

ORIGINAL

Decision No. 77212

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CITIZENS UTILITIES COMPANY OF CALIFORNIA, a corporation, for authority to increase its rates and charges for its water system serving the areas of Montara, Marine View, Farallone City, Moss Beach and adjacent territory in San Mateo County.

Application No. 49023
(Filed December 14, 1966;
Amended April 23, 1968)

Weyman I. Lundquist and John H. Cutler, for
Citizens Utilities Company of California,
applicant.
Harold J. McCarthy, Counsel, John E. Johnson,
and A. L. Gielegem, for the Commission
staff.

O P I N I O N

Evidence on this application was heard by Examiner Coffey on September 30, October 1, 3 and 4 in Moss Beach; on October 14 in Union City; on October 22 and 23 in Los Altos; and on October 31, November 13, 14, 19 and 26 in San Francisco, all dates in 1968. The matter was called for hearing and adjourned without the receipt of substantial evidence on October 15 and 30, November 12; December 11 and 23, 1968; January 8, 21, 22, 30 and 31; and March 17 and 21, 1969, while issues common to this proceeding and Application No. 48905 of Citizens Utilities Company of California (Citizens California) Guerneville district were being heard in the latter proceeding. Hearings on December 23, 1968 and January 8 and 21, 1969, were called and adjourned without the receipt of any evidence at applicant's request. This application was submitted on

April 3, 1969, upon receipt of the reporter's transcript.^{1/} Copies of the application and notice of hearing were served in accordance with the Commission's procedural rules.

In addition to the foregoing days of hearing, on September 7 and 8, 1967, Commissioner Bennett and Examiner Coffey held hearings on the issue of the refusal by Citizens Utilities Company of Delaware (Citizens Delaware) to permit access to and review by the Commission staff of certain of the books and records of applicant, applicant's affiliates, and applicant's parent corporation, Citizens Delaware. By Decision No. 73701, dated February 6, 1968, the Commission after approving of the staff-requested information, found that applicant and its affiliates had obstructed and delayed this proceeding. A ruling on the staff's motion to dismiss was reserved pending amendment by applicant of its application to include a more recent test period and compliance with the order to supply the staff-requested material and access to records. On April 23, 1968, applicant filed its amended application and subsequently the staff was afforded an opportunity to continue its investigation in nominal compliance with the order.

On March 21, 1969, applicant filed a petition requesting a proposed report. The request has been granted by the Commission.

^{1/} On October 28, 1966, applicant requested increased water rates for service in its Guerneville District, Application No. 48905, for service in its Niles District, Application No. 48906, and applicant's affiliate, North Los Altos Water Company, requested increased water rates for service in Los Altos and Mountain View, Application No. 48907. Concurrently with this application, applicant's affiliate, Inverness Water Company requested increased water rates in and near Inverness, Application No. 49024. Since certain issues are common or related in these proceedings, counsel for these affiliated corporations agreed with staff counsel that the records of all of these proceedings can be considered in arriving at the decision in any proceeding.

On August 21, 1969, applicant filed a petition for interim rate relief pending conclusion of this proceeding. Decision No. 76172, dated September 10, 1969, partially granted the request by authorizing an interim rate increase, subject to refund, based on the estimates of operating revenues, expenses, and rate base submitted by the staff for the test year 1968 and a rate of return of 4.5 percent.

On February 10, 1970, applicant filed a motion that applicant's proposed rates be filed, subject to refund. In addition, applicant requests rates affording a current return of not less than 10-3/4% on rate base and that the Commission add to its decision provisions for additional revenue to take account of or compensate for:

- (a) Increased operating costs in the last 18 months;
- (b) Deprivation of return for the time that these cases have been pending; and
- (c) Provision for attrition of rate of return to take cognizance of the probability of future cost increases.

Rates ordered herein make moot the motion for interim rates in this application. It is not appropriate to consider ex parte the requests for revenue in addition to that of the proposed rates. The motion will be denied.

The issues which are common to applicant and its affiliates have been reviewed and discussed in Decision No. 76996, dated March 24, 1970, Application No. 48905. Consistent findings of fact as may be required in this proceeding on common issues will be made herein without repeating the supporting opinions set forth in said decision which is hereby made a part of this decision.

On the issue of the rate of return to be allowed in all five applications of these affiliated operations, applicants presented 4 exhibits and the testimony of one witness and the staff presented one exhibit supported by the testimony of one witness. Applicant presented 10 exhibits and the testimony of three witnesses on district operations in support of its request for authority to increase its rates and

charges in its Montara District. Three witnesses from the Commission staff presented the 9 exhibits which summarize the results of their independent study and investigation of applicant's operations.^{2/}

Approximately one and one-quarter days of hearing time was required for the presentation of service problems by 26 public witnesses.^{3/}

Corporate Operations and Service Area

The operations of applicant and its parent corporation, Citizens Delaware, will not be repeated here since they are summarized in the decision on Application No. 48905.

As of December 31, 1968, applicant served about 620 metered customers in its Montara water district.^{4/} The service area of this district includes the communities of Montara, Marine View, Farallone City, Moss Beach and adjacent areas in San Mateo County. Private fire protection and public fire hydrant service is also provided at flat rates. Water is obtained from spring diversions supplying 100 to 200 gallons per minute and five wells. The wells range in depth from 90 to 132 feet and have capacities ranging from 28 to 150 gallons per minute. In addition there are booster pumps and six storage reservoirs and tanks with a combined capacity of 383,000 gallons. Total sales of water in 1968 amounted to 83,305 hundred cubic feet (ccf). At the end of 1968 there were about 106,216 feet of main ranging in diameter from two to eight inches. The number of utility customers has increased during the past ten years on the average about 20 per year, with some fluctuations in the amounts of annual increase.

^{2/} This summary does not include the exhibits introduced and witnesses who testified on September 7 and 8, 1967, and does not include exhibits and witnesses on issues in Application No. 48905 which are common to all five affiliated applications.

^{3/} The number of public witnesses is not indicative of the public protest on service due to indication by the examiner that cumulative and repetitive evidence was not desired and would not add weight to the evidence.

^{4/} Since applicant incorrectly reports to the Commission the number of bills rendered rather than active service connections, actual customers on the specified date cannot be stated.

Applicant's Requested Rate Proposal

The following tabulation shows the present (prior to September 10, 1969) and proposed general metered service rates, together with the percentage increases:

Present and Proposed Meter Rates

<u>Item</u>	<u>Per Meter</u>	<u>Per Month</u>	<u>Increase</u>
	<u>Present</u>	<u>Proposed</u>	<u>Percent</u>
<u>Minimum Charge:</u>			
For 5/8 x 3/4-inch meter	\$ 5.50	\$ 10.35	88.2%
For 3/4-inch meter	7.00	12.65	80.7
For 1-inch meter	8.00	14.95	86.9
For 1 1/2-inch meter	14.00	25.25	80.4
For 2-inch meter	20.00	36.75	83.8
For 3-inch meter	40.00	72.50	81.2
For 4-inch meter	60.00	109.25	82.1
<u>Quantity Rates:</u>			
First 500 cu.ft. or less	5.50	10.35	88.2
Next 4,500 cu.ft., per 100 cu.ft.	.55	.958	74.2
Over 5,000 cu.ft., per 100 cu.ft.	.35	.648	85.1

No increases were proposed by applicant for fire protection services, but the staff recommended a new fire hydrant rate format based upon connected main size differentials rather than on the format based on hydrant sizes.

An average customer with a 5/8 x 3/4-inch meter, using 800 cubic feet per month would have been billed \$14.30 bimonthly under the above present rates and would be charged \$26.44 bimonthly under proposed rates, an increase of 85 percent.

Results of Operation

Estimates of the results of operation made by applicant and staff under present and proposed rates are compared in the following tabulation with the amounts adopted in this proceeding at rates which are authorized herein:

SUMMARY OF EARNINGS
YEAR 1968 ESTIMATED

<u>Item</u>	<u>Present Rates^a</u>		<u>Proposed Rates</u>		<u>Adopted Results</u>
	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>	
Operating Revenues	\$ 61,915	\$ 65,640	\$112,652	\$119,510	\$ 77,520
<u>Operating Expenses</u>					
Oper. & Maint. Exps.	24,813	22,820	26,081	23,840	23,000
Admin. & Gen. & Misc. Exps.	11,618	8,830	11,618	8,830	8,200
Depreciation Expense	11,167	11,230	11,167	11,230	11,230
Taxes Other Than on Income Based on Income (Excl. 10% Surcharge)	9,354	9,290	9,354	9,290	9,290
	116 ^b	3,900 ^b	25,369 ^b	31,200 ^b	7,110 ^c
Total Operating Exps.	57,098	56,070	83,589	84,390	58,830
Net Revenue	4,817	9,570	29,063	35,120	18,690
Depreciated Rate Base	352,634	335,390	352,634	335,390	338,010
Rate of Return	1.4%	2.8%	8.2%	10.5%	5.53%

a. Effective prior to September 10, 1969.

b. Not adjusted for involuntary conversions effect, inclusive ITC.

c. Exclusive of ITC, adjusted for involuntary conversions effect.

Revenues

At present rates, the staff estimate of revenues exceeds that of applicant by \$3,725. Applicant estimated the average sales per metered customer to be 88.5 ccf based on individual simple linear correlations of consumption with deviations from the average of rainfall and from the average of temperature measured at San Francisco Airport. The staff initially estimated the average sales for metered customers to be 93 ccf using a graphical multiple correlation method of consumption with temperature, rainfall and time. Data used by the staff was from the Half Moon Bay weather station, clearly more representative of weather conditions than the location employed by applicant. The staff method was reviewed, tested and accepted by the Commission in Decision No. 58443, dated January 12, 1965, Application No. 45625 of the North Los Altos Water Company for increased water rates. Applicant assumed no upward trend

in consumption. From applicant's Exhibit No. 7, it is evident that upward trends in consumption since 1962 and also from 1965 do exist, so that for the test year 1968 normal consumption will probably be between 95 and 98 ccf. Applicant's Exhibit No. 22 shows the 1967 annual average ccf per customer to be 95.7.^{5/} It appears that both applicant and staff witnesses are conservative in their estimates of customer usage.

Applicant maintained that the staff erred in its method of converting consumption per customer into revenue units. The staff demonstrated that, accepting applicant's premise that a sudden change in water use characteristics resulting from new customer use habits^{6/} or the reading of meters that had not been read in the past,^{7/} at present rates the revenue estimate would decrease only \$545 based upon the use of recorded revenue per customer shown in applicant's Exhibit No. 6 for the year 1967, the actual consumption per customer in 1967 shown in applicant's Exhibit No. 22 and an annual upward trend of one ccf per customer.

The staff correlation indicates no adjustment for temperature or rainfall is required for 1967 recorded water use to be considered as normal.

We find reasonable the staff method of estimating revenues based on the 1967 recorded water use, an incremental increase of one ccf per customer in 1968, and revenue per customer of \$89.89 per year. It is noted that interim rates authorized by Decision

^{5/} The record clearly demonstrates that a witness can be led to a graph but he cannot be made to see a trend.

^{6/} Not probable.

^{7/} Highly probable.

A. 49023 ds

No. 76172 are estimated to produce \$72,490, or \$5,030 less than the operating revenue requirement of \$77,520 indicated herein by the adopted results.

Operating and Maintenance Expenses

Applicant's estimate of operating and maintenance expense exceeds the staff estimate by \$1,993 at present rates. The details of this difference are adequately described at page 5-1 of Exhibit No. 11.

At the hearing, the staff increased its 1968 estimate of salaries and wages to reflect recent changes in personnel. Although the estimates of total payroll by the staff and applicant are the same, the applicant's allocation of that portion to be capitalized is based on the last two years and the staff allocation is based on experience of the last seven years. Although the staff estimate of capitalized payroll would have been more accurate if the effect of recent clerical increases had been eliminated, it appears the distortion of the estimate is minor. We will adopt the staff use of a seven-year period as best representative of future operations rather than applicant's use of a period coincident with the pendency of this proceeding.

Materials, Services and Miscellaneous Expenses

Applicant's estimate of these expenses exceeded that of the staff by \$285 for the test year.

For the supply of power and purification portion of this expense, applicant used an average of the recorded figures for 1965, 1966 and 1967 since well chlorinators had been added in 1964.

Applicant testified that: "The additional cost of this water treatment is apparent in the increase in this expense in 1964, but its full impact did not come about until 1965,...." No support for this statement was presented by applicant. However, the staff testified that the recorded expense for chemicals was:

1961	\$391
1962	230
1963	311
1964	358
1965	166
1966	416

The above amounts were reported by applicant in its annual report to this Commission and they do not support applicant's testimony. The staff used a seven-year average after adjusting for customer growth and increased cost of materials. We find the staff estimate reasonable.

Uncollectible Accounts

Applicant's estimate of this expense at present rates in 1968 exceeded that of the staff by \$299. Applicant argues that the staff estimate is unreasonably low since the staff eliminated the highest expense year, 1967, but did not likewise delete the lowest year, 1966, from the basic data used to derive a six-year average expense. The amount of uncollectible expense indicated for 1967 is not representative of normal operations in that meters were not properly read and bills were not properly rendered. This resulted in the net uncollectible expense being over twice the amount of any other year considered. We find the staff estimate reasonable.

We find reasonable operating and maintenance expenses in the test year to be \$23,000 at adopted results, which is the staff estimate adjusted for uncollectible expense at authorized rates.

Administrative and General and Miscellaneous Expenses

The issues of concern here are substantially the same as those discussed in the examiner's report dated October 9, 1969, on applicant's request for authorization of increased water rates in its Guerneville District. The discussion of differences of the estimates of applicant and staff will not be repeated here other than to indicate the amounts found reasonable for this proceeding.

The staff estimate of Employees' Pension and Benefits expense is \$2,040, and that of applicant is \$2,996. We find \$1,629 to be reasonable for this expense in this proceeding.

Applicant estimated the Regulatory Commission Expenses to be \$1,384 and the staff estimated them to be \$660. We find reasonable the staff estimate.

Applicant estimated Mutual Service Charges to be \$3,933 and the staff estimated them to be \$3,000 plus \$500 for executive salaries and expenses. We find \$3,130 to be reasonable for this expense in this proceeding.

We find \$8,200 to be a reasonable estimate of administrative and general and miscellaneous expenses in this proceeding.

Taxes Based on Income

The issues of the surcharge on income taxes, investment tax credit and involuntary conversions were all considered in Decision No. 76996. Findings will be made here in conformity with that decision.

Staff Exhibit No. 27 shows that the effect of applicant not adjusting the income tax calculation for the reduction in income tax depreciation for the gain on its involuntary conversions is to burden Montara District customers with an unjustified added revenue requirement of \$4,030. We find it reasonable to eliminate this unreasonable tax burden on customers by increasing the depreciation deduction used in the income tax computation for the Montara District by \$3,780.

We find it reasonable that depreciation deductions of \$12,070 and \$11,910, respectively, be used to compute the allowance for state and federal income taxes in the test year.

Since a 5 percent surcharge to federal income taxes will be in effect for the first six months of 1970, we will include a 0.9 % surcharge in the authorized rates. Reflecting current income tax regulations, we have excluded the investment tax credit in the calculation of income taxes.

During the hearing on October 4, 1968, applicant made a motion for an interim rate increase of 2% in the form of a bill surcharge to compensate applicant for the 10% surcharge on income tax. For the purpose of the motion the estimates and recommended rate of return of the staff were

accepted by applicant. The motion was denied by the presiding examiner since applicant had not exhausted its potential federal income tax relief by electing to take accelerated depreciation.

Rate Base

Applicant argues that the staff working cash allowance would be increased from \$2,620 to \$5,240 if it were conformed with the staff's standard practice, "Determination of Working Cash Allowance". We agree and find the reasonable rate base to be the staff-estimated rate base plus \$2,620. We find \$338,010 to be the amount of the reasonable rate base in the test year.

Rate of Return

Witnesses for applicant and the staff offered testimony in this proceeding on the proper rate of return for Guerneville, Montara and Niles districts of applicant and for Inverness Water Company and North Los Altos Water Company. This testimony is summarized and discussed in Decision No. 76996 for the Guerneville proceeding. Specific rates of return for each district and affiliate were to be found as appropriate for the quality of service rendered. For the Montara District, under present operating conditions we find a rate of return of 5.53% on rate base to be reasonable. When applicant has upgraded service to its customers in this district and demonstrated it to the satisfaction of this Commission, a 7.2 percent rate of return on rate base would be reasonable.

Service

A sampling of public sentiment taken during the morning of the first day of hearing, when about 60 members of the public were in attendance, indicates that all members of the public present were protesting the rate increase, that one or two had good quality water and do not have service problems, and that all other customers present had service problems.

This record is replete with testimony by customers regarding high, low and fluctuating pressure problems; of black, brown, milky, rusty, oily, sandy and just plain dirty water; of worms in the water; of chlorine taste and odor; of main leaks being unattended for extended periods; of streets and residences being flooded by broken mains; of streets being opened and left for extended periods as chuckhole traffic hazards; of personnel without knowledge or maps of shut-off valves; of meters being unread and of periodic gross overbillings; of difficulties in contacting utility personnel to report troubles; of poor public relations; of shutting off water without adequate notice and of inadequate water supply.

A representative of the local fire district testified that fire hydrants were not being satisfactorily maintained, it not being possible to open a number of hydrants. He criticized the water supply as inadequate as the result of small pipes and storage, giving as examples the supply of an 8-inch main through a one-inch main and 15 homes being supplied through a 1/2-inch pipe. He indicated that the construction was piecemeal without installing important items needed to complete the system, and that there had been no improvement in the water service for ten years since the recommendations of local personnel are generally not approved by

management. The fire district believes it is paying for hydrant service which it is not receiving and requests a reduction in hydrant rental and authorization to maintain the hydrants. Applicant and the district agreed to consult on these problems but the record does not indicate any solution. The staff recommended a change in the tariff for public fire hydrant service, relating the tariff to the size of the serving main rather than to the size of the hydrant. We will authorize the proposed tariff which has provisions for utility-owned-customer-maintained service as requested by the district. Since the revenue effect of this tariff change is speculative, no revenue effect will be reflected in the results herein adopted.

Despite direction by the presiding examiner, applicant did not satisfactorily avail itself in this record of the opportunity to investigate the many service complaints contained in this record and to report thereon. Applicant generalized that it had bad personnel problems and that it expected conditions to be better in the future. It did explain its posted office hours, telephone arrangements and the cause of "milky" water, but the bulk of the complaints are without answer in this record.

The staff investigation disclosed conditions which gave rise to the foregoing complaints and the staff witness made a number of general recommendations for improvement of the system operation and facilities within the next three to five years. If applicant were to undertake such improvement program it is likely that many of the service deficiencies would be alleviated. Applicant has the sole responsibility for the service it renders and it cannot escape that responsibility by claiming "personnel problems".

The value of service and its lack of improvement have been considered in the determination of the initial rate of return to be allowed in this proceeding.

The order which follows will provide additional revenues should applicant complete within a two-year period the "backbone" transmission main and additional storage facilities approximating \$100,000 recommended by the staff (TR 299-300). The additional annual revenues will be about \$31,300 based upon the 7.2 percent rate of return previously found reasonable and the estimated additional ad valorem taxes and depreciation on plant investment associated with the improvements.

Accounting

Staff recommendations on applicant's accounting procedures were reviewed in Decision No. 76996, in Application No. 48905. The ordering paragraphs on accounting matters contained therein apply to all of applicant's water operations and will not be repeated herein.

Findings and Conclusions

The Commission finds that:

1. Applicant is in need of revenue in addition to that produced by rates in effect on and before September 10, 1969.
2. The adopted estimates, previously discussed herein, of operating revenues, operating expenses and rate base for the test year 1968, reasonably indicate the probable results of applicant's operations for the near future.
3. An average rate of return of 5.53 percent on applicant's rate base for the Montara District is reasonable. It is estimated that such rate of return will provide a return of 6.0 percent on common equity allocated to the Montara District.

4. An average rate of return of 7.2 percent on applicant's rate base for the Montara District is reasonable if applicant completes within two years the staff recommended plant improvements described at pages 299-300 of the transcript. It is estimated that such rate of return will provide a return of 8.68 percent on common equity allocated to the Montara District.

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

The Commission concludes that the application should be granted in part until applicant's service more closely conforms to the standards of General Order No. 103.

An average customer using 800 cubic feet of water per month will be charged \$16.60 bimonthly, under Appendix A rates, an increase of 16 percent. In addition, until the 5 percent surcharge to Federal income taxes is removed, bills computed under tariffs herein authorized will be increased by 0.9 percent.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Citizens Utilities Company of California may file for its Montara District 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 four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. In the event applicant undertakes to install plant improvements described on pages 299-300 of the transcript, it shall file in this proceeding a detailed plan of construction to implement such improvements, including pipe and storage tank sizes, amounts and types of materials, locations and estimated costs of construction, together with estimated dates of completion. Upon undertaking such construction, applicant shall, within fifteen days after the end of each month until completion of such construction, file a progress report showing the cumulative net dollar amounts expended for each plant item described in applicant's plan.

3. Upon completing the requirement of Ordering Paragraph 2 before June 30, 1972, and upon receiving further authorization of this Commission by supplemental order herein, applicant Citizens Utilities Company of California may file for its Montara District the revised rate schedule attached to this order as Appendix B. Such filing shall comply with General Order No. 96-A. The revised schedule shall apply only to service rendered on and after the effective date thereof.

4. All motions heretofore not acted upon are hereby denied.

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

Dated at San Francisco, California, this 12th day of MAY, 1970.

*I will file a
request.
August*

William Squier, Jr.
President

[Signature]

Vernon L. Sturgeon
Commissioners

APPENDIX A
Page 1 of 3

Schedule No. MO-1

Montara Tariff Area

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Montara, Farallone City, Moss Beach and Marine View, and vicinity, San Mateo County.

(T)

RATES

Quantity Rates:	<u>Per Meter Per Month</u>
First 500 cu.ft. or less	\$ 6.50
Next 4,500 cu.ft., per 100 cu.ft.60
Over 5,000 cu.ft., per 100 cu.ft.35

(I)

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 6.50
For 3/4-inch meter	9.25
For 1-inch meter	11.50
For 1 1/2-inch meter	20.00
For 2-inch meter	30.00
For 3-inch meter	60.00
For 4-inch meter	90.00

(I)

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

SPECIAL CONDITION

Until the 5% surcharge to Federal income taxes is removed, bills computed under the above tariff will be increased by 0.9%.

(C)

(C)

Schedule No. MO-5

Montara Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, organized fire districts and other political subdivisions of the State. (T)

TERRITORY

The unincorporated communities of Montara, Farallone City, Moss Beach and Marine View, and vicinity, San Mateo County.

RATES

	Per Hydrant Per Month			(C)
	<u>Utility Owned Utility Main- tained</u>	<u>Utility Owned Customer Main- tained</u>	<u>Customer Owned Customer Main- tained</u>	
Served by mains smaller than 6-inch	\$3.00	\$1.75	\$1.00	(C)
Served by mains 6-inch or larger	4.25	3.00	1.00	

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, Metered Service. (T)
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size.
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.
5. The applicable rate is determined by the smallest size of main between hydrant and source of supply (well or storage) (T)

(Continued)

Schedule No. MO-5

Montara Tariff Area

PUBLIC FIRE HYDRANT SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

6. The responsibility of hydrant maintenance (and related monthly rate) will be determined by negotiation between utility and customer. (T)
(Refer to filed tariff Rule No. 20.) (T)

APPENDIX B

Schedule No. MO-1

Montara Tariff Area

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Montara, Farallone City, Moss Beach and Marine View, and vicinity, San Mateo County.

(T)

RATES

Per Meter
Per Month

Quantity Rates:

First	500 cu.ft. or less	\$ 9.20	(I)
Next	4,500 cu.ft., per 100 cu.ft.85	
Over	5,000 cu.ft., per 100 cu.ft.50	

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 9.20	
For	3/4-inch meter	13.00	
For	1-inch meter	16.25	
For	1 1/2-inch meter	30.00	
For	2-inch meter	42.00	
For	3-inch meter	85.00	
For	4-inch meter	130.00	(I)

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

(D)

As. 48906, 48907, 49023, 49024 MM
Ds. 77210, 77211, 77212, 77213

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A. W. GATOV, COMMISSIONER, Dissenting:

I dissent in the majority's decisions in Applications Nos. 48906, 48907, 49023 and 49024 because they are unfair, unreasonable, improper and not supported by the record.

The majority opinions, furthermore, disregard the position of the Hearing Examiner who presided at all the hearings. I think it important that there be documented the reasons why the assigned Hearing Examiner does not support the majority decisions, and I have, therefore, appended hereto and incorporated herein by reference, as part of my dissent, his memorandum on the subject.



Commissioner

Attachment

Dated at San Francisco, California,
May 12, 1970.

May 8, 1970

TO THE COMMISSION:

Re: Applications Nos. 48906, 48907,
49023 and 49024.

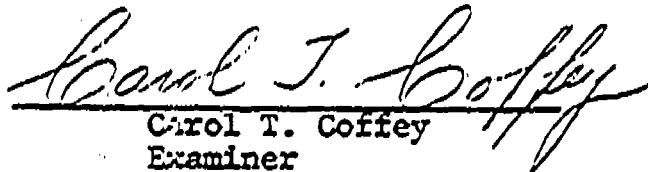
At the request of Commissioner Gatov on May 7, 1970, this is written to advise the Commission why I have not signed the "Instructions for Decisions" for Applications Nos. 48906, 48907, 49023 and 49024 of the Citizens Utilities Company and its affiliates for water rate increases.

These decisions as now proposed do not contain any adjustment or penalty for applicants arbitrarily causing their customers to provide between 9 and 14% more revenue than would have been required if Citizens had elected to minimize its tax expenses by taking accelerated depreciation on its California properties which it did in seven other states where it could reserve for the stockholders all the benefits of accelerated depreciation.

The adopted rate of return for good service, 7.2%, the highest recommended by the staff, is excessive since it does not take into account the systematic inflation of the rate base by applicants for many years prior to the test year. The decisions make no adjustment for the excessive plant overhead reflected in the applicants' watered plant accounts as the result of manipulations by Citizens of the Mutual Service account.

The improvements of service specified as conditions for receiving a 7.2% rate of return will not cause substantial improvements in customer service and will only result in greater public reaction because of increases in rates without discernable service improvements. The decision for Niles, Application No. 48906, provides for increased earning when service is improved in Niles Canyon and Niles business district but ignores the almost universal customer dissatisfaction with service. The decision for North Los Altos provides for improved service in a limited area and for improved flushing but ignores that witnesses repeatedly testified that the service is poor and protested not only the debris content of the water but also the mineral and chlorine content of the water, low pressure, outages and high bills. The decision for Montara relies on a staff estimate that \$100,000 of added plant would greatly improve the service but ignores that still other work will have to be done. The estimate was of such a preliminary and general nature, without specific detail and study, that it is suitable only to indicate magnitudes of required expenditure. The estimate can not be used to indicate improved customer satisfaction with service.

I believe that if the applicants implement the service requirements for the 7.2% rate of return, the customers' reaction to increased rates without discernable service improvements will be much greater in the future than it was in these proceedings where up to 200 irate customers attended the hearings. If the Commission desires to make increased earnings contingent upon improved service, the applicants should be required to meet the service standards of General Order No. 103, or to obtain permission to deviate therefrom in those instances where the economic cost of service improvement is not justified, the service problems being specifically determined by a comprehensive survey by applicants of customer and system service deficiencies.


Carol T. Coffey
Examiner