

Decision No. 70872**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 SAN JOSE WATER WORKS, a corporation,
 for an order authorizing it to
 increase rates charged for water
 service in order to offset certain
 ground water extraction charges.

Application No. 48455
 (Filed May 6, 1966)

O P I N I O N

San Jose Water Works seeks authority to increase its rates for water service to offset increases in pump taxes which are to become effective July 1, 1966. The Commission staff has reviewed and analyzed this application and prepared a report thereon which is hereby made a part of the record as Exhibit No. 1.

Service Area and Source of Supply

Applicant's service area consists of some 112 square miles of territory in Santa Clara County, in and about Campbell, Cupertino, Los Gatos, Monte Sereno, San Jose, Santa Clara and Saratoga. Applicant has approximately 120,000 customers.

About one-eighth of applicant's water supply is obtained by the diversion and storage of runoff from the Santa Cruz Mountains watershed. The balance of the supply is obtained from wells drilled in various parts of the Santa Clara Valley.

Rates

Most of applicant's present rates became effective in 1965 pursuant to Decision No. 69272 in Application No. 47547. They provide for general metered service, irrigation service, fire protection service, service from a pipeline installed by a water conservation district, service from applicant's Almaden pipeline, and service to company employees.

Following is a comparison of applicant's present general metered service rates and those requested in this application:

Table I

COMPARISON OF RATES

<u>Item</u>	<u>Present</u>	<u>Requested</u>
First 30,000 cu.ft., per 100 cu.ft.	\$0.253	\$0.2555
Over 30,000 cu.ft., per 100 cu.ft.	.223	.2255

The present rates provide for a graduated scale of service charges for service through various sizes of meters. No increases are requested in these service charges nor in rates for irrigation service, fire protection service, and service to company employees. Present schedules for service from the conservation district pipeline and Almaden pipeline provide for rates based upon whatever rates are in effect for general metered service. Applicant proposes to increase the present credit of 4.0 cents per hundred cubic feet to 4.2 cents per hundred cubic feet for agricultural customers who receive service under general meter rates and who qualify for lower pump tax rates.

Pump Taxes

Increases in ground water extraction charges or "pump taxes" soon will be imposed by Santa Clara Valley Water Conservation District (WCD) upon applicant and others extracting water from the underlying water basin. Inasmuch as such increases had not been fixed at the time of applicant's last rate proceeding, no provision was made therefor in the expense estimates upon which the present rates are based.

The present levy of \$2.60 per acre-foot payable to WCD for water extracted by applicant for agricultural use will be \$3.00. The corresponding present tax rate of \$9.20 for non-agricultural

water extractions will be \$10.40. These revised tax rates will apply for the water year ending June 30, 1967.

Santa Clara Valley Flood Control and Water District also collects pump taxes. It has extended for another year the present tax rates of \$5.00 and \$16.00, respectively, per acre foot for agricultural and nonagricultural use.

Financial and Rate Requirements

The increase of \$1.20 per acre-foot in pump tax for non-agricultural use, which is applicable to approximately seven-eighths of the total water produced by applicant, results in an average additional expense of 0.25 cents for each hundred cubic feet of water sold. At applicant's estimated current annual deliveries, this would increase annual expenses by about \$86,000.

The difference of \$18.40 per acre-foot in total pump tax rates applicable to irrigation use as compared with nonirrigation use results in 4.2 cents per hundred cubic feet lower taxes for irrigation deliveries than for nonirrigation deliveries.

Decision No. 67296, dated June 3, 1964, in Applications Nos. 45787 and 46594, found a rate of return of 6.25 percent for the test year 1964 to be reasonable for applicant. As shown in Exhibit I of this application, applicant estimates it will earn a return of 5.88 percent for the test year 1965 and 5.43 percent for the test year 1966 at the requested rates, after reflecting those rates and the increased pump taxes on a full-year basis.

Exhibit No. 1 shows that, in the opinion of the Commission staff, (1) the proposed rate increase will approximately offset the increased assessments, (2) there is no indication that the rate of return of 6.25 percent authorized for the test year 1964 will be exceeded under normal conditions, (3) applicant's proposed revised

rate schedule is reasonable, and (4) for a typical residential customer using 1,700 cubic feet, the proposed increase would be 51 cents per year.

Findings and Conclusion

The Commission finds that:

1. Applicant is in need of increased revenues to offset the increases in pump taxes which will become effective July 1, 1966.
2. Applicant's estimates of additional operating revenues required to offset the pump taxes are reasonable.
3. The increases in rates, charges and irrigation use credits authorized herein are justified; the rates, charges and credits authorized herein are reasonable; and the present rates, charges and credits, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.
4. A public hearing is not necessary.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that, after the effective date of this order, applicant San Jose Water Works is authorized to file the revised rate schedule attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be July 1, 1966, or the date of

filing, whichever is later. The revised schedule shall apply only to service rendered on and after the effective date thereof.

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

Dated at San Francisco, California, this 9th day of JUNE, 1966.

Frederick B. Holbert
President

[Signature]

George J. Hoover

[Signature]

[Signature]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Campbell, Cupertino, Los Gatos, Monte Sereno, San Jose, Santa Clara and Saratoga, and vicinity, Santa Clara County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 1.55
For 3/4-inch meter	1.75
For 1-inch meter	2.35
For 1 1/2-inch meter	3.30
For 2-inch meter	4.20
For 3-inch meter	8.00
For 4-inch meter	11.00
For 6-inch meter	18.00
For 8-inch meter	26.00
For 10-inch meter	33.00

Quantity Rates:

First 30,000 cu.ft., per 100 cu.ft.	\$ 0.2555	(I)
Over 30,000 cu.ft., per 100 cu.ft.	0.2255	(I)

The Service Charge is a readiness-to-serve charge to which is to be added the monthly charge computed at the Quantity Rates.

Schedule No. 1

GENERAL METERED SERVICE
(Continued)

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 Valley Flood Control and Water District and by Santa Clara Valley Water Conservation District for agricultural water, shall receive a credit of 4.2 cents per 100 cubic feet on each water bill for the quantities of water used during the period covered by that bill.