

ORIGINAL

Decision No. 77359

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 Bear Gulch,)
 Broadmoor, San Carlos, San Mateo)
 and South San Francisco districts)
 in order to offset the increase in)
 the cost of water purchased from)
 the San Francisco Water Department.)

Application No. 51824
 (Filed April 15, 1970)

O P I N I O NIntroduction

California Water Service Company, a corporation, requests authority to increase quantity rates for general metered service in its Bear Gulch, Broadmoor, San Carlos, San Mateo and South San Francisco districts in order to offset a 15 percent increase in the cost of water it purchases from the San Francisco Water Department.

The current rate schedules of the five districts are predicated upon the existing rate schedule of the San Francisco Water Department, from which applicant obtains all water purchased in the five districts. The last general rate increases in the five districts involved in this application were authorized in 1968. Current water rates in the districts, with the exception of the Broadmoor District, were authorized by Decision No. 77056, dated April 7, 1970, offsetting the increase in federal income taxes resulting from termination of the investment tax credit. Also, with exception of the Broadmoor District, an authorized tariff surcharge percentage offsetting the temporary 5 percent federal income tax surcharge is being charged by the applicant in these districts.

On March 10, 1970, the City and County of San Francisco Public Utilities Commission recommended new schedules of rates providing for a 15 percent increase across the board, including a 15 percent increase applicable to applicant.

By action of the San Francisco Board of Supervisors, water purchased from the San Francisco Water Department on and after May 1, 1970, and billed on and after June 1, 1970, will be at new schedules reflecting the 15 percent across-the-board increase.

The staff made an investigation of applicant's operations in the five districts. Results of the staff's investigation are included in a report dated May 6, 1970. The staff's report is hereby included in this record as Exhibit 1.

Summaries of Earnings

The following tabulation taken from Exhibit 1 shows the increase in cost of purchased water to the applicant, a comparison of the authorized and applicant's estimated rates of return for 1970 and the applicant's estimated reduction in rate of return that result from the increase in cost of purchased water, by districts included in this application. The authorized rates of return shown include consideration of the decision-adopted attrition and averaging effects thereof over several years.

RATES OF RETURN							
District	1969 Rate of Return	Realized Rate of Water in 1000s	Cost Increase Per Ccf	Authorized Rate of Return	Estimated Rate of Return	Est. Reduc. to Cost	% Increase in Rate Due to Av. Meter Cus. Bill
Bear Gulch	6.36%	\$106.4	\$0.023	6.28%	5.91%	0.57%	4.96%
Broadmoor	6.78	7.3	.027	6.21	6.65	.57	4.60
San Carlos	6.72	41.5	.024	6.50	6.38	.51	4.58
San Mateo	6.71	114.9	.024	6.80	6.24	.55	4.94
South San Francisco	5.94	72.8	.020	6.70	5.44	.90	6.21

* After offset for 15% purchased water cost increase.

The staff reviewed applicant's estimated 1970 earnings for the five districts and took no exception to the estimates. The staff determined that the earnings, with exception of the Broadmoor District, are not more than authorized. The staff also determined that for the Broadmoor District 50 percent of the requested increase in gross revenue would be sufficient to maintain the estimated 1970 rate of return at the authorized level.

The effect of the proposed offset increase on income tax surcharge requirements was also considered by the staff. Theoretically the surcharge percentage could be reduced by approximately 0.05 percent. However, this small change was not considered necessary.

On the basis of its investigation, the staff recommended that the rate increases requested in Application No. 51824 be authorized for the Bear Gulch, San Carlos, San Mateo and South San Francisco Districts; and that a quantity rate increase of 1.31 cents per hundred cubic feet be authorized for the Broadmoor District. Such increase would result in a \$0.41/Ccf quantity rate in lieu of the \$0.423/Ccf requested by applicant.

By letter dated May 11, 1970 applicant stated "We wish to advise the Commission that this Company takes no exception to the Staff report." The letter is hereby included in this record as Exhibit 2.

The Commission finds that the estimates of rates of return submitted by the staff for the test year 1970 are reasonable for the purpose of prescribing rates herein; and that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

The application, accordingly, should and will be granted to the extent provided in the ensuing order.

A public hearing is not necessary.

O R D E R

IT IS ORDERED that after the effective date of this order, applicant may file the rates attached to the application as Exhibits D-1, D-3, D-4 and D-5 without change. Exhibit D-2 rates may be filed if the quantity rate is changed from \$0.423 to \$0.41 per 100 cubic feet. Such filing shall be made in accordance with General Order No. 96-A. The tariffs shall be effective for billings rendered on or after the date of filing the rates. ✓

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 16th day of JUNE, 1970.

William Sproule Jr.
President
Arthur
J. P. H. H. H.
Thomas J. H.
Vernon L. Stinson
Commissioners