

ORIGINAL

Decision No. 83866

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE CAMPELL WATER COMPANY, a
corporation, for authority to increase
its rates and charges for its water
system serving the City of Campbell,
City of San Jose and adjacent territory
in Santa Clara County.

Application No. 54706
(Filed March 5, 1974)

James F. Crafts, Jr., Attorney at Law,
for applicant.
James D. Pretti and John E. Brown, for
the Commission staff.

O P I N I O N

After due notice, public hearing in this matter was held before Examiner Coffey at Campbell on September 4, 1974. The matter was submitted on that date when applicant agreed not to contest the showing made by the Commission staff. One member of the public attended the hearing.

Applicant provides water service to approximately 4,538 consumers from wells and purchased water in Campbell, county of Santa Clara.

Rates

Applicant's present charges for general metered service are the following rates:

Present Rates

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First 30,000 cu.ft., per 100 cu.ft. ...	\$ 0.349	
Over 30,000 cu.ft., per 100 cu.ft. ...	0.286	
Service Charge:		

For 5/8 x 3/4-inch meter	2.53
For 3/4-inch meter	2.79
For 1-inch meter	3.75
For 1-1/2-inch meter	5.25
For 2-inch meter	6.76
For 3-inch meter	12.59
For 4-inch meter	17.15
For 6-inch meter	27.87
For 8-inch meter	41.80

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

By this application, the following general metered service rates are proposed:

Proposed Rates

Quantity Rates:

Per Meter
Per Month

For all water delivered,
per 100 cu.ft. \$ 0.381

Service Charge:

For 5/8 x 3/4-inch meter	2.77
For 3/4-inch meter	3.05
For 1-inch meter	4.10
For 1-1/2-inch meter	5.73
For 2-inch meter	7.38
For 3-inch meter	13.75
For 4-inch meter	18.73
For 6-inch meter	30.43
For 8-inch meter	45.65

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

Results of Operation

Staff Exhibit No. 3 sets forth the following comparison of the estimated summaries of earnings for the test year 1974, under present and proposed rates, prepared by applicant and by the staff:

Summary of Earnings

Item	Applicant		Staff	
	Company		Company	
	Present	Proposed	Present	Proposed
	Rates	Rates	Rates	Rates

Estimated Year 1974

Operating Revenues	\$ 637,480	\$ 694,580	\$ 642,050	\$ 706,100
<u>Operating Expenses</u>				
Oper. & Maint.	254,570	254,570	258,140	258,140
Admin. & Gen.	121,820	121,820	116,190	116,190
Taxes Other Than Inc.	60,410	60,410	60,790	60,790
Depreciation	65,190	65,190	65,544	65,544
Income Taxes	37,240	67,320	39,550	73,290
Total Expenses	539,230	569,310	540,214	573,954
Net Operating Rev.	98,250	125,270	101,836	132,146
Deprec. Rate Base	1,429,750	1,437,480	1,453,540	1,453,540
Rate of Return	6.87%	8.71%	7.01%	9.09%

The basis of the staff estimates are set forth in detail in Exhibit No. 3. In general, it appears the staff estimated by small amounts more revenue, more expenses, more net operating revenue, and more rate base than applicant.

Applicant agreed to accept the staff estimates for the purposes of this proceeding.

We shall adopt the staff estimates of revenues, expenses, and rate base as reasonable. Since the staff's estimate of net operating revenue is higher than applicant's, this will cause the increase in revenue to be higher than that requested by applicant, but the authorized rates will be lower than those requested.

Rate of Return

The proposed rates were designed by applicant to produce a rate of return on depreciated rate base of 8.7 percent and to produce a return on common equity of approximately 11.5 percent.

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At the hearing the staff witness revised the capital structure on which he based his recommended rate of return to reflect increased long-term debt at an increased current average cost.

The staff finance and accounts witness recommended that a rate of return of 8.7 percent be adopted.

Exhibit No. 4 shows that an 8.7 percent return on total capital will produce a return of 11 percent on common equity. Applicant argued for a rate of return on common equity of more than 11 percent in 1975. We shall include an allowance of 11.5 percent for equity.

We shall adopt as reasonable a rate of return of 8.9 percent which will result in a rate of return on common equity of 11.5 percent.

Service

A field investigation of applicant's operations and facilities was made by the staff during 1974. The facilities and equipment appeared to be in good condition and well maintained.

A review of customers' complaints in applicant's files for 1972, 1973, and first six months of 1974 revealed a total of 14 items, the majority concerning high bills. Applicant has a policy of taking prompt action to resolve all complaints. During the same period there has been only one informal complaint to the Commission. This complaint concerned a high bill and has been resolved.

Service to customers appears to be good based on the lack of complaints. Pressures range from 45 pounds psig to 72 pounds psig with the major part of the system maintaining a range from 55 pounds psig to 60 pounds psig.

Findings

1. The adopted estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test year 1974 reasonably indicate the results of applicant's operations in the near future.

2. A rate of return of 8.9 percent on the adopted rate base and a 11.5 percent return on that portion of common equity applicable to utility operations are reasonable.

3. Revenues will be increased \$58,177 by the rates herein authorized.

4. The increases in 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 to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that after the effective date of this order The Campbell Water Company is authorized to file 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.

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

Dated at San Francisco, California, this 17th day of DECEMBER, 1974.

Vernon L. Stinson
President
William Lyness Jr.
Robert E. McLeod
Commissioners

APPENDIX A

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Campbell and vicinity, Santa Clara County.

RATES

	Per Meter Per Month	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 2.75	I
For 3/4-inch meter	3.02	
For 1-inch meter	4.07	
For 1 1/2-inch meter	5.68	
For 2-inch meter	7.32	
For 3-inch meter	13.63	
For 4-inch meter	18.57	
For 6-inch meter	30.17	
For 8-inch meter	45.26	
Quantity Rate:		
For all water delivered, per 100 cu.ft.	\$.378	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 Rates, for water used during the month.