

ORIGINAL

Decision 82 01 64 JAN 19 1982

## 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  
Oroville District.

Application 60569  
(Filed May 20, 1981)

Donald Houck and McCutchen, Doyle, Brown &  
Enersen, by A. Crawford Greene, Attorney  
at Law, for California Water Service  
Company, applicant.

Charles F. Lueder, Attorney at Law, for the  
City of Oroville, and Ivan G. Cornelius,  
for Cottonwood Mobile Home Park,  
protestants.

Steve Weissman, Attorney at Law, and  
Mehdi G. Radpour, for the Commission  
staff.

## O P I N I O N

By this application California Water Service Company (CWS), seeks authority to increase the rates for water service in its Oroville District to produce annual revenue increases of \$313,300, or 29% in 1982, and by additional amounts of \$79,700 or 6% in 1983, and \$76,400 or 5% in 1984. Evidentiary hearings were held in this application on a consolidated record with Applications (A.) 60567, 60568, and 60570 before Administrative Law Judge John Lemke in San Francisco September 21 through September 24, 1981. A public witness testimony hearing was held in this proceeding in Oroville on September 15, 1981. A public meeting was held in Oroville on June 17, 1981. Approximately 40 customers attended the meeting.

Customers were primarily concerned with what they consider to be the relatively high rates in Oroville. About 75 customers attended the public witness testimony proceeding in Oroville and again expressed concern with the impact of another rate increase. Notice of the meeting, the public witness testimony, and the evidentiary hearings was provided by mailing bill inserts to each customer in the Oroville District.

#### General Information

CWS owns and operates water systems in 20 operating districts within California. Each district is operated separately with accounting and separate tariff schedules maintained for each service area. The general office of the company is located at San Jose. Preparation of customer's bills for all districts is handled at the San Jose office. Overall functions such as accounting, engineering, and water quality control are also centralized at the San Jose Headquarters. The company maintains a water meter repair facility in Stockton.

As of December 31, 1980 CWS had a statewide investment in utility plant of \$246,143,935 (including utility plant under construction), served 308,455 customers, and employed 490 persons. Gross operating revenue for the 12-month period ended December 31, 1980 was \$60,467,962. Stock ownership of CWS is widely distributed, there being about 7,600 shareholders, the largest of whom owns approximately 8.8% of the outstanding shares. The ten largest shareholders own approximately 28.6%.

#### Oroville Service Area

CWS' Oroville District includes the City of Oroville and adjacent unincorporated portions of Butte County. Much of the terrain is hilly, with elevations ranging from 157 feet to more than 250 feet above sea level. Total population within the district is approximately 10,800.

CWS obtains water for its Oroville District from four sources:

1. Pacific Gas and Electric Company (PG&E) from its Coal Canyon Powerhouse;
2. Butte County at the Thermalito Power Canal;
3. Three company-owned wells within the district; and
4. A leased well also located within the district.

The principal source is from PG&E. Water is transported about nine miles to a large reservoir. Water from Butte County is also pumped into CWS' water system. Water from both service supplies is transported by flumes and ditches to the company's treatment plant before entering the distribution system. Water from wells is pumped directly into the distribution system.

CWS' Oroville District includes about 51 miles of mains ranging up to 33 inches, and about 7.2 million gallons of storage capacity. The district serves about 2,200 metered connections, 1,150 flat-rate residential connections, and 45 private fire protection connections.

#### Service and Conservation

At the public witness testimony hearing held in Oroville a number of customers, although protesting the rate increase, complimented CWS on its good service. Several customers stated that they are already doing all they possibly can to conserve water for the purpose of keeping their water bills at a minimum.

CWS has a commendable ongoing conservation program which has been described in detail in the companion decision issued in A.60567 and need not be repeated here.

#### Present Oroville Conditions and Recent Rate History

At the public witness testimony proceeding held in Oroville on September 15, there was a considerable outpouring of sentiment over the proposed 1982-1984 rate increases. Seventeen

customers offered statements concerning the high levels of present and proposed rates. Donald Houck of CWS agreed that the company's current Oroville District rates are high compared with other nearby CWS districts. The principal reason for this, he explained, is that most of the water comes from a surface supply, which the State has decreed must be filtered and treated. The company built a filtration plant a few years ago at a cost of about \$1.5 million. There are only about 3,200 connections in the district to pay for the plant. Surface water must be used because the district is in close-to-surface bedrock terrain which makes the effective use of wells extremely costly and uncertain.

The last general rate adjustment for the Oroville District was authorized by Decision (D.) 90490, dated July 3, 1979 in A.58095, resulting in increases of 24%, 3.6%, and 3.3% for 1979, 1980, and 1981, respectively.

The increases sought in this proceeding are associated principally with new plant and operating expenses, e.g., payroll, and the cost of money.

George Valdez, a representative of Pacific Coast Producers, a food processing plant in Oroville, stated at the public witness testimony proceeding in Oroville that his company currently pays \$110,000 annually for CWS water. He further stated that if the proposed increase becomes effective, his company will incur an additional expense of about \$40,000. He told of discussions within his company of the possibility of combining its Lodi, Santa Cruz, and San Jose facilities in Oroville. However, he asserted, that would not be likely to occur if the proposed rate increase becomes effective.

At the beginning of the evidentiary hearings in San Francisco, Clayton D'Arcy, mayor of the City of Oroville,

testified that the city is considering whether to hire a consultant to perform a feasibility study concerning the taking over of CWS' Oroville water system. He asked that the Commission take no action on this application until such a study might be prepared. He expressed concern that a rate increase would affect the appraised value of the system and could adversely affect the city's position with respect to possible condemnation or purchase plans. Mayor D'Arcy testified that CWS' rates in Oroville are double and sometimes triple the charges assessed by other water purveyors within the City of Oroville. These other purveyors are the Thermalito Irrigation District and the Oroville Wyandotte District.

Ivan G. Cornelius, owner of a mobile home park in Oroville, testified that a similar park located one mile from his, in a different district, pays 1/3 as much for water. He also stated that in Chico, mobile home parks pay only 1/3 as much. He did not specify whether the Chico purveyor is a water district or a public utility. The comparable service he referred to, located in Oroville, is obtained from a district. We note that water districts generally have less operating expenses than do public utility water corporations. They have neither income tax liability nor the need to earn a profit for equity investors.

#### Results of Operations

CWS has provided recorded revenues and expenses for the years 1976 through 1980, and from this information has projected revenues and expenses for 1981 and for test years 1982 and 1983. The staff has made its own projections, which vary in part from the company's. In some of these differences CWS has concurred with the staff and amended its summary of earnings. The areas still in dispute are discussed below.

Payroll, Transportation, Fire Protection,  
and Tank-Painting Expenses

These issues are common to each of the consolidated proceedings. In the companion decision issued in A.60567, we adopted as reasonable the following:

1. Increased payroll expenses of 10.5% in 1982 and 10.0% in 1983;
2. Increased transportation expense of 10% per year;
3. Amortization of tank paintings over the three-year period covered by this proceeding; and
4. Increased fire protection rates of \$1.50 per inch of pipe diameter, spread over a three-year period.

The arguments of the parties and reasons for the adopted methodology are detailed in the companion decision and need not be repeated here.

Estimated Service Connections in Oroville

The staff has predicted moderate increases in the number of customers to be served in Oroville during the next three years. CWS disputes even these estimates, maintaining that Oroville is a no-growth community. Norman C. Low, for the staff, testified that Oroville business is described by its city planner as being in a "catch-up mode." Oroville is the business center for a number of surrounding communities. Low testified that even if the City of Oroville does not experience residential growth, business starts in Oroville will occur to serve the growth in these surrounding communities. Low has estimated total commercial-metered and flat-rate customers at 3,252 for 1982 and 3,282 for 1983, greater by 12 and 30 average customers, respectively, than estimated by CWS.

Process  
H-9

CWS, through Houck, offered Exhibit 20 which demonstrates recorded numbers of total commercial customers. The exhibit shows that there were 3,200 commercial customers in January and 3,204 in August of 1981. It further shows that the total number of commercial customers rose from 3,117 in 1974 to 3,172 in 1979. This issue is related to another disputed item - the main installation on the Feather River Bridge. There, CWS is constructing a 30-inch main to replace a 20-inch main over the bridge currently standing. One reason relied upon by CWS for installing the larger main is projected future growth, although it states that the growth estimates in that respect are of a long-term nature--30 or 40 years. ✓

The modest growth rate estimated by Low is reasonable and will be adopted.

#### Main Replacement

The present bridge which spans the Feather River as it passes through Oroville was built soon after the turn of the century. This bridge supports CWS' present 20-inch main connecting the district service area with the filtration plant located to the north. The present bridge has been condemned, and a new bridge is under construction immediately adjacent.

CWS, in its judgment, thought it expedient to replace its 20-inch pipe with a 30-inch main on the new bridge. Staff believes CWS should have opted for a 24-inch main. The difference in construction and pipe costs is about \$25,000. CWS believes this is simply second guessing by the staff. CWS' assistant chief engineer for system design testified that a major consideration in deciding upon the 30-inch main

was to keep the pressure drop across the bridge to a minimum, since the system could only take a 5-pound reduction over the entire 4,000 feet from treatment plant to the southern end of the bridge and still maintain minimum operating pressures. The staff estimated that the use of a 24-inch pipe would lead to a pressure loss 3 pounds per square inch greater than would the use of a 30-inch main, but asserts that this would be insignificant. CWS' witness pointed out that a 30-inch line provides 78% greater capacity than a 24-inch line for the 11% higher cost.

Since we are adopting the staff recommendation for increased service connections, we believe it will be consistent for us to find reasonable CWS' decision to use a 30-inch main in this new construction program to meet additional growth.

#### Federal Income Taxes

Since this matter was submitted, we issued D.93848, dated December 15, 1981 in OII 24. Basically, that decision gives effect to the Economic Recovery Tax Act of 1981 (ERTA). This new law causes an increase in federal income tax expenses for ratemaking purposes due to elimination of the full flow-through to ratepayers of accelerated depreciation and investment tax credit on utility plant additions placed in service after December 31, 1980.

CWS had offered an exhibit showing the effect of ERTA. The staff chose not to address this issue until our decision in OII 24. The staff has now developed information reflecting our adoption of the conventional normalization method for purposes of applying ERTA. CWS concurs with the staff development. Federal income taxes calculated in Appendix C and included in Table 2 are based on ERTA. The incremental increased revenue requirement effect of ERTA for test year 1982 is \$59,600.

#### Summary of Earnings

The information shown in Tables 1 and 2 reflect CWS' adjusted estimates, the staff's estimates, and the effect of disputed issues, as well as adopted revenues and expenses for test years 1982 and 1983.



TABLE 1

California Water Service Company  
Oroville District

## COMPARISON - CWS AND STAFF - SUMMARY OF EARNINGS

Item	Test Year 1962		Test Year 1963	
	CWS	Staff	CWS	Staff
(Dollars in Thousands)				
<u>Present Rates</u>				
Operating Revenues	\$1,068.2	\$1,077.7	\$1,069.8	\$1,085.1
Operating Expenses:				
Purchased Power	78.3	79.2	77.9	79.1
Purchased Chemicals	35.0	35.4	37.4	38.0
Payroll - District	208.1	205.4	229.0	224.9
Other O&M	122.7	108.0	130.3	114.4
Other A&M and Miscellaneous	18.8	18.8	19.2	19.2
Ad Valorem Taxes - District	38.3	38.2	39.4	39.2
Business License - District	0.1	0.1	0.1	0.1
Payroll Taxes - District	15.0	14.8	16.4	16.1
Depreciation	101.4	100.8	100.8	100.2
Ad Valorem Taxes - G.O.	0.5	0.5	0.5	0.5
Payroll Taxes - G.O.	2.2	2.2	2.4	2.4
Other Prorates - G.O.	96.3	95.3	105.3	103.9
Subtotal	716.7	698.7	758.7	738.0
Uncollectibles	3.5	3.5	3.5	3.5
Purchased Water	64.1	64.1	64.1	64.1
Income Taxes Before ITC	18.1	33.6	(11.8)	8.8
Investment Tax Credit	(21.6)	(20.8)	(17.9)	(17.1)
Total Operating Expenses	780.8	779.1	795.6	797.3
Net Operating Revenues	287.4	298.6	273.2	287.8
Rate Base	3,559.6	3,534.9	3,580.1	3,556.0
Rate of Return	8.07%	8.45%	7.63%	8.09%
<u>Proposed Rates</u>				
Operating Revenues	1,379.3	1,391.6	1,460.7	1,481.5
Operating Expenses:				
Subtotal	716.7	698.7	758.7	738.0
Uncollectibles	4.5	4.5	4.7	4.8
Purchased Water	67.3	67.3	68.0	68.0
Income Taxes Before ITC	175.1	192.1	185.7	209.0
Investment Tax Credit	(21.6)	(20.8)	(17.9)	(17.1)
Total Operating Expenses	942.0	941.8	999.2	1,002.7
Net Operating Revenues	437.3	449.8	461.5	478.8
Rate Base	3,559.6	3,534.9	3,580.1	3,556.0
Rate of Return	12.29%	12.72%	12.89%	13.46%

(Red Figure)

Table 2

CALIFORNIA WATER SERVICE COMPANY  
Oroville District

ADOPTED SUMMARY OF EARNINGS

	Test Year 1982 (Dollars in Thousands)	Test Year 1983 (Dollars in Thousands)
<u>At Present rates</u>		
Operating Revenues	\$2,077.7	\$1,085.1
Operating Expenses:		
Purchased Power	79.2	79.1
Purchased Chemicals	35.4	38.0
Payroll - District	206.3	226.9
Other Operation & Maintenance	121.1	128.0
Other Admin. & Gen. & Misc.	18.8	19.2
Ad Valorem Taxes - District	38.3	39.4
Payroll Taxes - District	14.8	16.2
Business License	0.1	0.1
Depreciation	101.4	100.8
Ad Valorem Taxes - G.O.	0.5	0.5
Payroll Taxes - G.O.	2.2	2.4
Other Prorates - G.O.	95.5	104.4
Subtotal	713.6	755.0
Uncollectibles	3.5	3.5
Purchased Water	64.1	64.1
Income Tax Before ITC	33.8	11.2
Investment Tax Credit	(0.1)	(0.1)
Total Operating Expenses	814.9	833.7
Net Operating Revenues	262.8	251.4
Rate Base	3,544.3	3,532.9
Rate of Return	7.41%	7.12%
<u>At Rate Level Adopted</u>		
Operating revenues	1,384.3	1,449.5
Operating Expenses:		
Subtotal	713.6	755.0
Uncollectibles	4.5	4.7
Purchased Water	67.4	68.0
Income Taxes before ITC	188.5	195.1
Investment Tax Credit	(0.1)	(0.1)
Total Operating Expenses	973.9	1,022.7
Net Operating revenues	410.4	426.8
Rate Base	3,544.3	3,532.9
Rate of Return	11.58%	12.08%

(Red Figure)

Rate of Return

CWS and the staff presented different recommendations concerning rate of return on equity. CWS requests 16.0%; the staff recommends a range of 14.25% to 14.75%. In the companion decision issued in A.60567, we adopted a rate of return on common equity of 14.50%. We need not recite the full discussion set forth in that decision, but will repeat the principal reasons underlying the adoption of the 14.50% figure.

1. Water utilities are not as capital intensive. Construction programs are much smaller and are financed to a large degree by advances for construction and contributions in aid of construction.
2. Water companies do not capitalize interest on construction projects. Construction work in progress is included in the rate base which results in a better quality of earnings and better cash flow.
3. Water utilities are allowed offset increases in costs such as purchased water and power by advice letter filings concurrent with such increases. Energy companies, however, face a lag between the time fuel cost increases are experienced and offsetting rates are authorized.
4. Water companies are not faced with risks such as fuel costs, source of supply, nuclear generation, technological changes, competition, etc.

5. Water utilities do not have to raise large amounts of equity capital in order to maintain balanced capital structures because of better cash flows and lesser capital requirements for construction. For example, during the five-year period 1976-1980, there were only two issues of common stock by water utilities for a total of \$7 million; whereas, during the three-year period 1978-1980, for energy companies alone, there were 20 issues for a total of \$1.6 billion.

In addition, authorization of 14.50% on equity will do the following:

1. Recognize the current cost of A-rated utility bonds and of CWS' need to refinance \$25 million in debt during the period covered by the test years.
2. Give attention to the fact that the Data Resources, Inc. estimates, relied upon in part by the staff, concerning projected debt costs, have fallen short of actual experienced costs.
3. Acknowledge that CWS has afforded a high level of service - as expected to the customers in its Oroville and the other three districts heard on a common record with this application.

The decision in A.60567 also found reasonable long-term debt costs to CWS during 1982-1984 of 15.0% in 1982, 14.0% in 1983, and 13.5% in 1984.

Table 3 portrays our adopted capitalization ratios, cost factors, weighted costs, after tax interest coverages, and authorized rates of return for CWS during test years 1982 and 1983 and for attrition year 1984.

TABLE 3California Water Service Company - Authorized Rate of Return

	<u>Capitalization Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>	<u>After Tax Interest Coverage</u>
Average Year 1982				
Long-term debt	53.0%	9.58	5.08%	2.28
Preferred stock	4.0	6.46	.26	
Common equity	<u>43.0</u>	14.50	<u>6.24</u>	
Total	100.0%		11.58	
Average Year 1983				
Long-term debt	53.0%	10.52	5.58	
Preferred stock	4.0	6.41	.26	
Common equity	<u>43.0</u>	14.50	<u>6.24</u>	
Total	100.0%			
Average Year 1984				
Long-term debt	53.0%	11.71	6.02	
Preferred stock	4.0	6.36	.25	
Common equity	<u>43.0</u>	14.50	<u>6.24</u>	
Total	100.0%		12.51	

The 11.58% and 12.08% returns on rate base we are authorizing for 1982 and 1983 will result in rate increases of 28.4% or \$306,600 and 4.0% or \$55,700, respectively. The return on rate base for 1984 will give effect to operational attrition of 0.26% and financial attrition of 0.43%. Application of a net-to-gross multiplier of 2.07753 will produce a further revenue increase in 1984 of 3.5% or \$50,700.

Rate Design

CWS has proposed a percentage increase in service charge revenues based on the total 1982 revenue increase divided by

revenues at present rates, less cost of purchased water and power. Similar recommendations were made for 1983 and 1984. This would result in a 31.3% increase in service charge revenues, a 27.6% increase in commodity rates, and a 28.8% increase in flat-rate service revenues. The company did not offer an alternate rate design as in the companion proceedings, which would substantially increase its service charges, inasmuch as Oroville is essentially a flat-rate system. The staff recommended that any increases in new revenue determined in this proceeding be applied equally between flat rates, service charges, and commodity rates.

This issue was discussed at length in the companion decision issued in A.60567. There we determined that the evidence in this proceeding demonstrates a negative effect upon conservation efforts where tariff charges are stated at flat rates. (Exhibit 19, Chart 4-A, where water usage has steadily increased in spite of increasing rates between 1974 and 1980.). We do not believe it would be proper to shift any more revenue emphasis to fixed cost related charges in light of the evidence. Accordingly, the staff rate spread recommendation is proper and will be adopted.

In authorizing the increases as described, we believe that for a typical residential user metered rates may be less than flat rates. Houck testified that Oroville flat rate users have been converting to metered rates in order to reduce their monthly water bills. He stated that this opportunity is available to all users, and that there is no charge for making the conversion. Residential customers may therefore wish to investigate this option.

City of Oroville Request

The plans of the City of Oroville to take over CWS' system are too indefinite at this time for us to give consideration to them when making our decision on the requested rate increase.

The increases authorized, under the provisions of our Resolution L-213, will incorporate the present public fire protection surcharge. No refund is necessary. Table 2 and Appendix C provide a basis for review of future advice letter requests.

Findings of Fact

1. Staff estimates of payroll expenses based on Labor Department statutes, comparison with another utility, and inflation factors show increases of 10.5% in 1982 and 10% in 1983. These are reasonable and should be adopted.

2. The estimate of a 10% increase in transportation expenses for 1982 and 1983 is based on an estimate for this individual district. It is reasonable and should be adopted.

3. Projected tank-painting expenses will occur over the three-year period, 1982-1984, covered by this proceeding and it is reasonable to amortize these expenses over three years.

4. Information shown in Table 2 properly reflects the consequences of ERTA and of our decision in OII 24.

5. CWS will have operational attrition of 0.26% and financial attrition of 0.43% between 1983 and 1984.

6. CWS has commenced construction of a 30-inch main to replace the present 20-inch main connecting the service district and filtration plant. Projected future growth indicates that inclusion in rate base of the cost for the larger capacity 30-inch main is reasonable.

7. The staff has predicted moderate increases in the number of customers to be served in Oroville during the next three years. These increases are reasonable. ✓

8. The present fire protection rates should be increased (per inch of pipe diameter) \$1 in 1982, .25¢ in 1983, and .25¢ in 1984, except the 1½-inch connection charges for 1983 and 1984 should be increased by .40¢ and .35¢, respectively, for tariff simplicity.

9. A constant rate of return of 14.50% on common equity resulting in returns on rate base of 11.58% in 1982, 12.08% in 1983, and 12.51% in 1984 is reasonable for the purposes of this proceeding. Projected debt costs of 15.0% for CWS during 1982, 14% in 1983, and 13.50% in 1984 are reasonable.

10. There is not adequate evidence on the record to adopt a rate design of the type proposed by CWS. The design recommended by the staff is reasonable.



11. The further increases authorized in Appendix B should be appropriately modified in the event the rates of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1982, and/or September 30, 1983, exceed the lower of (a) the rate of return found reasonable by the Commission for CWS during the corresponding periods in the most recent rate decision, or (b) 11.58% for 1982 and 12.08% for 1983.

12. The adopted Summaries of Earnings in Table 2 are reasonable.

Conclusions of Law

1. Revenue increases of \$306,600 or 28.4% for 1982 and \$55,700 or 4.0% for 1983 are reasonable based on adopted results of operations. A further increase in 1984 of \$50,700 or 3.5% is reasonable based upon operational attrition of 0.26% and financial attrition of 0.43%.

2. CWS should be authorized to file the rate schedules attached as Appendixes A and B subject to the conditions set forth in Finding 11.

3. The staff's rate design recommendation is reasonable and should be adopted.

4. The adopted rates are just, reasonable, and nondiscriminatory.

5. Because of the imminent need for additional revenue, the following order and rates should be effective the date of signature.

O R D E R

IT IS ORDERED that:

1. California Water Service Company (CWS) is authorized to file for its Oroville District, effective today, the revised rate schedules in Appendix A. The filing shall apply only to service rendered on and after their effective date.

2. On or after November 15, 1982, CWS is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B, or to file a lesser increase which includes a uniform cents-per-hundred cubic feet of water adjustment from Appendix B in the event that the Oroville District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1982, exceeds the lower of (a) the rate of return found reasonable by the Commission for CWS during the corresponding period in the then most recent rate decision, or (b) 11.58%. Such filing shall comply with General Order Series 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedule shall be no earlier than January 1, 1983, or 30 days after the filing of the step rate, whichever is later. The revised schedule shall apply only to service rendered on and after the effective date.

3. On or after November 15, 1983, CWS is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B, or to file lesser increase which includes a uniform cents-per-hundred cubic feet of water adjustment from Appendix B in the event that the Oroville District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1983, exceeds the lower of (a) the rate of return found reasonable by the Commission for CWS during the corresponding period in the then most recent rate decision, or (b) 12.08%. Such filing shall comply with General Order Series 96-A. The requested

step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedule shall be no earlier than January 1, 1984, or 30 days after the filing of the step rates, whichever is later.

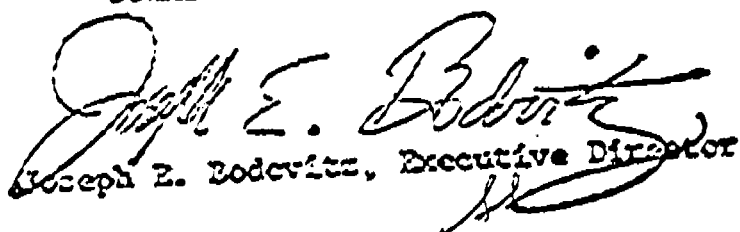
4. By April 1, 1982 CWS shall mail to all its customers in this district a bill insert notice as shown in Appendix D.

This order is effective today.

Dated January 19, 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. GRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. GREW  
Commissioners

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

  
Joseph E. Bodevitz, Executive Director

Schedule No. OR-1

Oroville Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Oroville and vicinity, Butte County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter .....	\$ 9.90
For 3/4-inch meter .....	14.20
For 1-inch meter .....	19.00
For 1 1/2-inch meter .....	27.00
For 2-inch meter .....	35.00
For 3-inch meter .....	64.00
For 4-inch meter .....	88.00
For 6-inch meter .....	145.00
For 8-inch meter .....	216.00
For 10-inch meter .....	268.00

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft. ....	0.549
For the next 29,700 cu.ft., per 100 cu.ft. ....	0.688
For all over 30,000 cu.ft., per 100 cu.ft. ....	0.591

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

APPENDIX A  
Page 2

Schedule No. OR-2R

Oroville Tariff Area

RESIDENTIAL FLAT RATE SERVICE :

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Oroville and vicinity, Butte County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For a single-family residential unit, including premises having the following areas:	
6,000 sq.ft., or less .....	\$25.50
6,001 to 10,000 sq.ft. ....	28.35
10,001 to 16,000 sq.ft. ....	34.10
16,001 to 25,000 sq.ft. ....	42.50
For each additional single-family residential unit on the same premises and served from the same service connection .....	15.00

SPECIAL CONDITIONS:

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. OR-1, General Metered Service.

APPENDIX A

Page 3

Schedule No. OR-3M

Oroville Tariff Area

IRRIGATION SERVICE

APPLICABILITY

Applicable to service of untreated water from Powers Canal to irrigation districts and to irrigation or mining ditches, for uses including but not limited to the irrigation of vineyards, orchards, and pasture lands.

TERRITORY

Lands located along the Powers Canal, between Coal Canyon Powerhouse and Cherokee Reservoir north of the City of Oroville, Butte County.

RATE

Per Miner's Inch Day

For all water delivered ..... \$ .75

SPECIAL CONDITION

A miner's inch day is defined as the quantity of water equal to 1/40 of a cubic foot per second flowing continuously for a period of 24 hours.

APPENDIX A  
Page 4

Schedule No. OR-2UL

Oroville Tariff Area

LIMITED FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished to customers taking untreated water directly from Powers Canal.

TERRITORY

Oroville and vicinity, Butte County.

RATE

Per Month

Alex Kosloff ..... \$8.90

SPECIAL CONDITION

Service under this schedule is limited to the above service which was being furnished as of January 1, 1955.

APPENDIX A  
Page 5

Schedule No. OR-4

Oroville Tariff AreaPRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

Oroville and vicinity, Butte County

RATES

For each 1½-inch connection .....	\$ 3.75
For each 2-inch connection .....	5.00
For each 3-inch connection .....	7.50
For each 4-inch connection .....	10.00
For each 6-inch connection .....	15.00
For each 8-inch connection .....	20.00
For each 10-inch connection .....	25.00

SPECIAL CONDITIONS

1. The fire protection service facilities will be installed by the Utility at the cost of the applicant. Such cost shall not be subject to refund. The facilities paid for by the applicant shall be the sole property of the applicant.

2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the Utility at the cost of the applicant. Such cost shall not be subject to refund.

3. Service is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the Utility, and are maintained to the satisfaction of the Utility. The Utility may require the installation of a detector check valve with meter for protection against theft, leakage, or waste of water.

4. For water delivered for other than fire protection purposes, charges will be made under Schedule No. OR-1, General Metered Service.

5. The Utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

(END OF APPENDIX A)



## APPENDIX B

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>Service Charge</u>	<u>Effective Dates</u>	
	<u>1-1-83</u>	<u>1-1-84</u>
For 5/8 x 3/4-inch meter .....	\$0.40	\$0.35
For 3/4-inch meter .....	0.55	0.50
For 1-inch meter .....	0.75	0.65
For 1 1/2-inch meter .....	1.00	1.00
For 2-inch meter .....	1.00	1.00
For 3-inch meter .....	2.00	2.00
For 4-inch meter .....	3.00	3.00
For 6-inch meter .....	6.00	5.00
For 8-inch meter .....	8.00	8.00
For 10-inch meter .....	10.00	9.00
<u>Quantity Rates:</u>		
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. ..	0.028	0.026
For all over 30,000 cu.ft., per 100 cu.ft. ..	0.023	0.021
<u>Irrigation service</u> - Per Miner's Inch Day .....	0.03	0.03
<u>Flat Rates:</u>		
6,000 sq.ft. or less .....	1.00	0.90
6,001 to 10,000 sq.ft. ....	1.15	1.00
10,001 to 16,000 sq.ft. ....	1.40	1.25
16,001 to 25,000 sq.ft. ....	1.60	1.60
Additional single-family residential unit on the same premises and served from the same service connection .....	.60	.50
<u>Limited Flat Rate Service</u> .....	.35	.35
<u>Private Fire Protection Service</u>		
For each 1 1/2-inch connection .....	0.40	0.35
For each 2-inch connection .....	0.50	0.50
For each 3-inch connection .....	0.75	0.75
For each 4-inch connection .....	1.00	1.00
For each 6-inch connection .....	1.50	1.50
For each 8-inch connection .....	2.00	2.00
For each 10-inch connection .....	2.50	2.50

(END OF APPENDIX B)

APPENDIX C

Page 1

ADOPTED QUANTITIES

Company: California Water Service Company

District: Oroville

	<u>1982</u> Ccf(1,000)	<u>1983</u> Ccf(1,000)
1. <u>Water Production:</u>	2768.7	2764.8
Purchased Water <sup>1/</sup>	2630.7	2626.8
Leased Wells	49.1	49.1
Wells	88.9	88.9
To System:	1850.2	1846.2
2. <u>Electric Power:</u> 0.5943 kWh per Ccf (to System) Supplier: PG&E Date: 6-21-81		
kWh	1,099,600	1,097,200
Cost	\$79,200	\$79,100
Cost Per kWh	\$0.072068	\$0.072068
3. <u>Ad Valorem Taxes:</u>	\$38,200	\$39,200
Effective Tax Rate	0.965%	0.965%
4. <u>Net-to-Gross Multiplier:</u>	2.07753	
5. <u>Western Pacific Lease:</u>	1.0755%	
6. <u>Uncollectible Rate:</u>	0.325%	
7. <u>Metered Water Sales Used to Design Rates:</u>		

	<u>Range - Ccf</u>	<u>Usage - Ccf</u>	
		<u>1982</u>	<u>1983</u>
Block 1	0-3	72,311	74,275
Block 2	4-300	509,272	521,706
Block 3	300	389,817	392,418
Total Usage		971,400	988,400

<sup>1/</sup> Purchased Water	<u>1982</u>	<u>1983</u>
County of Butte	\$18,300	\$18,300
Pacific Gas and Electric Company	32,400	32,400
Western Pacific Well	16,600	16,600
Total	<u>67,300</u>	<u>67,300</u>

APPENDIX C  
Page 2

8. Number of Services:

	<u>No. of Services</u>		<u>Usage-KCcf</u>		<u>Avg. Usage-Ccf/Yr.</u>	
	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>
Commercial-Metered	2,154	2,215	571.7	587.9	265.4	265.4
Commercial-Flat	1,098	1,067	730.8	710.2	665.6	665.6
Industrial	5	5	2.6	2.6	520.0	520.0
Industrial-Large	5	5	296.8	296.8	59,360.0	59,360.0
Public Authority	80	80	74.5	74.5	931.3	931.3
Public Authority-Large	2	2	25.6	26.4	12,800.0	13,200.0
Irrigation	9	9	918.5	918.5	102,055.6	102,055.6
Other	<u>1</u>	<u>1</u>	<u>0.2</u>	<u>0.2</u>	200.0	200.0
Subtotal	3,354	3,384	2,620.7	2,617.1		
Private Fire Pnt.	48	49				
Public Fire Pnt.	<u>4</u>	<u>4</u>				
Total	3,406	3,437				
Water Loss at 8.0%			<u>148.0</u>	<u>147.7</u>		
Total Water Produced			2,768.7	2,764.8		

9. Number of Services (by meter size):

<u>Meter Size</u>	<u>1982</u>	<u>1983</u>
5/8 x 3/4"	1,796 Services	1,847 Services
3/4"	123	126
1"	190	195
1-1/2"	41	42
2"	74	75
3"	11	11
4"	8	8
6"	3	3
8"	1	1
10"	<u>-</u>	<u>-</u>
Total	2,247	2,308

APPENDIX C

Page 3

10. Number of services - flat rate (by lot size)

<u>Lot Size</u>	<u>1982</u>	<u>1983</u>
6,000 sq.ft.	486	472
6,001 - 10,000 sq.ft.	492	478
10,001 - 16,000 sq.ft.	98	95
16,001 - 25,000 sq.ft.	<u>22</u>	<u>22</u>
Total	1,098	1,067
Additional single-family units	37	37

## APPENDIX C

Page 4

INCOME TAX CALCULATION

Item	1982	1983
<u>State Franchise Tax</u>		
Operating Revenue	\$1,384.3	\$1,449.5
<u>Expenses</u>		
O&M	631.0	671.3
Taxes Other Than Income	<u>53.1</u>	<u>55.6</u>
Subtotal	684.1	726.9
<u>Deductions &amp; Adjustments</u>		
Transportation Depr. Adj.	(7.8)	(11.2)
G.O. Depr. Adj.	(1.2)	(1.2)
Soc. Sec. Taxes Capitalized	1.2	1.3
Interest	<u>178.6</u>	<u>195.6</u>
Subtotal Deduction	170.8	184.5
State Tax Depreciation	178.3	179.0
Net Taxable Revenue	351.1	359.1
CCFT at 9.6%	33.7	34.5
<u>Federal Income Tax</u>		
Operating Revenue	\$1,384.3	\$1,449.5
Expenses	684.1	726.9
Deductions	170.8	184.5
FIT Depreciation	156.3	151.8
Preferred Stock Div. Cr.	1.1	1.1
State Income Tax	<u>33.7</u>	<u>34.5</u>
Taxable Revenue	338.3	350.7
FIT at 46%	155.6	161.3
Graduated Tax Adj.	(0.5)	(0.5)
Adj. for Invol. Conver.	(0.3)	(0.2)
Investment Tax Credit	<u>(0.1)</u>	<u>(0.1)</u>
FIT	154.7	160.5

(Red Figure)

(END OF APPENDIX C)

APPENDIX D

Bill Insert for CWS Customers  
(Oroville District)

Of the \$306,600 annual rate increase recently granted to CWS for its Oroville District by the Public Utilities Commission, \$59,600 was attributable to President Reagan's Economic Recovery Tax Act of 1981, which requires the Public Utilities Commission to charge ratepayers for the expense of taxes which are not now being paid to the Federal Government and which may never be paid. This expense will increase in the future as a percent of your bill.

(END OF APPENDIX D)