

**ORIGINAL**

Decision No. 69361

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 King City dis- )  
 trict. )

Application No. 47065  
 Filed October 26, 1964

McCutchen, Doyle, Brown, Trautman &  
 Enersen, by A. Crawford Greene, Jr.,  
 for applicant.  
Gordon R. Daley, for the City of King,  
 interested party.  
W. R. Roche and R. W. Beardslee, for  
 the Commission staff.

O P I N I O N

California Water Service Company seeks authority to increase its general metered service rates in its King City district by an annual amount of \$36,400 based on its estimates for the test year 1966. This would be an overall increase of 64.4 percent.

Public hearing was held before Examiner Warner on April 8, 1965, at King City. About six customers attended the hearing, but entered no formal appearances. By its Resolution No. 890, dated March 17, 1965 (Exhibit No. 1), and through its attorney, the City of King protested as unwarranted, unjustified, or unreasonable this application for an increase in rates for water service in the City. One customer complained about service.

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-Suburban 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; also, the record on applicant's general operations; also, the testimony and evidence of the Commission's financial witness in Exhibit No. 5 in Application No. 47064 of applicant to increase rates for water service in its Selma district, said exhibit being witness' report on cost of money and rate of return.

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 King City district, applicant was furnishing water service to an average of 946 commercial, one industrial, and 14 public authority metered active service connections, and to one private fire protection and 81 public fire protection flat rate active service connections for a total of 1,043 active services. An increase of 26 commercial metered and two public fire protection services was estimated for the period between the years 1964 and 1966 for a total of 1,071 average active services through 1966.

Applicant acquired its King City 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 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 23 percent between 1952 and 1963, plant increased by over 74 percent from \$247,000 to \$430,000, or from \$321 per customer to \$455 per customer.

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

Comparison of Present, Proposed and  
Authorized General Metered Service Rates

| Item | Per Meter Per Month    |                |             |
|------|------------------------|----------------|-------------|
|      | Present                |                |             |
|      | Minimum:Water Incl'd:  | Service Charge |             |
|      | Charge : (100 cu.ft.): | Proposed:      | Authorized: |

Meter Size Charges:

|                          |         |     |         |         |
|--------------------------|---------|-----|---------|---------|
| For 5/8 x 3/4-inch meter | \$ 1.65 | 5   | \$ 2.05 | \$ 1.85 |
| For 3/4-inch meter       | 2.00    | 6   | 2.25    | 2.05    |
| For 1-inch meter         | 2.50    | 9   | 3.10    | 2.80    |
| For 1 1/2-inch meter     | 3.50    | 14  | 4.30    | 3.90    |
| For 2-inch meter         | 5.00    | 21  | 5.50    | 5.00    |
| For 3-inch meter         | 10.00   | 67  | 10.00   | 9.00    |
| For 4-inch meter         | 25.00   | 233 | 14.00   | 13.00   |
| For 6-inch meter         | 50.00   | 511 | 23.00   | 21.00   |
| For 8-inch meter         | 75.00   | 789 | 34.00   | 31.00   |
| For 10-inch meter        | -       | -   | 43.00   | 40.00   |

Quantity Rates:

|   | Present | Proposed | Authorized |
|---|---------|----------|------------|
| First 500 cu.ft.,<br>per 100 cu.ft. ....  | -*      | .22      | .19        |
| Next 2,500 cu.ft.,<br>per 100 cu.ft. .... | .20**   | .22      | .19        |
| Over 3,000 cu.ft.,<br>per 100 cu.ft. .... | .09**   | .22      | .19        |

\* 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 \$4.65; at the proposed rates, it would be \$6.45, an increase of \$1.80, or 38.7 percent; and at the rates hereinafter authorized, such charge would be \$5.65, an increase of \$1.00 or 21.5 percent.

Exhibit No. 2 is applicant's report on results of operations of its King City district, and Exhibit No. 4 is a report on applicant's results of operations in the King City 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. 4:

SUMMARY OF EARNINGS  
(Per Exhibit No. 4)

| Item                   | Year 1966 Estimated    |         |                |         |
|------------------------|------------------------|---------|----------------|---------|
|                        | Present Rates          |         | Proposed Rates |         |
|                        | Company                | Staff   | Company        | Staff   |
|                        | (Thousands of Dollars) |         |                |         |
| Operating Revenues     | \$ 56.5                | \$ 60.3 | \$ 92.9        | \$ 99.2 |
| Operating Expenses     | 42.5                   | 36.1    | 42.5           | 36.1    |
| Depreciation           | 9.7                    | 9.7     | 9.7            | 9.7     |
| Taxes                  | 0.8                    | 6.3     | 19.4           | 26.2    |
| Subtotal               | 53.0                   | 52.1    | 71.6           | 72.0    |
| Net Operating Revenues | 3.5                    | 8.2     | 21.3           | 27.2    |
| Rate Base              | 326.1                  | 326.2   | 326.1          | 326.2   |
| Rate of Return         | 1.07%                  | 2.51%   | 6.53%          | 8.34%   |

The major difference in operating revenue estimates between those of applicant and those of the staff results from differences in the estimates of average sales of water to commercial customers. The staff's estimates of 285 and 288 Ccf per customer-year for the estimated years 1965 and 1966, respectively, were derived by a graphical method which eliminated the variations due to rainfall and temperature and resulted in a slight upward trend in annual consumption per customer. The company's estimate of 261 Ccf per customer-year for both years was derived by averaging consumption over the nine-year period 1955 through 1963. This estimate was exceeded by the actual consumption in each of the last six years.

The principal differences in estimates of operating expenses for the test year 1966 between those submitted by applicant and the staff are as follows:

1. The staff's estimates of purchased power exceed applicant's by \$500 due to higher consumption levels developed by the staff and reflected in higher estimated operating revenues.

2. The staff excluded fluoridation expenses of \$2,400, which applicant had included, because fluoridation has been discontinued.

3. The staff did not include an allowance for street improvements, which had been included by applicant in the amount of \$700, because there was no firm indication that applicant would incur any of such expenses of a substantial amount in the near future.

4. The staff did not include an allowance for additional meter testing over and above the present meter testing program, whereas applicant included \$700. Staff's estimates included the expense of overhauling sufficient meters consistent with applicant's present program.

5. The staff's estimate of transmission and distribution maintenance expenses included \$3,922 incurred during 1963 for the painting of an elevated tank spread over a five-year period, whereas applicant included this expense in establishing a trend of expenses for this account.

6. The staff amortized the estimated cost of this proceeding over a four-year period, whereas applicant utilized a larger amount over a three-year period.

7. The staff averaged the expense of outside services employed based on the last three years recorded, whereas applicant trended its estimate.

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

A staff accountant, in Exhibit No. 5 of Application No. 47064 (supra), recommended an average rate of return of 6.23 percent on total company operations, and Table 11-A of Exhibit No. 4 shows an estimated decline of rate of return of .03 percent from 1965 to 1966 in King City district.

The Commission finds that:

1. Applicant's rate of return in its King City 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 methods which have been adopted in applicant's last four rate proceedings, viz: Applications Nos. 46301, 46302 46728 and 46729 (supra), 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 King City 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 \$326,200 is reasonable.

It is concluded that the application should be granted in part and denied in part and the order which follows will authorize applicant to file new schedules of rates applicable to its King City district, which will produce total estimated annual operating revenues during the test year 1966 in said district of \$86,800, which will be an increase of \$26,500, or 43.9 percent, over the revenues which would be produced by the present rates, but \$12,400 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.

Exhibit No. 3 is a report on an investigation of the complaint of William J. Clark relative to the water service at his place of business and the King City airport. Said exhibit shows that service meeting the requirements of General Order No. 103 is being furnished and that the condition of the customers' piping is such that an increase in pressure might cause damage. We conclude that no Commission directive is necessary at this time.

ORDER

IT IS ORDERED that California Water Service Company is authorized to file the schedules of rates applicable to its King City 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 7<sup>th</sup> day of JULY, 1965.

Frederick B. Hallock  
President

George H. Brewer

Augustin

William M. Bennett  
Commissioners

APPENDIX A  
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Schedule No. KC-1

King City Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

King City and vicinity, Monterey County.

RATES

|                                | <u>Per Meter</u><br><u>Per Month</u> |     |
|--------------------------------|--------------------------------------|-----|
| Service Charge:                |                                      |     |
| For 5/8 x 3/4-inch meter ..... | \$ 1.85                              | (C) |
| For 3/4-inch meter .....       | 2.05                                 |     |
| For 1-inch meter .....         | 2.80                                 |     |
| For 1 1/2-inch meter .....     | 3.90                                 |     |
| For 2-inch meter .....         | 5.00                                 |     |
| For 3-inch meter .....         | 9.00                                 |     |
| For 4-inch meter .....         | 13.00                                |     |
| For 6-inch meter .....         | 21.00                                |     |
| For 8-inch meter .....         | 31.00                                | (C) |
| For 10-inch meter .....        | 40.00                                | (N) |

Quantity Rates:

For all water delivered, per 100 cu.ft. ... \$ 0.19 (C)

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)



Schedule No. KC-4

King City Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

King City and vicinity, Monterey 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            | (R) |
| 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)

APPENDIX A  
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Schedule No. KC-4

King City 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. KC-1, General Metered Service.

5. The utility will supply only such water at such pressures as may be available from time to time as a result of its normal operation of the system.

Schedule No. KC-10

King City Tariff Area

SERVICE TO COMPANY EMPLOYEES

APPLICABILITY

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

(C)  
(C)

TERRITORY

King City and vicinity, Monterey County.

RATE

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