

Decision No. 85283

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 Broadmoor District.

Application No. 55156
(Filed September 10, 1974)

And Related Matters:

Marysville District

Bear Gulch District

Application No. 55206
(Filed September 26, 1974)

Application No. 55327
(Filed November 20, 1974)

McCutchen, Doyle, Brown & Enersen, by A. Crawford
Greene, Jr., Attorney at Law, for applicant.
Walter H. Kessenick, Attorney at Law, and Ernst G.
Knolle, for the Commission staff.

PRELIMINARY OPINION

Applicant California Water Service Company seeks authority to increase rates for water service in its Broadmoor, Marysville, and Bear Gulch Districts.

Public hearings were held before Examiner Peeters in San Francisco on October 14, 24, and 27, 1975 and in Marysville on November 17 and 18, 1975. Copies of the applications had been served, notices of filing of the applications had been published and mailed to customers, and notices of hearings had been published, posted, and mailed to customers in accordance with this Commission's rules of procedure. The various proceedings were submitted (except for consideration of a new filter plant in the Bear Gulch District) on November 13, 1975. All parties to the Bear Gulch District proceeding

had agreed that consideration of the effect of the new Bear Gulch filter plant would be reserved for a final decision.

Testimony on behalf of applicant was presented in these proceedings and earlier proceedings (incorporated by reference) by applicant's president and other officers responsible for engineering, accounting, financial, and operating functions and by a tax partner of applicant's auditors. No customers appeared at the Broadmoor District and Bear Gulch District hearings in October 1975, nor at the Marysville District hearing in November 1975. The Commission staff's presentation was made through several assigned staff engineers and accountants.

At the hearings applicant requested a preliminary^{1/} order in these three applications. Applicant stated that the comparative exhibits filed jointly by the applicant and the Commission staff at the time of submission of each application show that the rate increases which would be authorized on the basis of the staff's final showing of Results of Operations for the test year 1975 range from 83 percent to 92 percent of the increase which would be authorized on the basis of applicant's final showing, with a composite of 87 percent for all three districts. Under these circumstances, applicant contends that it does not appear reasonable for the Commission to deny applicant the 87 percent (of maximum potential final increases) for which there are no issues to resolve, just because there are issues covering the other 13 percent. Applicant suggests that an equitable procedure would be for the Commission to issue promptly a single, relatively

^{1/} Applicant explained that it used the term "preliminary" rather than "interim" because the latter term often refers to an order issued prior to the complete submission of an application. In this instance, all of the matters covered by this decision have been submitted.

simple, consolidated preliminary order in the three proceedings, based upon the Commission staff's showing, and to resolve the limited number of issues in a final decision at a later date. We agree.

Service Areas

Applicant owns and operates water systems in its twenty-two districts in California. The Broadmoor District largely consists of that section of incorporated San Mateo County area lying between the city of Colma and the city of Daly City. The Marysville District service area includes all of the city of Marysville situated within the confines of the city levee. The Bear Gulch District includes the cities of Atherton and Menlo Park, the towns of Portola Valley and Woodside, and unincorporated areas of San Mateo County which are adjacent to those communities.

Service

Field investigations of applicant's operations, service, and facilities in the three districts covered by these applications were made by the Commission staff. The staff concluded that, in general, service complaints received at the various district offices were quickly resolved, the number of such complaints was not excessive, and service appears to be satisfactory.

The staff's exhibits show that there have been very few informal complaints received by the Commission in recent years from applicant's customers. There were no such complaints in the past three years in the Broadmoor and Marysville Districts and an average of three per year in the Bear Gulch District.

Rates

Applicant proposes to increase all of its rates in these three districts applicable to metered service and flat-rate residential service. Applicant anticipated that, during the long period from an application filing date to a decision date there would be

offset increases for changes in levels of specific expenses and change in cost of money due to the maturing of a large proportion of applicant's embedded low-cost long-term debt and the refinancing of that long-term debt at an unavoidably higher interest rate. In each of the three district applications covered by this decision, it was emphasized that the increases requested are in addition to any such offset increases.

The following Table I presents a comparison for each of the three districts, showing applicant's rates which were in effect at the times of filing the applications (identified as "present" rates), the proposed step rates applicant set forth in the exhibit attached to the application, for the years 1975, 1976, and 1977,^{2/} incremental offset increases to be added to those step rates, the resulting total requested step rates for 1975, 1976, and 1977, and the rates authorized herein.

The incremental offsets shown on Table I are covered by the following public documents, of which we take official notice:

- (1) Advice Letter No. 443 and Resolution No. W-1654 therein dated December 17, 1974, applicant's Broadmoor District purchased water offset request.
- (2) Advice Letter No. 447 and Resolution No. W-1663 therein dated December 30, 1974, applicant's Bear Gulch District purchased water offset request.
- (3) Application No. 55561 and Decision No. 35020 therein dated October 21, 1975, applicant's total-company refinancing offset request.

^{2/} Applicant also proposed a step for the year 1974, but the passage of time has rendered that step moot.

Table I
Comparison of Monthly Rates
Broadmoor District

Item	A.55156 ^a "Present" Rates	Requested Rates									Authorized Rates
		A.55156, Exh. 7, Table 12-B			Additional		Total				
		1975	1976	1977	Advice Letter 443	A.55561 ^b Offset	1975	1976	1977		
<u>General Metered Service</u>											
Service Charge ^c	\$2.40	\$2.88	\$2.94	\$3.01	\$0.00	\$0.06	\$2.94	\$3.00	\$3.07	\$2.84	
Quantity Rate, per 100 cu.ft.	0.420	0.425	0.424	0.423	0.036	0.010	0.471	0.470	0.469	0.466	

a. Exh. No. 7, Table 12-A.

b. Exh. No. 8, Appendix B, Column (j) 2.48% applied to rates authorized by Resolution No. 1654, Advice Letter 443.

c. Service charge for a 5/8 x 3/4-inch meter. A graduated scale of increased charges is provided for larger meters.

A-55156 et al.

Table I
Comparison of Monthly Rates
Marysville District

Item	A.55206 ^a "Present" Rates	Requested Rates			Additional A.55561 ^b Offset	Total			Authorized Rates
		A.55206, Exh. 7, Table 12-B				1975	1976	1977	
		1975	1976	1977					
<u>General Metered Service</u>									
Service Charge ^c	\$3.30	\$ 3.98	\$ 4.15	\$ 4.34	\$ 0.13	\$ 4.11	\$ 4.28	\$ 4.47	\$ 3.86
Quantity Rate, per 100 cu.ft.	0.107	0.129	0.134	0.141	0.004	0.133	0.138	0.145	0.129
<u>Residential Flat Rate Service</u>									
† Single-family unit, includ- ing premises having area of:									
6,000 sq.ft. or less	5.45	6.57	6.85	7.16	0.21	6.78	7.06	7.37	6.45
6,001 to 10,000 sq.ft.	6.35	7.66	7.98	8.34	0.24	7.90	8.22	8.58	7.51
10,001 to 16,000 sq.ft.	7.55	9.11	9.49	9.92	0.29	9.40	9.78	10.21	8.93
16,001 to 25,000 sq.ft.	9.65	11.64	12.13	12.68	0.37	12.01	12.50	13.05	11.42
Each additional unit on premises	3.65	4.40	4.59	4.80	0.14	4.54	4.73	4.94	4.32

a. Exh. No. 7, Table 12-A.

b. Exh. No. 8, Appendix B, Column (j) 3.81% applied to "Present" rates.

c. Service charge for a 5/8 x 3/4-inch meter. A graduated scale of increased charges is provided for larger meters.

Table I
Comparison of Monthly Rates
Bear Gulch District

Item	A.55327 ^a "Present" Rates	Requested Rates								Authorized Rates
		A.55327, Exh. 7, Table 12-B			Additional		Total			
		1975	1976	1977	Advice Letter 447	A.55561 ^b Offset	1975	1976	1977	
General Metered Service										
Service Charge ^c	\$3.40	\$3.65	\$3.77	\$3.94	\$0.00	\$0.10	\$3.75	\$3.87	\$4.04	\$3.64
Quantity Rate, per 100 cu.ft.	0.414	0.445	0.462	0.482	0.031	0.013	0.489	0.506	0.526	0.479

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a. Exh. No. 7, Table 12-A.

b. Exh. No. 8, Appendix B, Column (j) 2.95% applied to rates authorized by Resolution No. W-1663, Advice Letter 447.

c. Service charge for a 5/8 x 3/4-inch meter. A graduated scale of increased charges is provided for larger meters.

Results of Operation

Witnesses for applicant and the Commission staff have analyzed and estimated applicant's operational results. Derived in Table II, from late-filed exhibits filed jointly by applicant and the Commission staff and from the documents listed hereinbefore under the heading "Rates", are the staff's estimated results of operation for the test year 1975 under rates in effect immediately prior to issuance of this decision. For comparison, Table II also shows the corresponding results of operation under the rates authorized herein.

The temporary increase to ten percent from four percent in the Investment Tax Credit (ITC) occurred prior to the staff's completion of the Broadmoor, Marysville, and Bear Gulch exhibits. The change was therefore reflected by the staff in those exhibits.

Decision No. 85020 dated October 21, 1975 in Application No. 55561, applicant's refinancing offset proceeding, was issued subsequent to the staff's preparation of exhibits for all three districts. That decision reduced the refinancing offset for, among most other districts, the Broadmoor, Marysville, and Bear Gulch Districts, to flow through to customers the savings due to the 10-percent ITC. This adjustment therefore duplicated the staff's ITC adjustment in those districts. This duplication is corrected in Table II.

Before submission of these matters, electric rates of Pacific Gas and Electric Company (PG&E) were increased by Decision No. 84902 dated September 16, 1975 in Application No. 54279 and modified further by Decision No. 84959 dated October 7, 1975 in that same proceeding. The electric rate increases were not uniform for all users, so applicant presented evidence to show the impact upon expenses in the three districts. Decision No. 84902 (mimeo. p. 152) shows that

industrial users, as a class, would have a 20.3 percent increase. However, the increases in cost of purchased power in the Broadmoor, Bear Gulch, and Marysville Districts are, respectively, 22.1 percent, 19.2 percent, and 20.6 percent. The effect of the electric rate increases is included in Table II.

In the Marysville District, there were no offset increases except the total-company refinancing offset.

In the Broadmoor and Bear Gulch Districts, Resolutions Nos. W-1654 and W-1663 dated December 17 and 30, 1974, in response to Advice Letters Nos. 443 and 447, were issued after the filing of the application but prior to preparation of the staff's exhibit. The effect of the increase in cost of purchased water and the corresponding offset increase in applicant's rates are thus reflected in the staff's exhibits.

Table II for each district starts with the staff's summary of earnings in Column (a). Changes required to reflect the aforementioned offset decision, offset resolutions, and corrections of duplicated adjustments are shown in subsequent columns of the tables, resulting in an updated summary of earnings in the second-from-final column. The next-to-final column shows the changes required to reflect the preliminary increases authorized herein. The final column shows the summary of earnings at the authorized rates.

Table II
Broadmoor District
Summary of Earnings - Test Year 1975
(Dollars in Thousands)

Exh. 14 Line No.	Item	A-55156			A-55561		Consolidated Record	
		Present Rates			Refinancing Offset		A-55156 & 55561	
		Exhibit 14	Changes	Total	Changes	Total	Changes	Total
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<u>Operating Revenues</u>							
	Metered	\$180.3	\$0.0	\$180.3	\$3.0	\$183.3	\$9.0	\$192.3
	Fire protection & misc.	4.6	0.0	4.6	0.0	4.6	0.0	4.6
18	Total Revenues	184.9	0.0	184.9	3.0	187.9	9.0	196.9
	<u>Operating Expenses</u>							
19	Operation & maintenance	97.5	0.3	97.8	0.0	97.8	0.0	97.8
20	Administrative & general	0.3	0.0	0.3	0.0	0.3	0.0	0.3
22	Miscellaneous	1.0	0.0	1.0	0.0	1.0	0.0	1.0
23	Taxes other than income	12.8	0.0	12.8	0.0	12.8	0.0	12.8
24	Depreciation	12.2	0.0	12.2	0.0	12.2	0.0	12.2
25	Prorated expenses	13.4	0.0	13.4	0.0	13.4	0.0	13.4
26	SCRT amortization	0.5	0.0	0.5	0.0	0.5	0.0	0.5
27	Subtotal	137.7	0.3	138.0	0.0	138.0	0.0	138.0
	Income taxes incl. 4%							
	inv. cr.	14.9	(0.2)	14.7	(0.8)	13.9	4.7	18.6
	Adjustment to 10% inv. cr.	(0.7)	0.7	0.0	(0.7)	(0.7)	0.0	(0.7)
28	Total Income Taxes	14.2	0.5	14.7	(1.5)	13.2	4.7	17.9
29	Total operating expenses	151.9	0.8	152.7	(1.5)	151.2	4.7	155.9
30	Net Operating Revenues	33.0	(0.8)	32.2	4.5	36.7	4.3	41.0
31	Depreciated Rate Base	428.8	0.0	428.8	0.0	428.8	0.0	428.8
	<u>Rate of Return</u>							
	Before attrition adjustment	7.70%	(0.19)%	7.51%	1.05%	8.56%	1.00%	9.56%
	Attrition adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	After attrition adjustment	7.70%	(0.19)%	7.51%	1.05%	8.56%	1.00%	9.56%

(Red Figures)

- (a) Staff's estimates which were summarized on applicant and staff joint Exhibit No. 14, page 1 of 3, Column (f).
- (b) Staff's estimates included Investment Tax Credit at the 10% level. The increase in Investment Tax Credit was considered in the refinancing offset in A-55561; therefore, it is backed out in this column to eliminate duplication of this item. Purchased power cost increased 22.1% effective September 21, 1975, and has been taken into consideration in this column.
- (c) Summary of earnings consisting of the sum of Columns (a) and (b) of this table.
- (d) Required rate relief recommended by staff in A-55561 to offset higher interest due to refinancing which was modified to give consideration to the increase in Investment Tax Credit to the 10% level. The gross revenue increase is 1.62% based upon total revenues and 1.67% based upon revenues excluding fire protection and miscellaneous revenues.
- (e) Summary of earnings after refinancing consisting of the sum of Columns (c) and (d) of this table.
- (f) Additional increase required to yield the rate of return which is the lower end of the range recommended by the staff. The gross revenue increase is 4.79% based upon total revenues and 4.90% based upon revenues excluding fire protection and miscellaneous revenues.
- (g) Summary of earnings consisting of the sum of Columns (c) and (f) of this table.

Table II
Marvsville District
Summary of Earnings - Test Year 1975
(Dollars in Thousands)

Exh. 14 Line No.	Item	A-55206			A-55561		Consolidated Record	
		Present Rates			Refinancing Offset		A-55206 & 55561	
		Exhibit 14 (a)	Changes (b)	Total (c)	Changes (d)	Total (e)	Changes (f)	Total (g)
	<u>Operating Revenues</u>							
	Metered	\$102.7	\$0.0	\$102.7	\$ 2.2	\$104.9	\$17.1	\$122.0
	Com'l flat rate	176.7	0.0	176.7	3.8	180.5	29.0	209.5
	Fire protection & misc.	7.7	0.0	7.7	0.0	7.7	0.0	7.7
18	Total Revenues	287.1	0.0	287.1	6.0	293.1	46.1	339.2
	<u>Operating Expenses</u>							
19	Operation & maintenance	109.5	4.9	114.4	0.0	114.4	0.0	114.4
20	Administrative & general	9.6	0.0	9.6	0.0	9.6	0.0	9.6
21	Miscellaneous	2.4	0.0	2.4	0.0	2.4	0.0	2.4
22	Taxes other than income	32.4	0.0	32.4	0.0	32.4	0.0	32.4
23	Depreciation	28.6	0.0	28.6	0.0	28.6	0.0	28.6
24	Prorated expenses	31.0	0.0	31.0	0.0	31.0	0.0	31.0
25	SCPT amortization	1.1	0.0	1.1	0.0	1.1	0.0	1.1
26	Subtotal	214.6	4.9	219.5	0.0	219.5	0.0	219.5
27	Income taxes incl. 4% inv. cr.	12.7	(2.6)	10.1	(2.4)	7.7	24.3	32.0
	Adjustment to 10% inv. cr.	(2.2)	2.2	0.0	(2.2)	(2.2)	0.0	(2.2)
28	Total Income Taxes	10.5	(0.4)	10.1	(4.6)	5.5	24.3	29.8
29	Total operating expenses	225.1	4.5	229.6	(4.6)	225.0	24.3	249.3
30	Net Operating Revenues	62.0	(4.5)	57.5	10.6	68.1	21.8	89.9
31	Depreciated Rate Base	932.0	0.0	932.0	0.0	932.0	0.0	932.0
	<u>Rate of Return</u>							
	Before attrition adjustment	6.65%	(0.48)%	6.17%	1.14%	7.31%	2.34%	9.65%
	Attrition adjustment	0.0	0.0	0.0	0.0	0.0	(0.09)	(0.09)
32	After attrition adjustment	6.65%	(0.48)%	6.17%	1.14%	7.31%	2.25%	9.56%

(Red Figures)

- (a) Staff's estimates which were summarized on applicant and staff joint Exhibit No. 14, page 1 of 3, Column (f).
- (b) Staff's estimates included Investment Tax Credit at the 10% level. The increase in Investment Tax Credit was considered in the refinancing offset in A-55561; therefore, it is backed out in this column to eliminate duplication of this item. Purchased power cost increased 20.6% effective September 21, 1975, and has been taken into consideration in this column.
- (c) Summary of earnings consisting of the sum of Columns (a) and (b) of this table.
- (d) Required rate relief recommended by staff in A-55561 to offset higher interest due to refinancing which was modified to give consideration to the increase in Investment Tax Credit to the 10% level. The gross revenue increase is 2.09% based upon total revenues and 2.16% based upon revenues excluding fire protection and miscellaneous revenues.
- (e) Summary of earnings after refinancing consisting of the sum of Columns (c) and (d) of this table.
- (f) Additional increase required to yield the rate of return which is the lower end of the range recommended by the staff. The gross revenue increase is 15.73% based upon total revenues and 16.15% based upon revenues excluding fire protection and miscellaneous revenues.
- (g) Summary of earnings consisting of the sum of Columns (e) and (f) of this table.

Table II
Bear Gulch District
Summary of Earnings - Test Year 1975
(Dollars in Thousands)

Exh. 15 Line No.	Item	A-55327			A-55561		Consolidated Record A-55327 & 55561	
		Present Rates			Refinancing Offset			
		Exhibit 15	Changes	Total	Changes	Total	Changes	Total
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
	<u>Operating Revenues</u>							
	Metered	\$3,000.4	\$ 0.0	\$3,000.4	\$23.4	\$3,023.8	\$202.7	\$3,226.5
	Fire protection & misc.	30.8	0.0	30.8	0.0	30.8	0.0	30.8
18	Total Revenues	3,031.2	0.0	3,031.2	23.4	3,054.6	202.7	3,257.3
	<u>Operating Expenses</u>							
19	Operation & maintenance	1,507.6	15.1	1,522.7	0.0	1,522.7	0.0	1,522.7
20	Administrative & general	33.7	0.0	33.7	0.0	33.7	0.0	33.7
21	Miscellaneous	11.3	0.0	11.3	0.0	11.3	0.0	11.3
22	Taxes other than income	252.5	0.0	252.5	0.2	252.7	1.7	254.4
23	Depreciation	219.5	0.0	219.5	0.0	219.5	0.0	219.5
24	Pro-rated expenses	179.0	0.0	179.0	0.0	179.0	0.0	179.0
25	SCRT amortization	6.1	0.0	6.1	0.0	6.1	0.0	6.1
26	Subtotal	2,209.7	15.1	2,224.8	0.2	2,225.0	1.7	2,226.7
27	Income taxes incl. 4%							
	inv. cr.	199.2	(8.0)	191.2	(34.5)	156.7	105.9	262.6
	Adjustment to 10% inv. cr.	(30.8)	30.8	0.0	(30.8)	(30.8)	0.0	(30.8)
28	Total Income Taxes	168.4	22.8	191.2	(65.3)	125.9	105.9	231.8
29	Total operating expenses	2,378.1	37.9	2,416.0	(65.1)	2,350.9	107.6	2,458.5
30	Net Operating Revenues	653.1	(37.9)	615.2	88.5	703.7	95.1	798.8
31	Depreciated Rate Base	8,355.3	0.0	8,355.3	0.0	8,355.3	0.0	8,355.3
	<u>Rate of Return</u>							
	Before attrition adjustment	7.82%	(0.46)%	7.36%	1.06%	8.42%	1.14%	9.56%
	Attrition adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	After attrition adjustment	7.82%	(0.46)%	7.36%	1.06%	8.42%	1.14%	9.56%

(Red Figures)

- (a) Staff's estimates which were summarized on applicant and staff joint Exhibit No. 15, page 1 of 3, Column (f).
- (b) Staff's estimates included Investment Tax Credit at the 10% level. The increase in Investment Tax Credit was considered in the refinancing offset in A-55561; therefore, it is backed out in this column to eliminate duplication of this item. Purchased power cost increased by 19.2% effective September 21, 1975, and is taken into consideration in this column.
- (c) Summary of earnings consisting of the sum of Columns (a) and (b) of this table.
- (d) Required rate relief recommended by staff in A-55561 to offset higher interest due to refinancing which was modified to give consideration to the increase in Investment Tax Credit to the 10% level. The gross revenue increase is 0.77% based upon total revenues and 0.78% based upon revenues excluding fire protection and miscellaneous revenues.
- (e) Summary of earnings after refinancing consisting of the sum of Columns (c) and (d) of this table.
- (f) Additional increase required to yield the rate of return which is the lower end of the range recommended by the staff. The gross revenue increase is 6.64% based upon total revenues and 6.70% based upon revenues excluding fire protection and miscellaneous revenues.
- (g) Summary of earnings consisting of the sum of Columns (e) and (f) of this table.

Rate of Return

The Commission staff recommended a range of 8.50 to 8.80 percent on rate base as reasonable for applicant's operations, prior to refinancing of applicant's maturing bonds, with the specific recommendation that the lower end of the range be adopted. The refinancing has been completed, and the staff's corresponding recommendation is a 9.56 percent return on rate base after the refinancing. The derivation of the composite rates of return are set forth in the following Table III:

Table III

Staff's Recommended Rate of Return

<u>Item</u>	<u>Capital Ratio</u>	<u>Rate</u>	<u>Weighted Cost</u>
Before Refinancing:			
Long-Term Debt	55.5%	5.90%	3.27%
Preferred Stock	3.0	4.25	.13
Common Equity	<u>41.5</u>	12.29	<u>5.10</u>
Total	100.0		8.50
After Refinancing:			
Long-Term Debt	55.5	7.80	4.33
Preferred Stock	3.0	4.25	.13
Common Equity	<u>41.5</u>	12.29	<u>5.10</u>
Total	100.0		9.56

As indicated in the foregoing Table III, the rates of return recommended by the staff would produce a return on common equity of 12.29 percent, both before and after consideration of the effect of refinancing.

Trend in Rate of Return

Inasmuch as rates are set prospectively to produce an authorized rate of return for a reasonable period into the future, the Commission staff estimated the probable future trend in rate of

return for each district. This was accomplished by the staff's preparation of summaries of earnings for a test year 1974 as well as 1975, with both years placed on the same level of wage rates, tax rates, and rates for purchased water and power. As a result of the comparative summaries of earnings, the staff recommended that no allowance for trend in rate of return be considered for the Broadmoor and Bear Gulch Districts. For the Marysville District, however, the rates of return derived by the staff for the test years 1974 and 1975 indicate an annual decline of 0.10 percent at present rates and 0.21 percent at the rates proposed by applicant for the year 1975. Interpolating between the two indicated trends results in an annual decline of 0.17 percent at the level of rates authorized herein.

Applicant had requested step rates for 1974, 1975, 1976, and 1977 which it estimated would produce a uniform rate of return for each of the years. To simplify this preliminary decision, the rates authorized herein are not step rates but are designed to produce a 9.56 percent post-refinancing return on rate base for approximately the next six months. The attrition allowances shown in Table II are therefore one-half the staff's estimates of annual attrition.

Findings

1. California Water Service Company (CWSC) is in need of additional revenue, but, due to the temporary increase in Investment Tax Credit and other factors, the Commission staff's presentation shows that the proposed rates set forth in the applications are excessive.

2. For the purposes of this preliminary order, the adopted estimates previously discussed herein of operating revenues, operating expenses, and rate base for the test year 1975, and the adopted trends in rate of return, reasonably indicate the results of CWSC's operations in its Broadmoor, Marysville, and Bear Gulch Districts for the near future.

3. For the purposes of this preliminary order, a pre-refinancing rate of return of 8.50 percent and a post-refinancing return of 9.56 percent on the adopted rate bases are reasonable. Such rates of return will provide a return on common equity of approximately 12.3 percent.

4. The increases in 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.

5. CWSC's earnings under "Present Rates" from its operations during the 1975 test year produce rates of return ranging from 6.42 percent to 7.53 percent in the various districts covered by these applications on the rate bases adopted herein, based upon adopted results of operation.

6. The authorized increases in rates are expected to provide the following increases in revenues, based upon the test year 1975:

<u>District</u>	<u>Amount</u>	<u>Percent</u>
Broadmoor	\$ 9,000	4.8%
Marysville	46,100	15.7
Bear Gulch	<u>202,700</u>	6.6
Total	\$257,800	7.3%

7. In view of the length of time which has elapsed since the filing of these applications, it is reasonable to make this order effective immediately.

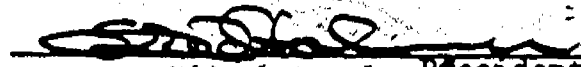
The Commission concludes that the applications should be granted to the extent set forth in the order which follows.

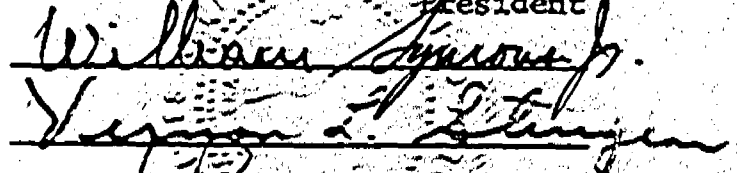
O R D E R

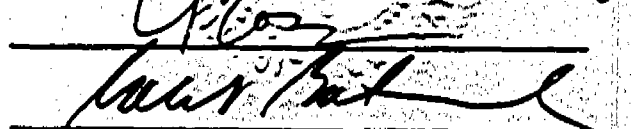
IT IS ORDERED that, after the effective date of this order, California Water Service Company is authorized to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised rate schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date hereof.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 30th
day of DECEMBER, 1975.



President




Commissioners

APPENDIX A
Page 1 of 5

Schedule No. BD -1

Broadmoor Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Broadmoor and vicinity, adjacent to Daly City, San Mateo County.

RATES

Service Charge:

	Per Meter Per Month	
For 5/8 x 3/4-inch meter	\$ 2.84	(I)
For 3/4-inch meter	3.13	
For 1-inch meter	4.26	
For 1 1/2-inch meter	5.96	
For 2-inch meter	7.66	
For 3-inch meter	14.19	
For 4-inch meter	19.30	
For 6-inch meter	32.07	
For 8-inch meter	47.68	
For 10-inch meter	59.03	(I)

Quantity Rate:

For all water delivered, per 100 cu.ft. \$ 0.466 (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.

(D)

APPENDIX A
Page 2 of 5

Schedule No. MR-1

Marysville Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Marysville and vicinity, Yuba County.

RATES

Service Charge:

	Per Meter Per Month	
For 5/8 x 3/4-inch meter	\$ 3.86	(I)
For 3/4-inch meter	4.27	
For 1-inch meter	5.79	
For 1 1/2-inch meter	8.12	
For 2-inch meter	10.40	
For 3-inch meter	19.29	
For 4-inch meter	26.24	
For 6-inch meter	43.60	
For 8-inch meter	64.82	
For 10-inch meter	80.24	

Quantity Rate:

For all water delivered, per 100 cu.ft.	\$ 0.129	(I)
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The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rate.

(D)

APPENDIX A
Page 3 of 5

Schedule No. MR-2R

Marysville Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

Marysville and vicinity, Yuba County.

RATES

	Per Service Connection Per Month	
1. For a single-family residential unit, including premises having the following area:		
6,000 sq.ft. or less	\$ 6.45	(I)
6,001 to 10,000 sq.ft.	7.51	
10,001 to 16,000 sq.ft.	8.93	
16,001 to 25,000 sq.ft.	11.42	
a. For each additional single-family residential unit on the same premises and served from the same service connection	\$ 4.32	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

(Continued)

APPENDIX A
Page 4 of 5

Schedule No. MR-2R

Marysville Tariff Area

RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS - Contd.

2. All residential service not covered by the above classification will be furnished only on a metered basis.

3. Meters may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. MR-1, General Metered Service.

(D)

APPENDIX A
Page 5 of 5

Schedule No. BG-1

Bear Gulch Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The communities of Atherton, Menlo Park, Portola Valley, Woodside and vicinity, San Mateo County.

RATES

Service Charge:

	Per Meter Per Month	
For 5/8 x 3/4-inch meter	\$ 3.64	(I)
For 3/4-inch meter	3.96	
For 1-inch meter	5.41	
For 1 1/2-inch meter	7.60	
For 2-inch meter	9.74	
For 3-inch meter	18.03	
For 4-inch meter	24.56	
For 6-inch meter	40.83	
For 8-inch meter	60.69	
For 10-inch meter	75.14	(I)

Quantity Rate:

For all water delivered per 100 cu.ft.	\$.479	(I)
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The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rate.

(D)