expenses in 1963 which are compared with the estimate of applicant and actual results

in the following table:

STAMFORD MUTUAL SERVICE

	<u>1961</u> <u>Staff</u> <u>Audit</u>	<u>1963</u> <u>Staff</u> <u>Estimate</u>	<u>1963</u> <u>Applicant</u> <u>Estimate</u>	<u>1963</u> <u>Recorded</u>
Net Mutual Expense	\$221,710	\$339,000	\$482,000	\$486,130
Staff Directs	90,149	150,000	-	-
Accounting Billings	45,000	55,000	54,000	54,000
Construction Overhead	<u>229,803</u>	<u>228,000</u>	<u>216,000</u>	<u>178,946</u>
Total Stamford Expenses	\$586,662	\$772,000	\$752,000	\$719,076

Applicant continued to oppose the staff's recommendations on direct charges and testified in opposition to certain specific staff adjustments in general terms. For instance, in the 1961 audit the staff eliminated that portion of accounting department salaries which had not been billed on the basis that the accounting records maintained at Redding were complete and the service to California operations by the accounting department were relatively few. Although applicant testified to a number of accounting services performed at Stamford, it presented no factual information on which this Commission could judge the cost of such services rendered California operations.

We are not persuaded by applicant's showing that substantial amounts of Stamford expenses cannot be identified and/or directly assigned to specific operations. We find that \$339,000 is a reasonable estimate of Stamford net mutual expense to be allocated to subsidiary and district operations. We further find that \$10,180 is a reasonable estimate of applicant's mutual service expense in 1964.

We find the staff's estimate of administration and general and miscellaneous expenses in 1964 to be reasonable after adding \$140 for allocated mutual service expense and \$140 for additional direct charges to California operations from Stamford.

The interim order authorized increased rates on the assumption that 50 percent of applicant's water production from wells would be subject to ground water taxes. We will continue this assumption in this decision and include in adopted results \$8,300 to compensate applicant for the ground water taxes.

Applicant did not take substantial issue with the staff's depreciation expense and rate base. The staff eliminated \$31,654 from the plant accounts for nonoperative items, expense items included in plant accounts, and unrecorded retirements. We find reasonable the staff's recommendation that applicant be required to record the foregoing adjustments on its books of account.

Service

Applicant by a late-filed exhibit reported on its investigation of the complaints in this record by 35 customers on sediment, chlorine taste, contamination, low pressure, high rates, rationing, fire protection and miscellaneous.

A representative from the State Department of Public Health reviewed applicant's problems, subsequent to July 1963, with contaminants entering the water system and the steps taken to protect public safety.

Applicant appears to have taken adequate action regarding the foregoing complaints and further action by this Commission, other than to order periodic reports, will not be required at this time.

Adopted Results

The staff recommended that the rate of return for applicant be within the range of 6.4 to 6.6 percent on rate base which would yield earning rates on the common stock equity ranging from 8.69 to 9.16 percent. Applicant testified that a fair rate of return would range from 6.6 to 7.0 percent, which would yield earning rates on equity from 9 to 10 percent.

We find that the estimates under pre-interim and authorized rates as set forth below are reasonable for the purposes of this proceeding.

<u>Item</u>	<u>Pre-Interim Rates</u>	<u>Authorized Rates</u>
Operating Revenues	\$133,500	\$167,060
Operating Expenses:		
Operation & Maintenance Expenses	38,690	47,590
Administration & General & Miscellaneous Expenses	15,180	15,180
Depreciation Expense	24,200	24,200
Taxes Other Than On Income	23,700	24,050
Income Taxes	1,510	9,800
	\$103,280	\$120,820
Net Revenue	30,220	46,240
Depreciated Rate Base	711,400	711,400
Rate of Return	4.2%	6.5%

These adopted results include the effect of current income tax rates.

Findings

The Commission finds that:

1. The foregoing adopted rates of return, operating revenues, expenses, including taxes and depreciation, and rate base, are reasonable for the purpose of prescribing rates.
2. Applicant is earning less than a reasonable rate of return and increased rates should be authorized.
3. The increases in rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

We conclude that applicant's request for authority to increase its rates should be granted in part as provided in the following order.

Under the authorization the monthly bill for the typical usage of 2,300 cubic feet per month will increase from \$8.87 under pre-interim rates to \$11.08, 24.9 percent.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, North Los Altos Water Co. is authorized to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be February 15, 1965, or four days after the date of filing, whichever is later.

2. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within ninety days after the effective date of this order, applicant shall file with the Commission two copies of this map.

3. Within thirty days after the effective date of this order, applicant shall file with this Commission the journal entries it proposes to use for the purpose of recording on its books of account the total of \$31,654 of accounting adjustments set forth on Table 3-B, pages 3-12, of Exhibit 6 in this proceeding. Said journal entries shall be recorded by applicant on its books of account not later than ninety days nor earlier than sixty days after the effective date of this order, unless ordered otherwise by this Commission.

4. Within thirty calendar days after July 1, 1965, North Los Altos Water Co. shall file with this Commission a report setting forth all service complaints received from its customers between January 1, 1965, and July 1, 1965. Said report shall set forth the action taken to investigate and satisfy each complaint and an explanation of the status of any unresolved complaints. Applicant shall file with this Commission three additional consecutive half-yearly reports, within thirty calendar days after January 1 and July 1 of each year. ✓

5. Within ten days after the first day of each month, beginning in February 1965, applicant shall file with this Commission a report setting forth the results of all bacteriological analyses of samples of applicant's water made during the previous month. Applicant shall file with this Commission twelve such consecutive monthly reports.

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

Dated at San Francisco, California, this
12th day of JANUARY, 1965.

Frederick B. Hallock
President

John E. Mitchell
George A. Hoover

William B. Bennett
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Los Altos and vicinity, Santa Clara County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 600 cu.ft. or less	\$ 3.60	(I)
Next 2,400 cu.ft., per 100 cu.ft. ....	.44
Over 3,000 cu.ft., per 100 cu.ft. ....	.30
 Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 3.60	(I)
For 3/4-inch meter	5.00	
For 1-inch meter	8.00	
For 1 1/2-inch meter	14.00	
For 2-inch meter	21.00	
For 3-inch meter	42.00	

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

SPECIAL CONDITION

Customers who receive water deliveries for agricultural purposes under this schedule, and who present evidence to the utility that such deliveries qualify for the lower pump tax rates levied by Santa Clara County Flood Control and Water Conservation District and by Santa Clara Valley Water Conservation District for agricultural water, shall receive a credit of 1 1/4 cents per 100 cubic feet on each water bill for the quantities of water used during the period covered by that bill.