

ORIGINAL

Decision 84 05 011

MAY 2 1984

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 its Bakersfield District, Chico-Hamilton City District, Salinas District, Selma District, Stockton District, and Visalia District.

ORIGINAL

Application 83-03-65

And Related Matters.

- Application 83-03-66
- Application 83-03-67
- Application 83-03-68
- Application 83-03-69
- Application 83-03-70
- Application 83-03-71

ORDER MODIFYING DECISIONS
83-12-037 AND 83-12-038

A petition for modification of Decision (D.) 83-12-037 and D.83-12-038 filed by California Water Service Company (CWS) asks that inadvertent errors in the decisions be corrected. The petition was served on all parties to the applications and no request for hearing has been received.

Issued on December 20, 1983, D.83-12-037 concerns CWS's Stockton District and D.83-12-038 pertains to CWS's Bakersfield, Chico-Hamilton City, Salinas, San Mateo, Selma, and Visalia Districts. These decisions authorized general rate increases in all seven districts effective January 1, 1984, with additional step increases effective January 1, 1985 and January 1, 1986, respectively.

Findings of Fact 7 in both decisions for all seven districts state that operational attrition for 1986 is based on

adopted rates. Appendixes B in the two decisions set forth the authorized increase in rates to become effective on both January 1, 1985 and January 1, 1986, respectively.

The petition asserts that the operational attrition allowances for 1986 used in calculating the adopted 1986 revenue requirements were in error due to the inadvertent use of incorrect rate levels in determining these attrition allowances. The following tabulation sets forth for each district the 1986 revenue increases authorized and the adjustments to those increases which are necessary to develop rates which were anticipated in the original decisions:

<u>District</u>	<u>Authorized Revenue Increase</u>	<u>Requested Revenue Adjustment</u>
Stockton	\$252,400	\$ 7,700
Bakersfield	251,700	4,600
Chico	88,600	1,500
Salinas	89,600	(1,700)
San Mateo	182,300	10,000
Selma	25,900	3,800
Visalia	49,500	2,400

Our staff has reviewed the allegations set forth in the petition and recommends that the decisions be modified as requested.

Two typographical errors have also been noted in Appendix B of D.83-12-038. The 1985 increase in the metered quantity rates for the Selma District should be changed to a rate reduction. In the Visalia District, the increases in residential flat rates for both 1985 and 1986 were inadvertently omitted.

Finding of Fact

The operational attrition allowance for 1986 in D.83-12-037 and D.83-12-038 was based on incorrect rate levels.

Conclusion of Law

D.83-12-037 and D.83-12-038 should be modified as set forth below.

IT IS ORDERED that:

1. D.83-12-037 (Application (A.) 83-03-70 filed March 25, 1983) is corrected by substitution of attached pages 2, 33, 36, and 37 and Appendix B for those pages in the original decision.

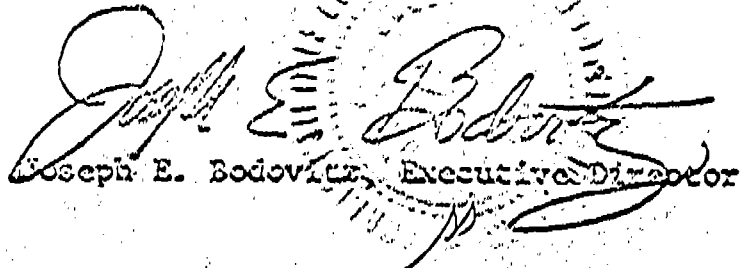
2. D.83-12-038 (A-83-03-65 et al. filed March 25, 1983) is corrected by substitution of attached pages 2, 4, 6, 8, 10, 12, 14, 15, 16, 17, 18, 19, and Appendixes B-1, B-2, B-3, B-4, B-5, and B-6 for those in the original decision.

This order is effective today.

Dated MAY 2 1984 , at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director

Testimony was also presented by Robert Innes, appearing for Congressman Douglas H. Bosco; Barry Meyers, appearing for himself; Douglas B. Flett and Jeff Walker, appearing for Community Forward of San Joaquin (Community Forward); and William H. Miller, called as a witness by Utility Workers Union of America, AFL-CIO and Coalition of California Utility Workers (Utility Workers).

On August 16, 1983, a transcribed evening public hearing was held in Stockton, California. Commissioner Donald Vial was present, as well as members of the Commission staff, representatives of CWS, and ratepayers.

Summary of Decision

Applicant's request for rate increases and our adopted increases are as follows:

	<u>Additional Revenues Requested</u>	<u>Percent Rate Increase</u>	<u>Additional Revenues Adopted</u>	<u>Percent Rate Increase</u>
1984	\$1,505,300	15.4	\$670,300	6.8
1985	403,400	3.6	253,100	2.4
1986	406,300	3.5	260,100	2.4

Table I shows the adopted summary of earnings at present rates and at authorized rates for 1984 and 1985. An attrition allowance of 0.67% is allowed for 1986.

Table II shows applicant's requested rate of return and adopted rate of return for 1984, 1985, and 1986. A return on equity of 14.50% is allowed producing a rate of return of 12.36% for 1984, 12.40% for 1985, and 12.46% for 1986.

lost if any one district were to seek access to the capital markets on its own. In our view, these advantages, which accrue to Stockton district ratepayers, outweigh any advantages these same ratepayers would attain via a lower return on equity assessment in their particular district. Obviously such considerations are not present in the case of solo district utilities, where adjustments such as those proposed by Community Forward may, in theory, be feasible. We are concerned about this issue and place the parties on notice that we intend to address fully on this utility's next series of cases whether such adjustments are feasible in the context of a multidistrict utility.

Our review of the entire record of these proceedings convinces us that the staff analysis of the group of water utilities presents the more reliable range of returns on equity. The high point of staff's recommendation is 14.5% which we adopt in these proceedings.

Attrition

Rates for 1986 are calculated using an operational attrition allowance of 0.61% and a financial attrition allowance of 0.06%. Total attrition of 0.67% produces \$260,100 or 2.4% increase in gross revenues in 1986 based on the adopted 1985 rate base and a net-to-gross multiplier of 2.06615.

Rate Design

Applicant's rate design proposal is as follows:

1. For the three fully metered districts (Salinas, San Mateo, and Stockton), service charge rates be increased by a greater percentage than commodity rates;
2. For the four flat rate districts (Bakersfield, Chico-Hamilton City, Selma, and Visalia), the individual rates for the four different lot sizes for which rates are established under the residential flat rate

In its brief, Community Forward asks that we take rate design action in the manner suggested by its witness, but we must decline to do so. It was admitted by the witness that he did not have enough time or information to make more than a cursory cost allocation study, although he generally agreed with CWS that its fixed costs are higher than are now being collected in the readiness-to-serve charge. Further, the expert is necessarily uncertain as to rated capacity of the larger meters and other material aspects of the study that he suggests be undertaken.

As neither staff nor CWS has provided a study incorporating the ideas Community Forward advances, the record is incomplete and does not support the action that intervenor asks of us.

Findings of Fact

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test years 1984 and 1985 are reasonable.
2. A rate of return of 12.36% on the adopted rate base of \$18,451,400 for test year 1984 is reasonable.
3. A rate of return of 12.40% on the adopted rate base of \$18,790,300 for test year 1985 is reasonable.
4. CWS's earnings under present rates for test year 1984 would produce net operating revenues of \$1,956,200 on a rate base of \$18,451,400 based on the adopted results of operations, resulting in a rate of return of 10.60%.
5. CWS's earnings under present rates for test year 1985 would produce net operating revenues of \$1,881,000 on a rate base of \$18,790,300 based on the adopted results of operations, resulting in a rate of return of 10.01%.
6. The authorized increases in rates are expected to provide annual increases in revenues of \$670,300 in 1984, \$253,100 in 1985, and \$260,100 in 1986.

7. Operational attrition on the basis of adopted rates is 0.61% and financial attrition is 0.06% for 1986.

8. CWS's level of water service is adequate.

9. Staff's estimate of additional customers in the Stockton District of 200 annually is more reasonable than applicant's estimate of 150 additional customers each year.

10. Staff's estimating techniques for commercial sales and for industrial authority sales based upon the Modified Bean Method are more reasonable than the estimates of applicant.

11. Staff's proposed method of amortizing the federal income tax reduction caused by expensing certain employee benefit costs is reasonable.

12. Staff's nonlabor escalation factors applied uniformly over the test years 1983, 1984, and 1985 is more reasonable than applicant's method.

13. Staff's wage forecast, as updated to October 31, 1983, for 1984, 1985, and 1986 is the most reasonable estimate produced upon this record.

14. Wage forecasts do not prevent applicant from bargaining with union personnel to produce a higher or lower wage than we estimate for the test years.

15. While the Commission does not directly or indirectly participate in contract negotiations between labor and management, the utility and interested parties should explore methods of meshing the timing of contract negotiations with the three-year rate case cycle.

16. The adopted rate design is nondiscriminatory and uniform.

17. There is insufficient evidence on the record to prove the reasonableness of alternative rate designs urged by other parties than staff.

18. The increases in rates and charges authorized in Appendix A and Appendix B are just and reasonable; and the present rates and

APPENDIX B
Page 1

California Water Service Company
Stockton District

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

	<u>Effective Dates</u>	
	<u>1-1-85</u>	<u>1-1-86</u>
<u>SCHEDULE EL-1</u>		
Service Charges:		
For 5/8 x 3/4-inch meter	\$0.15	\$0.15
For 1-inch meter	0.30	0.40
For 1 1/2-inch meter	0.50	0.60
For 2-inch meter	0.70	0.80
For 3-inch meter	1.00	2.00
For 4-inch meter	1.00	2.00
For 6-inch meter	2.00	3.00
For 8-inch meter	3.00	4.00
For 10-inch meter	4.00	5.00
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	0.010	0.012
For the next 29,700 cu.ft., per 100 cu.ft.	0.014	0.016
For all over 30,000 cu.ft., per 100 cu.ft.	0.012	0.013

SCHEDULE EL-4

Rates:

For each 1 1/2-inch connection	1.10	0.00
For each 2-inch connection	1.50	0.00
For each 3-inch connection	2.25	0.00
For each 4-inch connection	3.00	0.00
For each 6-inch connection	4.50	0.00
For each 8-inch connection	6.00	0.00
For each 10-inch connection	7.50	0.00

(END OF APPENDIX B)

Today we concurrently decide all seven applications and incorporate herein the entire text of our decision in the Stockton district application (A.83-03-70) as if fully set forth. The tables, findings of fact, conclusions of law and appendixes in this decision are predicated upon the entire analysis confirmed in the Stockton district decision.

Applicant's request for rate increases and our adopted increases follow:

Bakersfield

	<u>Additional Revenues Requested</u>	<u>Percent Rate Increase</u>	<u>Additional Revenues Adopted</u>	<u>Percent Rate Increase</u>
1984	\$1,509,700	13.3%	\$475,500	4.2%
1985	451,300	3.5	247,600	2.1
1986	458,000	3.4	256,300	2.1

Table 1-1 shows the adopted summary of earnings at present rates and at adopted rates for 1984 and 1985.

Chico-Hamilton

	<u>Additional Revenues Requested</u>	<u>Percent Rate Increase</u>	<u>Additional Revenues Adopted</u>	<u>Percent Rate Increase</u>
1984	\$569,900	19.2%	\$288,700	9.8%
1985	139,900	3.9	87,500	2.7
1986	142,100	3.8	90,100	2.7

Table 1-2 shows the adopted summary of earnings at present rates and at adopted rates for 1984 and 1985.

Salinas

	<u>Additional Revenues Requested</u>	<u>Percent Rate Increase</u>	<u>Additional Revenues Adopted</u>	<u>Percent Rate Increase</u>
1984	\$597,800	19.3%	\$262,100	8.5%
1985	172,600	4.6	85,200	2.5
1986	173,300	4.4	87,900	2.5

Table 1-3 shows the adopted summary of earnings at present rates and at adopted rates for 1984 and 1985.

San Mateo

	<u>Additional Revenues Requested</u>	<u>Percent Rate Increase</u>	<u>Additional Revenues Adopted</u>	<u>Percent Rate Increase</u>
1984	\$915,700	17.4%	\$346,300	6.1%
1985	301,200	4.9	187,500	3.1
1986	303,000	4.7	192,300	3.1

Table 1-4 shows the adopted summary of earnings at present rates and at adopted rates for 1984 and 1985.

Selma

	<u>Additional Revenues Requested</u>	<u>Percent Rate Increase</u>	<u>Additional Revenues Adopted</u>	<u>Percent Rate Increase</u>
1984	\$165,800	24.5%	\$106,900	15.9%
1985	49,700	5.8	29,000	3.7
1986	49,800	5.5	29,700	3.6

Table 1-5 shows the adopted summary of earnings at present rates and at adopted rates for 1984 and 1985.

A balancing account adjustment of \$27,800 is included in expenses for 1984.

Visalia

	<u>Additional Revenues Requested</u>	<u>Percent Rate Increase</u>	<u>Additional Revenues Adopted</u>	<u>Percent Rate Increase</u>
1984	\$754,600	32.6%	\$467,700	19.8%
1985	151,900	4.9	49,700	1.7
1986	152,700	4.7	51,900	1.7

Table 1-6 shows the adopted summary of earnings at present rates and at adopted rates for 1984 and 1985.

Findings of Fact

Bakersfield District

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test years 1984 and 1985 are reasonable.

2. A rate of return of 12.36% on the adopted rate base of \$21,370,000 for test year 1984 is reasonable.

3. A rate of return of 12.40% on the adopted rate base of \$21,933,800 for test year 1985 is reasonable.

4. CWS's earnings under present rates for test year 1984 would produce net operating revenues of \$2,413,400 on a rate base of \$21,370,000 based on the adopted results of operations, resulting in a rate of return of 11.29%.

5. CWS's earnings under present rates for test year 1985 would produce net operating revenues of \$2,369,700 on a rate base of \$21,933,800 based on the adopted results of operations, resulting in a rate of return of 10.80%.

6. The authorized increases in rates are expected to provide annual increases in revenues of \$475,500 in 1984, \$247,600 in 1985, and \$256,300 in 1986.

7. Operational attrition on the basis of adopted rates is 0.50% and financial attrition is 0.06% for 1986.

8. The increases in rates and charges authorized in Appendix A-1 and Appendix B-1 are just and reasonable; and the present rates and charges insofar as they differ from those prescribed are for the future unjust and unreasonable.

Chico-Hamilton District

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test years 1984 and 1985 are reasonable.
2. A rate of return of 12.36% on the adopted rate base of \$7,119,800 for test year 1984 is reasonable.
3. A rate of return of 12.40% on the adopted rate base of \$7,317,200 for test year 1985 is reasonable.
4. CWS's earnings under present rates for test year 1984 would produce net operating revenues of \$739,300 on a rate base of \$7,119,800 based on the adopted results of operations, resulting in a rate of return of 10.38%.
5. CWS's earnings under present rates for test year 1985 would produce net operating revenues of \$720,900 on a rate base of \$7,317,200 based on the adopted results of operations, resulting in a rate of return of 9.85%.
6. The authorized increases in rates are expected to provide annual increases in revenues of \$288,700 in 1984, \$87,500 in 1985, and \$90,100 in 1986.
7. Operational attrition on the basis of adopted rates is 0.54% and financial attrition is 0.06% for 1986.
8. The increases in rates and charges authorized in Appendix A-2 and Appendix B-2 are just and reasonable; and the present rates and charges insofar as they differ from those prescribed are for the future unjust and unreasonable.

Salinas District

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test years 1984 and 1985 are reasonable.

2. A rate of return of 12.36% on the adopted rate base of \$7,936,100 for test year 1984 is reasonable.

3. A rate of return of 12.40% on the adopted rate base of \$8,007,500 for test year 1985 is reasonable.

4. CWS's earnings under present rates for test year 1984 would produce net operating revenues of \$854,400 on a rate base of \$7,936,100 based on the adopted results of operations, resulting in a rate of return of 10.77%.

5. CWS's earnings under present rates for test year 1985 would produce net operating revenues of \$824,000 on a rate base of \$8,007,500 based on the adopted results of operations, resulting in a rate of return of 10.29%.

6. The authorized increases in rates are expected to provide annual increases in revenues of \$262,100 in 1984, \$85,200 in 1985, and \$87,900 in 1986.

7. Operational attrition on the basis of adopted rates is 0.47% and financial attrition is 0.06% for 1986.

8. The increases in rates and charges authorized in Appendix A-3 and Appendix B-3 are just and reasonable; and the present rates and charges insofar as they differ from those prescribed are for the future unjust and unreasonable.

San Mateo District

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test years 1984 and 1985 are reasonable.

2. A rate of return of 12.36% on the adopted rate base of \$11,731,300 for test year 1984 is reasonable.

3. A rate of return of 12.40% on the adopted rate base of \$11,731,300 for test year 1985 is reasonable.

4. CWS's earnings under present rates for test year 1984 would produce net operating revenues of \$1,281,300 on a rate base of \$11,731,300 based on the adopted results of operations, resulting in a rate of return of 10.92%.

5. CWS's earnings under present rates for test year 1985 would produce net operating revenues of \$1,247,300 on a rate base of \$12,166,200 based on the adopted results of operations, resulting in a rate of return of 10.25%.

6. The authorized increases in rates are expected to provide annual increases in revenues of \$346,300 in 1984, \$187,500 in 1985, and \$192,300 in 1986.

7. Operational attrition on the basis of adopted rates is 0.71% and financial attrition is 0.06% for 1986.

8. The increases in rates and charges authorized in Appendix A-4 and Appendix B-4 are just and reasonable; and the present rates and charges insofar as they differ from those prescribed are for the future unjust and unreasonable.

Selma District

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test years 1984 and 1985 are reasonable.

2. A rate of return of 12.36% on the adopted rate base of \$1,678,000 for test year 1984 is reasonable.

3. A rate of return of 12.40% on the adopted rate base of \$1,756,100 for test year 1985 is reasonable.

4. CWS's earnings under present rates for test year 1984 would produce net operating revenues of \$155,300 on a rate base of \$1,678,000 based on the adopted results of operations, resulting in a rate of return of 9.26%.

5. CWS's earnings under present rates for test year 1985 would produce net operating revenues of \$150,700 on a rate base of \$1,756,100 based on the adopted results of operations, resulting in a rate of return of 8.58%.

6. The authorized increases in rates are expected to provide annual increases in revenues of \$106,900 in 1984, \$29,000 in 1985, and \$29,700 in 1986.

7. Operational attrition on the basis of adopted rates is 0.76% and financial attrition is 0.06% for 1986.

8. The increases in rates and charges authorized in Appendix A-5 and Appendix B-5 are just and reasonable; and the present rates and charges insofar as they differ from those prescribed are for the future unjust and unreasonable.

Visalia District

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test years 1984 and 1985 are reasonable.

2. A rate of return of 12.36% on the adopted rate base of \$5,654,000 for test year 1984 is reasonable.

3. A rate of return of 12.40% on the adopted rate base of \$5,886,300 for test year 1985 is reasonable.

4. CWS's earnings under present rates for test year 1984 would produce net operating revenues of \$470,900 on a rate base of \$5,654,000 based on the adopted results of operations, resulting in a rate of return of 8.33%.

5. CWS's earnings under present rates for test year 1985 would produce net operating revenues of \$469,700 on a rate base of \$5,886,300 based on the adopted results of operations, resulting in a rate of return of 7.98%.

6. The authorized increases in rates are expected to provide annual increases in revenues of \$467,700 in 1984, \$49,700 in 1985, and \$51,900 in 1986.

7. Operational attrition on the basis of adopted rates is 0.37% and financial attrition is 0.06% for 1986.

8. The increases in rates and charges authorized in Appendix A-6 and Appendix B-6 are just and reasonable; and the present rates and charges insofar as they differ from those prescribed are for the future unjust and unreasonable.

APPENDIX B-1
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California Water Service Company
Bakersfield District

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

Effective Dates
1-1-85 1-1-86

SCHEDULE EL-1

Service Charges:

For 5/8 x 3/4-inch meter	\$0.10	\$0.10
For 1-inch meter	0.15	0.15
For 1 1/2-inch meter	0.20	0.30
For 2-inch meter	0.30	0.30
For 3-inch meter	0.50	0.60
For 4-inch meter	0.70	0.80
For 6-inch meter	1.00	1.00
For 8-inch meter	1.60	1.80
For 10-inch meter	2.00	2.00

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft.	0.005	0.006
For all over 300 cu.ft., per 100 cu.ft.	0.007	0.007

Flat Rates:

	<u>1985</u>	<u>1986</u>
For 6,000 sq.ft. or less	\$0.30	\$0.30
For 6,001 - 10,000 sq.ft.	0.30	0.40
For 10,001 - 16,000 sq.ft.	0.45	0.45
For 1,601 - 25,000 sq.ft.	0.50	0.50
For additional single family	0.20	0.30

SCHEDULE EL-4

Rates:

For each 1 1/2-inch connection	1.10	0.00
For each 2-inch connection	1.50	0.00
For each 3-inch connection	2.25	0.00
For each 4-inch connection	3.00	0.00
For each 6-inch connection	4.50	0.00
For each 8-inch connection	6.00	0.00
For each 10-inch connection	7.50	0.00

APPENDIX B-2
Page 1

California Water Service Company
Chico-Hamilton District

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

	<u>Effective Dates</u>	
	<u>1-1-85</u>	<u>1-1-86</u>
<u>SCHEDULE EL-1</u>		
Service Charges:		
For 5/8 x 3/4-inch meter	\$0.15	\$0.15
For 1-inch meter	0.25	0.25
For 1 1/2-inch meter	0.30	0.40
For 2-inch meter	0.50	0.50
For 3-inch meter	0.80	0.90
For 4-inch meter	1.10	1.20
For 6-inch meter	2.00	2.00
For 8-inch meter	3.00	3.00
For 10-inch meter	3.00	3.00
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	0.005	0.006
For all over 300 cu.ft., per 100 cu.ft.	0.007	0.008
Flat Rates:		
For 6,000 sq.ft. or less	0.30	0.35
For 6,001 - 10,000 sq.ft.	0.30	0.40
For 10,001 - 16,000 sq.ft.	0.50	0.40
For 1,601 - 25,000 sq.ft.	0.60	0.60
For additional single family	0.20	0.20

SCHEDULE EL-4

Rates:

For each 1 1/2-inch connection	1.10	0.00
For each 2-inch connection	1.50	0.00
For each 3-inch connection	2.25	0.00
For each 4-inch connection	3.00	0.00
For each 6-inch connection	4.50	0.00
For each 8-inch connection	6.00	0.00
For each 10-inch connection	7.50	0.00

APPENDIX B-3
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California Water Service Company
Salinas District

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

	<u>Effective Dates</u>	
	<u>1-1-85</u>	<u>1-1-86</u>
 <u>SCHEDULE EL-1</u>		
Service Charges:		
For 5/8 x 3/4-inch meter	\$0.15	\$0.15
For 1-inch meter	0.20	0.25
For 1 1/2-inch meter	0.30	0.30
For 2-inch meter	0.50	0.50
For 3-inch meter	0.90	1.00
For 4-inch meter	1.20	1.30
For 6-inch meter	2.00	3.00
For 8-inch meter	3.00	3.00
For 10-inch meter	3.00	3.00
 Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	0.006	0.008
For the next 29,700 cu.ft., per 100 cu.ft.	0.009	0.011
For all over 30,000 cu.ft., per 100 cu.ft.	0.008	0.010

SCHEDULE EL-4

Rates:

For each 1 1/2-inch connection	1.10	0.00
For each 2-inch connection	1.50	0.00
For each 3-inch connection	2.25	0.00
For each 4-inch connection	3.00	0.00
For each 6-inch connection	4.50	0.00
For each 8-inch connection	6.00	0.00
For each 10-inch connection	7.50	0.00

(END OF APPENDIX B)

APPENDIX B-4
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California Water Service Company
San Mateo District

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

	<u>Effective Dates</u>	
	<u>1-1-85</u>	<u>1-1-86</u>
<u>SCHEDULE EL-1</u>		
Service Charges:		
For 5/8 x 3/4-inch meter	\$0.10	\$0.10
For 1-inch meter	0.20	0.30
For 1 1/2-inch meter	0.20	0.30
For 2-inch meter	0.30	0.30
For 3-inch meter	0.60	0.70
For 4-inch meter	0.80	0.90
For 6-inch meter	1.30	1.70
For 8-inch meter	2.00	2.00
For 10-inch meter	2.00	2.00
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	0.020	0.019
For the next 29,700 cu.ft., per 100 cu.ft.	0.027	0.030
For all over 30,000 cu.ft., per 100 cu.ft.	0.027	0.028

SCHEDULE EL-4

Rates:

For each 1 1/2-inch connection	1.10	0.00
For each 2-inch connection	1.50	0.00
For each 3-inch connection	2.25	0.00
For each 4-inch connection	3.00	0.00
For each 6-inch connection	4.50	0.00
For each 8-inch connection	6.00	0.00
For each 10-inch connection	7.50	0.00

(END OF APPENDIX B)

APPENDIX B-5
Page 1

California Water Service Company
Selma District

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

Effective Dates	
<u>1-1-85</u>	<u>1-1-06</u>

SCHEDULE EL-1

Service Charges:

For 5/8 x 3/4-inch meter	\$11.05	\$0.30
For 1-inch meter	2.40	0.60
For 1 1/2-inch meter	3.30	0.60
For 2-inch meter	4.20	0.80
For 3-inch meter	8.60	1.50
For 4-inch meter	10.70	2.00
For 6-inch meter	17.40	3.00
For 8-inch meter	27.00	4.00
For 10-inch meter	33.00	5.00

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft.	(0.079)	0.009
For all over 300 cu.ft., per 100 cu.ft.	(0.076)	0.012

Flat Rates:

For 6,000 sq.ft. or less	0.50	0.50
For 6,001 - 10,000 sq.ft.	0.60	0.60
For 10,001 - 16,000 sq.ft.	0.80	0.80
For 1,601 - 25,000 sq.ft.	1.00	1.00
For additional single family	0.40	0.40

SCHEDULE EL-4

Rates:

For each 1 1/2-inch connection	1.10	0.00
For each 2-inch connection	1.50	0.00
For each 3-inch connection	2.25	0.00
For each 4-inch connection	3.00	0.00
For each 6-inch connection	4.50	0.00
For each 8-inch connection	6.00	0.00
For each 10-inch connection	7.50	0.00

(END OF APPENDIX B)

APPENDIX B-6
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California Water Service Company
Visalia District

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

Effective Dates	
<u>1-1-85</u>	<u>1-1-86</u>

SCHEDULE EL-1

Service Charges:

For 5/8 x 3/4-inch meter	\$0.05	\$0.10
For 1-inch meter	0.10	0.20
For 1 1/2-inch meter	0.20	0.30
For 2-inch meter	0.20	0.30
For 3-inch meter	0.40	0.50
For 4-inch meter	0.50	0.70
For 6-inch meter	1.00	2.00
For 8-inch meter	1.00	2.00
For 10-inch meter	2.00	3.00

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft.	0.001	0.004
For all over 300 cu.ft., per 100 cu.ft.	0.002	0.005

Flat Rates:

For 6,000 sq.ft. or less	0.10	0.10
For 6,001 - 10,000 sq.ft.	0.20	0.20
For 10,001 - 16,000 sq.ft.	0.20	0.20
For 1,601 - 25,000 sq.ft.	0.30	0.30
For additional single family	0.10	0.10

SCHEDULE EL-4

Rates:

For each 1 1/2-inch connection	1.10	0.00
For each 2-inch connection	1.50	0.00
For each 3-inch connection	2.25	0.00
For each 4-inch connection	3.00	0.00
For each 6-inch connection	4.50	0.00
For each 8-inch connection	6.00	0.00
For each 10-inch connection	7.50	0.00

adopted rates. Appendixes B in the two decisions set forth the authorized increase in rates to become effective on both January 1, 1985 and January 1, 1986, respectively.

The petition asserts that the operational attrition allowances for 1986 used in calculating the adopted 1986 revenue requirements were in error due to the inadvertent use of incorrect rate levels in determining these attrition allowances. The following tabulation sets forth for each district the 1986 revenue increases authorized and the adjustments to those increases which are necessary to develop rates which were anticipated in the original decisions:

<u>District</u>	<u>Authorized Revenue Increase</u>	<u>Requested Revenue Adjustment</u>
Stockton	\$252,400	\$ 7,700
Bakersfield	251,700	4,600
Chico	88,600	1,500
Salinas	89,600	(1,700)
San Mateo	182,300	10,000
Selma	25,900	3,800
Visalia	49,500	2,400

Our staff has reviewed the allegations set forth in the petition and recommends that the decisions be modified as requested.

Two typographical errors have also been noted in Appendix B of D.83-12-038. The 1985 increase in the metered quantity rates for the Selma District should be changed to a rate reduction. In the Visalia District, the increases in residential flat rates for both 1985 and 1986 ^{were} ~~was~~ inadvertently omitted.

Finding of Fact

The operational attrition allowance for 1986 in D.83-12-037 and D.83-12-038 was based on incorrect rate levels.

Conclusion of Law

D.83-12-037 and D.83-12-038 should be modified as set forth below.

lost if any one district were to seek access to the capital markets on its own. In our view, these advantages, which accrue to Stockton district ratepayers, outweigh any advantages these same ratepayers would attain via a lower return on equity assessment in their particular district. Obviously such considerations are not present in the case of solo district utilities, where adjustments such as those proposed by Community Forward may, in theory, be feasible. We are concerned about this issue and place the parties on notice that we intend to address fully on this utility's next series of cases whether such adjustments are feasible in the context of a multidistrict utility.

Our review of the entire record of these proceedings convinces us that the staff analysis of the group of water utilities presents the more reliable range of returns on equity. The high point of staff's recommendation is 14.5% which we adopt in these proceedings.

Attrition

Rates for 1986 are calculated using an operational attrition allowance of 0.61% and a financial attrition allowance of 0.06%. Total attrition of 0.67% produces \$26⁸,100 or 2.4% increase in gross revenues in 1986 based on the adopted 1985 rate base and a net-to-gross multiplier of 2.06615.

Rate Design

Applicant's rate design proposal is as follows:

1. For the three fully metered districts (Salinas, San Mateo, and Stockton), service charge rates be increased by a greater percentage than commodity rates;
2. For the four flat rate districts (Bakersfield, Chico-Hamilton City, Selma, and Visalia), the individual rates for the four different lot sizes for which rates are established under the residential flat rate