

Decision No. 69360

ORIGINAL

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 Selma dis-)
trict.)

Application No. 47064
Filed October 26, 1964

McCutchen, Doyle, Brown, Trautman & Enersen,
by A. Crawford Greene, Jr., for applicant.
Richard L. Finch, in propria persona,
interested party.
W. R. Roche and R. Beardslee, for the Commis-
sion staff.

O P I N I O N

California Water Service Company seeks authority to increase its flat rate general metered service rates in its Selma district by an annual amount of \$70,800 based on its estimates for the test year 1966. This would be an overall increase of 53.2 per cent.

Public hearing was held before Examiner Warner on April 6, 1965, at Selma. About 30 customers attended the hearing, but entered no formal protests.

Certain portions of the record on Applications Nos. 46301, 46302, 46728 and 46729 of applicant to increase its rates for water service in its East Los Angeles, Hermosa-Redondo, Los Altos, and Stockton districts, respectively, relating particularly to the methods used by applicant and the Commission staff engineer to estimate operating revenues, were incorporated herein by reference, as was the record on applicant's general operations.

As of December 31, 1964, investment in applicant's utility plant in its 21 districts, from the Hamilton City-Chico area in

northern California to the East Los Angeles and Hermosa-Redondo districts in southern California, amounted to \$92,764,643; and there were 235,317 customers and 412 employees. Applicant's principal office is in San Jose.

In 1964, in its Selma district, applicant was furnishing water service to an estimated average of 850 commercial, 11 industrial, and 27 public authority metered active service connections and 1,578 commercial, 6 private fire protection, and 111 public fire protection flat rate active service connections for a total of 2,583 active services. An increase of 6 commercial metered, 44 commercial flat rate and 4 public fire protection services was estimated for the period between the years 1964 and 1966 for a total of 2,637 average active services through 1966.

Applicant acquired its Selma district from Pacific Gas and Electric Company in 1962 and at that time was aware that the rate of return in said district was low, but applicant considered it advisable to operate the system for at least a full calendar year before seeking rate relief. While the number of customers had increased by about 19 percent between 1953 and 1963, plant increased by over 100 percent, from \$451,000 to \$915,000 or from \$220 per customer to \$374 per customer. Included in this additional plant were two new wells and over six miles of main.

Applicant's present Selma district rates became effective September 1, 1953. The following tabulation compares the present

rates for residential flat rate service with those proposed in the application:

COMPARISON OF PRESENT AND PROPOSED RATES

Residential Flat Rate Service

Description	Yearly Rate	
	Present*	Proposed
Residence with 1,000 sq.ft. irrigation	\$39.00 (\$3.25 per mo.)	\$62.40 (\$5.20 per mo.)
Noncirculating cooler	3.00	4.80
Irrigation, 100 sq.ft.	.24	.36

* The basic residential rate is payable monthly, in advance, but the present evaporative cooler and irrigation rates are payable for the six months of May through October. At proposed rates a customer will pay equal amounts each month.

Meters may be installed at the option of utility or customer, in which event service thereafter will be rendered under Schedule No. SL-1, General Metered Service, for a period of not less than 12 months. After not less than 12 months' metered service, revision to flat rate service may be undertaken provided the sum of the latest 12 monthly bills rendered for metered service does not exceed \$39.

The Commission staff proposed a new form of flat rate schedule for the Selma district. The following tabulation sets forth such proposed form together with the authorized flat rates:

STAFF PROPOSED FORM OF FLAT RATE SCHEDULE AND AUTHORIZED FLAT RATES

Per Service Connection Per Month

For a single-family unit, including premises, having the following area:

6,000 sq.ft., or less	\$4.55
6,001 to 10,000 sq.ft.	5.50
10,001 to 16,000 sq.ft.	7.00
16,001 to 25,000 sq.ft.	8.80

For each additional single-family residential unit on the same premises and served from the same service connection 3.00

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. SL-1, General Metered Service.

For metered service, applicant proposed a monthly service charge for different sizes of meters and a single quantity rate, consistent with general metered service rates recently authorized for applicant's other districts.

The following tabulation compares the present Selma district general metered service rates with those proposed in the application and with those authorized hereinafter:

GENERAL METERED SERVICE

Item	Monthly Rate	
	Present	Proposed
	Minimum: Water Incl'd: Charge : (100 cu.ft.)	Service Charge : Authorized:

Meter Size Charges:

Meter Size	Present	Proposed	Authorized
For 5/8 x 3/4-inch meter	\$ 2.00	\$ 1.90	\$ 1.90
For 3/4-inch meter	2.50	2.10	2.10
For 1-inch meter	3.50	2.85	2.85
For 1 1/2-inch meter	5.00	4.00	4.00
For 2-inch meter	7.50	5.10	5.10
For 3-inch meter	15.00	9.50	9.50
For 4-inch meter	25.00	13.00	13.00
For 6-inch meter	50.00	21.00	21.00
For 8-inch meter	75.00	32.00	32.00
For 10-inch meter	-	40.00	40.00

Quantity Rates:

Quantity	Present	Proposed	Authorized
First 900 cu.ft., per 100 cu.ft.	.*	.15	.13
Next 1,600 cu.ft., per 100 cu.ft.	.18**	.15	.13
Next 7,500 cu.ft., per 100 cu.ft.	.12**	.15	.13
Over 10,000 cu.ft., per 100 cu.ft.	.07**	.15	.13

*Included in minimum charge.

**As noted in the upper portion of this table, the present quantity rates are not applicable to meters larger than 5/8 x 3/4-inch unless larger quantities are used.

At the present meter rates, the monthly charge for 2,000 cubic feet of water usage would be \$3.98; at the proposed rates, it would be \$4.90, an increase of 92 cents or 23.1 percent; and at the rates authorized, it would be \$4.50, an increase of \$0.52 or 13.1 percent.

The present basic flat rate charge is \$3.25 per month; the proposed flat rate charge is \$5.20, an increase of \$1.95 or 60 percent; and the charge authorized herein is \$4.55, an increase of \$1.30 or 40 percent.

The staff recommended its proposed form of schedule because the structure of the residential flat rates makes them difficult to administer and because it is different from the type of flat rates (based on the size of the customer's lot) which has been authorized by this Commission for applicant's Bakersfield, Chico, Oroville and Visalia districts since 1961.

Exhibit No. 1 is applicant's report on results of operations in its Selma district, and Exhibit No. 2 is a report on applicant's results of operations in the Selma district submitted by a Commission staff accountant and Commission staff engineers. The following tabulation compares the earnings data in said Exhibits as shown in Exhibit No. 2:

SUMMARY OF EARNINGS
(Per Exhibit No. 2)

Item	Year 1966 Estimated			
	Present Rates		Proposed Rates	
	Company	Staff	Company	Staff
	(Thousands of Dollars)			
Operating Revenues	\$133.2	\$141.3	\$204.0	\$215.8
Operating Expenses	90.8	86.4	90.8	86.4
Depreciation	17.9	18.1	17.9	18.1
Taxes	9.8	14.2	45.8	52.1
Subtotal	118.5	118.7	154.5	156.6
Net Operating Revenues	14.7	22.6	49.5	59.2
Rate Base	761.8	759.8	761.8	759.8
Rate of Return	1.93%	2.97%	6.50%	7.79%

The staff's estimate of operating revenues was derived by graphical Method B (Modified Bean), which eliminated variations due to rainfall and temperature; applicant's estimate was derived by averaging consumption of the nine-year period 1955 through 1963.

The staff made no specific allowance for meter testing work and street improvement activities in Selma, and this accounts principally for the differences in estimates of operation and maintenance expenses.

The staff amortized the costs of the present rate proceeding over a four-year period whereas applicant utilized a three-year period with a slightly larger amount of estimated expense.

There is no significant difference between the rate bases estimated by applicant and staff.

A staff accountant, in Exhibit No. 5, recommended an average rate of return of 6.23 percent on total company operations, and Table 11-A of Exhibit No. 2 shows an estimated decline of rate of return of .08 percent from 1965 to 1966 in Selma district.

The Commission finds that:

1. Applicant's rate of return in its Selma district for the test year 1966 at present rates would be deficient, and applicant is in need of and entitled to financial relief.
2. The 1966 rate of return which would be produced by the rates proposed in the application would be excessive.
3. The staff's estimated results of operations for the test year 1966, which are based on methods consistent with those which have been adopted in applicant's last four rate proceedings (Applications Nos. 46301, 46302, 46728 and 46729), reasonably reflect applicant's operations for that year. Said results of operations are adopted as reasonable for the purposes of this decision.

4. Applicant's rate of return in the Selma district will continue to be subject to a decline in the future. A rate of return of 6.5 percent on the adopted 1966 rate base of \$759,800 is reasonable.

It is concluded that the application should be granted in part and denied in part. The order which follows will authorize applicant to file new schedules of rates applicable to its Selma district, which will produce total estimated annual operating revenues during the test year 1966 in said district of \$195,800. This will be an increase of \$54,500, or 38.6 percent, over the revenues which would be produced by the present rates, but \$20,000 less than the increase sought.

The increases in rates and charges authorized herein are justified, and they are reasonable. The present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

ORDER

IT IS ORDERED that California Water Service Company is authorized to file the schedules of rates applicable to its Selma district attached hereto as Appendix A, and upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after August 1, 1965.

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

Dated at San Francisco, California, this 9th day of JULY, 1965.

Fredrick B. Heldehoff
President
George L. Trotter
Augustin
William W. Bennett
Commissioners

APPENDIX A
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Schedule No. SI-1

Selma Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Selma and vicinity, Fresno County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 1.90	(C)
For 3/4-inch meter	2.10	
For 1-inch meter	2.85	
For 1 1/2-inch meter	4.00	
For 2-inch meter	5.10	
For 3-inch meter	9.50	
For 4-inch meter	13.00	
For 6-inch meter	21.00	
For 8-inch meter	32.00	(C)
For 10-inch meter	40.00	(N)

Quantity Rates:

For all water delivered per 100 cu.ft.	\$ 0.13	(C)
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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.

(C)
|
(C)

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Schedule No. SL-2R

Selma Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

(T)

TERRITORY

Selma and vicinity, Fresno County.

RATES

Per Service Connection
Per Month

For a single-family residential unit, including premises, having the following area:

6,000 sq.ft. or less	\$4.55
6,001 to 10,000 sq.ft.	5.50
10,001 to 16,000 sq.ft.	7.00
16,001 to 25,000 sq.ft.	8.80

(C)

For each additional single-family residential unit on the same premises and served from the same service connection

3.00

(C)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

(N)
(N)

2. All service not covered by the above classifications shall be furnished only on a metered basis.

(T)
(T)

3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. SL-1, General Metered Service.

(C)
|
(C)

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Schedule No. SL-4

Selma Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Selma and vicinity, Fresno County.

RATES

	<u>Per Month</u>	
For each 1½-inch connection	\$ 2.25	(N)
For each 2-inch connection	3.00	(N)
For each 3-inch connection	4.50	(I)
For each 4-inch connection	6.00	(I)
For each 6-inch connection	9.00	(I)
For each 8-inch connection	12.00	(I)
For each 10-inch connection	15.00	(R)

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.

(Continued)

Schedule No. SL-4

Selma Tariff Area

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS—contd.

4. For water delivered for other than fire protection purposes, charges will be made therefor under Schedule No. SL-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. SL-10

Selma Tariff Area

SERVICE TO COMPANY EMPLOYEES

APPLICABILITY

Applicable to water service furnished for domestic use at the place (T)
place of residence of employee.

TERRITORY

Selma and vicinity, Fresno County.

RATE

The filed rate or rates applicable to the type of service in the (T)
territory where service is supplied, less 25% discount.