

Decision No. ~~75947~~

**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 authorizing )  
 it to increase rates charged for water )  
 service in the Los Altos-Suburban )  
 District in order to offset increases )  
 in the cost and amount of water )  
 purchased from the Santa Clara County )  
 Flood Control and Water District. )

Application No. 51101  
(Filed May 23, 1969)

O P I N I O N

Applicant California Water Service Company seeks authority to increase its rates for water service in its Los Altos-Suburban District to offset increases in the cost and amount of purchased water, which increases became effective July 1, 1969. The Commission staff has reviewed and analyzed this application and prepared a report thereon, dated June 24, 1969, which is hereby received as Exhibit No. 1.

Service Area and Source of Supply

Applicant serves in 21 districts throughout California. Its Los Altos-Suburban District service area is located in Santa Clara County, in and about Cupertino, Los Altos, Los Altos Hills, Mountain View and Sunnyvale. Applicant has approximately 13,400 customers in that district.

In the recent rate proceeding<sup>1/</sup> involving this district, it was estimated<sup>2/</sup> that about 37 percent of applicant's 1969 water supply for its Los Altos-Suburban District would be purchased from Santa

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1/ Decision No. 75499, dated April 1, 1969, in Application No. 50350.

2/ Exhibit No. 8, Table 4-D, in Application No. 50350, hereby incorporated by reference in this proceeding.

Clara County Flood Control and Water District (District) and from San Jose Water Works. The balance of the supply was to have been obtained from applicant's own wells and from leased wells drilled in various parts of the Santa Clara Valley.

Under an agreement recently negotiated between (1) District and (2) applicant and other purchasers of District's treated water, the purchasers agree to purchase larger quantities of water from District. The 1969-70 purchase commitment, if it had been in effect for the full test year 1969, would have increased purchased water to about 46 percent of applicant's 1969 total water supply for the Los Altos-Suburban District, and would have reduced the well-water supply to about 54 percent of the total.

#### Rates

Applicant's present general metered service rates became effective in April, 1969, pursuant to Decision No. 75499 in Application No. 50350. Applicant's present tariffs provide for general metered service, fire protection service and service to company employees.

Applicant proposes to increase the present quantity rate of 36.9 cents per hundred cubic feet for general metered service to 37.9 cents per hundred cubic feet.

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 fire protection service. Applicant proposes to increase the present credit of 4.0 cents per hundred cubic feet to 4.8 cents per hundred cubic feet for agricultural customers who receive service under general meter rates and who qualify for lower pump tax rates.

The present rates provide for a temporary surcharge of 2.64 percent on bills for general metered service, until the ten percent federal income tax surcharge is removed. Applicant proposes to decrease the temporary surcharge to 2.59 percent.

Changes in Operating Expenses

Effective July 1, 1969, there were several changes in applicant's operating expenses which were not anticipated in the expenses adopted in Decision No. 75499 nor offset by the allowance in that decision for future trend in rate of return: Annual purchases of District water increased; the rate paid by applicant for that water increased; less water will now be pumped from wells, reducing cost of purchased power and reducing the amounts of water subject to "pump tax"; and the "pump tax" rate increased. Inasmuch as the local franchise tax is based upon gross revenue, not net revenue, the revenue increase requested by applicant will increase the local franchise taxes, even though applicant's net revenue is not increased.

The annualized effects of the changes in expenses are summarized in Exhibit F to the application:

<u>Item</u>	<u>Change in Expense</u>
Purchased Water	\$ 69,600
Purchased Power	(16,600)
Pump Tax	(10,000)
Local Franchise Tax	<u>500</u>
Net	\$ 43,500

(Reduction)

Financial and Rate Requirements

Applicant's requested rate increase is estimated to produce \$42,800 additional annual revenues, or \$700 less than the estimated

increase in annual expenses, before income taxes. The lower net revenue before income taxes will be partly offset by lower income taxes on that net revenue, making the net after income taxes only about \$300 less than adopted in Decision No. 75499 under the water rates authorized therein.<sup>3/</sup>

The difference in total pump tax rates effective July 1, 1969 applicable to irrigation use as compared with nonirrigation use results in 4.8 cents per hundred cubic feet lower taxes for irrigation deliveries than for nonirrigation deliveries.

A 10 percent surcharge to Federal Income Taxes was imposed by the Revenue and Expenditure Control Act of 1968. The surcharge was retroactive for the full year 1968 and expired June 30, 1969. If the surcharge is reinstated at some time in the near future, the Commission would be receptive to a supplemental filing by applicant in this proceeding requesting appropriate additional rate relief. If the surcharge is reinstated at the previous 10 percent level, the corresponding surcharge on applicant's metered service rates would be 2.59 percent instead of the 2.64 percent presently indicated on applicant's filed General Metered Service rate schedule.

Decision No. 75499 found a rate of return of 7.45 percent for the test year 1969 to be reasonable for applicant. The \$300 reduction in net revenues resulting from the increased expenses and increased revenues hereinbefore discussed will not have any significant effect on the return for the test year 1969.

Exhibit No. 1 shows that, in the opinion of the Commission staff, (1) the proposed rate changes will approximately offset the increased expenses, (2) there is no indication that the recently

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<sup>3/</sup> Exhibit F shows slightly more income taxes rather than less. An increase in income taxes is inconsistent with the decrease in net revenue.

authorized rate of return of 7.45 percent for the test year 1969 will be exceeded under normal conditions, (3) applicant's proposed revised rate schedule is reasonable, and (4) for a typical residential customer using 2,300 cubic feet of water per month, the proposed increase would be 23 cents per month.

Findings and Conclusion

1. Applicant is in need of increased revenues to offset the increases in expenses which became effective July 1, 1969.

2. Applicant's estimates of additional operating revenues required to offset the increase in expenses 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, and that the order herein should be effective immediately to permit the rate increases to become effective reasonably close to the July 1, 1969 increases in applicant's expenses.

O R D E R

IT IS ORDERED that, after the effective date of this order, applicant California Water Service Company 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 four days after the date of filing.

The revised schedule shall apply only to service rendered on and after the effective date thereof.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 22nd day of JULY, 1969.

William August J.  
President  
Augustine  
J. P. Moran  
Commissioners

Commissioner Fred P. Morrissey, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. IS-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Los Altos and vicinity, Santa Clara County.

RATES

Service Charge:	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter .....	\$ 2.95
For 3/4-inch meter .....	3.25
For 1-inch meter .....	4.45
For 1 1/2-inch meter .....	6.20
For 2-inch meter .....	8.00
For 3-inch meter .....	15.00
For 4-inch meter .....	20.00
For 6-inch meter .....	31.00
For 8-inch meter .....	50.00
For 10-inch meter .....	60.00
 Quantity Rate:	
For all water delivered, per 100 cu.ft. ....	\$ 0.379 (I)

The service charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rate, for water used during the month.

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 District for agricultural water, shall receive a credit of 4.8 cents per 100 cubic foot on each water bill for the quantities of water used during the period covered by that bill. (I)