

Decision 82 01 65 JAN 19 1982**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application)	
of CALIFORNIA WATER SERVICE)	
COMPANY for an order authorizing)	Application 60570
it to increase rates charged for)	(Filed May 20, 1981)
water service in its South San)	
Francisco District.)	

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

Steven 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 rates for water service in its South San Francisco District to produce annual revenue increases of \$419,500 or 17% in 1982, and by additional amounts of \$199,300 or 7% in 1983, and \$215,500 or 7% in 1984.

Evidentiary hearings were held in this matter on a consolidated record with Applications (A.) 60567, 60568, and 60569, before Administrative Law Judge John Lemke in San Francisco September 21 through September 24, 1981. Opportunity for public witness testimony was provided on September 21 immediately prior to commencement of the evidentiary hearings. An informal public meeting was held by the Commission in South San Francisco on July 21, 1981. Notice of the meeting had been mailed to customers and published in accordance with the staff's instructions. Additional notice was provided by press release printed in a local newspaper. Two customers attended the July 21 meeting, but had no complaints.

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 CWS is located in San Jose. Preparation of customers' 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. CWS maintains a water meter repair facility in Stockton.

As of December 31, 1980, the company 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%.

CWS' South San Francisco District includes the corporate limits of the Cities of South San Francisco and Colma and unincorporated adjacent areas of the County of San Mateo. Much of the terrain is relatively hilly, with elevations ranging from 35 feet to over 400 feet above sea level. Total population served within the area is about 53,600.

Water for the South San Francisco District is obtained from two sources: 14 metered connections from the San Francisco Water Department and 7 CWS-owned wells located within the service area.

The production from CWS wells is pumped into a collecting tank, at which point purchased water from the San Francisco Water Department is also accumulated, and the mixture is then pumped into the distribution system. The transmission and distribution systems include about 137 miles of mains, ranging in size up to 18 inches, and approximately 7.1 million gallons of storage capacity. There are about 14,000 metered connections and 330 private fire protection connections.

Service and Conservation

Absence of any protesting customers at the public meeting or the public witness testimony hearing strongly suggests that CWS' service is satisfactory. A thorough discussion of CWS' commendable conservation program is set forth in a companion proceeding (A.60567) and need not be repeated here.

CWS' tariffs for this district are primarily for general metered service, private fire protection, and public fire hydrant service.

Results of Operations

CWS has provided recorded revenues and expenses for 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 CWS'. In some of these differences CWS has concurred with the staff and amended its summaries 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 adopted methodologies are detailed in the companion decision and need not be repeated here.

New South San Francisco District
Office and Field Yard Expenses

CWS plans to build a new office facility and field yard to serve its South San Francisco District. The staff agrees with CWS' decision to build a new facility. However, after adjustments, the staff and CWS are still in disagreement on three subissues.

1. CWS developed estimated costs of \$300,000 for each test year for a total project cost of \$600,000. The staff eliminated \$30,000 for undergrounding of utilities after determining it was not required. CWS agreed with this adjustment and reflected the \$30,000 reduction in its revised estimates. The staff further reduced the costs of this project by deducting another \$30,000 from the cost of landscaping the site. CWS accepted \$15,000 of this adjustment when it was discovered that the original cost included areas already landscaped. CWS' witness stated that his estimate was based on costs developed by the architect firm who drew up the plans for the project, and that the costs were based on unit costs which that firm had experienced on similar jobs. Greg Wilson for the staff made his own estimates for landscaping expenses and verified those expenses with South San Francisco city officials. CWS believes that the estimates of an experienced architect should prevail over the judgment of the staff. CWS' figure, however, is based on its architects' application of unit costs for similar projects, rather than this particular job. The staff estimate for this specific job was verified by unbiased third-party city officials. In the circumstances,

where we have conflicting estimates of this nature we believe it is reasonable to further reduce the CWS estimate by \$7,500. This will provide a balanced figure for use in reasonably projecting the landscaping costs involved in this relocation.

2. CWS has adjusted the original project cost estimate given by its architect and then has added on a 10% construction overhead allowance. Staff does not object to adding a 10% overhead allowance to the architect's cost estimate, but does object to CWS' adjustment of the estimate. Specifically, staff points out that CWS increased several items of the architect's estimate by various percentages, ranging from 13.4% to 32.8% per year, to compensate for inflation. Staff contends that an inflation allowance is already included for the test period, and that further adjustments to specific items are arbitrary. Staff believes that if CWS' cost adjustments are adopted, then no additional overhead allowance should be included, arguing that the adjustments will adequately allow for overhead.

We believe that two issues are presented. First, should CWS receive a 10% allowance for construction overhead for the project? Both CWS and staff agree that an overhead allowance is appropriate and that the proposed 10% allowance is reasonable. We will adopt it. Second, is the adjusted project cost estimate made by CWS reasonable? We believe that it is not. CWS has not reasonably explained the basis for escalating various items in its cost estimate beyond the 10% inflation allowance that we will authorize by this decision. We will therefore adopt the original cost estimates provided by the architect.

As stated in CWS' application, CWS plans to complete the relocation project by mid-1983. Inflation allowances for the test year were therefore projected on a yearly basis, beginning in mid-1981. As explained below, we have adopted a 10% yearly inflation allowance

beginning in mid-1981. We observe, however, that the architect's cost estimate, given in December 1980, has not been adjusted for inflation. We will therefore authorize a 5% adjustment to the cost estimate for the period from December 1980 to mid-1981, a half year period. The 10% allowance for overhead should then be added to the inflation-adjusted cost estimate.

3. CWS has used inflation estimates of 14% and 15% for 1982 and 1983, respectively, in its total projected cost for relocating the South San Francisco District office. The staff reduced this inflation estimate to 10% per year. The staff witness introduced an exhibit (No. 49) entitled "Construction Review," a periodical issued by the U. S. Department of Commerce, which indicated, on a national basis, a projected inflation rate of about 9% in commercial and factory building construction. The information contained in "Construction Review," while not specifically applicable to Bay Area construction activity, certainly includes Bay Area data in its overall projections. CWS' estimate is based upon nothing more than the judgment of its assistant chief engineer. Our judgment is that the staff estimate of 10% per year is reasonable and should be adopted. An additional factor bolstering this conclusion is that CWS intends to complete the project by mid-1983, so a full-year inflation will not occur.

Although not an issue in the case, the problem of properly applying the adopted inflation factors must be addressed. CWS' answer to this problem is to take the 1981 total cost of the project, increase it by 14% for 1982, and then increase the entire amount by 15% for 1983. This method does not seem reasonable since it ignores the fact that 50% of the project will be completed in 1982 so there is no need to inflate it further. The method we will use here is more logical: The 1981 total cost of the project will be increased by 10%, but only that portion remaining to be completed after mid-1982 will receive a further 10% increase.

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. The incremental revenue requirement increase for test year 1982 caused by ERTA is \$76,500.

Summary of Earnings

The information shown in Tables 1 and 2 reflects 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
South San Francisco District

COMPARISON - CWS AND STAFF - SUMMARY OF EARNINGS

	Test Year 1982		Test Year 1983	
	<u>CWS</u>	<u>Staff</u>	<u>CWS</u>	<u>Staff</u>
	(Dollars in Thousands)			
<u>Present Rates</u>				
Operating Revenues	\$2,558.5	\$2,567.1	\$2,570.2	\$2,573.7
Operating Expenses:				
Purchased power #	148.7	149.4	149.3	150.0
Purchased water	884.7	889.5	889.1	892.9
Purchased chemicals	1.9	1.9	2.2	2.2
Payroll - district	309.9	305.8	340.7	334.7
Other oper. & maint.	229.4	197.5	241.9	208.2
Other admin. & gen'l & misc.	28.4	28.4	21.7	21.7
Ad valorem taxes - district	53.2	53.2	56.0	55.8
Business license	2.0	2.0	2.0	2.0
Payroll taxes - district	22.1	21.8	24.0	23.6
Depreciation	158.3	158.3	170.3	169.0
Ad valorem taxes - G.O.	1.1	1.1	1.1	1.1
Payroll taxes - G.O.	5.3	5.2	5.8	5.7
Other prorates - G.O.	228.0	225.6	249.2	246.0
Balancing account adjustment	-	-	-	-
Subtotal*	2,073.0	2,039.7	2,153.3	2,113.9
Uncollectibles	3.6	3.6	3.6	3.6
Income taxes before ITC	68.7	91.8	(1.4)	28.9
Investment tax credit	(34.0)	(34.0)	(29.6)	(29.6)
Total operating expenses	2,111.3	2,101.1	2,125.9	2,116.8
Net Operating Revenues:				
Rate Base	4,970.7	4,863.2	5,466.5	5,373.9
Rate of Return	9.18%	9.58%	8.13%	8.60%
<u>Proposed Rates</u>				
Operating Revenues	\$2,977.5	\$2,986.8	\$3,191.6	\$3,201.3
Operating Expenses:				
Subtotal*	2,073.0	2,039.7	2,153.3	2,113.9
Uncollectibles	4.2	4.2	4.5	4.5
Income taxes before ITC	282.9	306.3	316.2	347.1
Investment tax credit	(34.0)	(34.0)	(29.6)	(29.6)
Total operating expenses	2,326.1	2,316.2	2,444.4	2,435.9
Net Operating Revenues	651.4	670.6	747.2	765.4
Rate Base	4,870.7	4,863.2	5,466.5	5,373.9
Rate of Return	13.37%	13.79%	13.67%	14.24%

(Red Figure)

Table 2

CALIFORNIA WATER SERVICE COMPANY
South San Francisco District

ADOPTED SUMMARY OF EARNINGS

	<u>Test Year 1982</u>	<u>Test Year 1983</u>
	(Dollars in Thousands)	
<u>At Present Rates</u>		
Operating Revenues	\$2,558.5	\$2,570.2
Operating Expenses:		
Purchased Power	148.8	149.4
Purchased Water	884.7	889.1
Purchased Chemicals	1.9	2.2
Payroll - District	307.2	337.8
Other Operation & Maintenance	226.6	237.3
Other Admin. & Gen. & Misc.	28.4	21.7
Ad Valorem Taxes - District	53.2	55.9
Payroll Taxes - District	21.9	23.8
Business License	2.0	2.0
Depreciation	158.3	169.6
Ad Valorem Taxes - G.O.	1.1	1.1
Payroll Taxes - G.O.	5.3	5.8
Other Prorates - G.O.	226.1	246.5
Subtotal	<u>2,065.5</u>	<u>2,142.2</u>
Uncollectibles	3.6	3.6
Income Tax Before ITC	86.2	32.1
Investment Tax Credit	(6.1)	(1.7)
Total Operating Expenses	<u>2,149.2</u>	<u>2,176.2</u>
Net Operating Revenues	409.3	394.0
Rate Base	4,842.4	5,327.3
Rate of Return	8.45%	7.40%
<u>At Rate Level Adopted</u>		
Operating Revenues	\$2,869.0	\$3,022.2
Operating Expenses:		
Subtotal	2,065.5	2,142.2
Uncollectibles	4.0	4.2
Income Taxes Before ITC	244.9	293.8
Investment Tax Credit	(6.1)	(1.7)
Total Operating Expenses	<u>2,308.3</u>	<u>2,438.5</u>
Net Operating Revenues	560.7	643.6
Rate Base	4,842.4	5,327.3
Rate of Return	11.58%	12.08%

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. It will give effect to the differences in the risk between water and energy utilities. Some of these differences are:

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 South San Francisco 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%	9.54	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	2.16
Preferred stock	4.0	6.41	.26	
Common equity	<u>43.0</u>	14.50	<u>6.24</u>	
Total	100.0%		12.08	
Average Year 1984				
Long-term debt	53.0%	11.71	6.02	2.08
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 12.1% or \$310,500 and 6.9% or \$200,000 respectively. The 12.51% return on rate base for 1984 will give effect to financial attrition of 0.43%. Application of a net-to-gross multiplier of 2.05138 will produce a further revenue increase in 1984 of 6.2% or \$192,300.

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. With the remaining increase spread over the commodity rates, this resulted in

a 21.6% increase in service charge revenues and a 12.6% increase in commodity rates. Similar distributions are proposed for 1983 and 1984. This was requested in order to counteract the trend in service charges producing a smaller percentage of total revenues with resulting revenue instability due to varying climatic conditions.

At the hearing CWS introduced an alternate rate design, similar to the one discussed in our decision issued in A.60567, generating even greater revenues from the service charges.

The staff recommended that percentage revenue increases be applied evenly to service charges and metered rates. This is because of the negative effect upon conservation efforts of tariffs having an emphasis in the service charge portion of the rate design. We adopted the staff recommendation in our decision in A.60567 due, in part, to a lack of record evidence concerning the conditions and effects surrounding the present and proposed rate structures. Also, there is evidence indicating greater use by customers paying for water under a rate design with a heavy emphasis on fixed charges. For these same reasons we find reasonable and adopt the staff recommendation in this proceeding.

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. CWS will suffer operational attrition of 1.32% and financial attrition of 0.43% between 1983 and 1984.

5. With respect to the relocation of CWS' district office and field yard expenses,

- a. A further reduction of \$7,500 in landscaping costs will provide a balanced figure for the purposes of this proceeding.
- b. An allowance of 10% for construction overhead is reasonable for inclusion in the project cost estimate of CWS' architect.
- c. A 10% inflation factor for 1982 and 1983 is reasonable, based on the data set forth in "Construction Review." It is reasonable to increase the 1981 total cost of the project by 10%, and the remaining portion to be completed in mid-1983 by a further 10% increase.

6. The present private fire protection rates should be increased \$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.

7. Information shown in Tables 1 and 2 properly reflects the consequences of ERTA and of our decision in OII 24.

8. 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. A projected debt cost of 15.0% in 1982, 14.0% in 1983, and 13.5% in 1984 is reasonable.

9. 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.

10. The further increases authorized in Appendix B should be approximately 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.

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

Conclusions of Law

1. Revenue increases of \$310,500 or 12.1% for 1982 and \$200,000 or 6.9% for 1983 are reasonable based on adopted results of operations. A further increase in 1984 of \$192,300 or 6.2% is reasonable based upon operational attrition of and 1.33% financial attrition of 0.43%.

2. CWS should be authorized to file the rate schedules attached as Appendixes A and B subject to the condition set forth in Finding 10.

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 South San Francisco 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 South San Francisco 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 a lesser increase which includes a uniform cents-per-hundred cubic feet of water adjustment from Appendix B in the event that the South San Francisco 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.

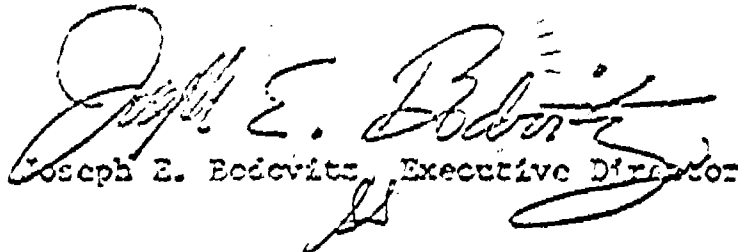
4. By April 1, 1982 CWS shall mail to all its customers in this district a bill insert notice as shown in Appendix D.

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. Bedovits, Executive Director

APPENDIX A
Page 1

Schedule No. SS-1

South San Francisco Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

South San Francisco and vicinity, San Mateo County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 3.85
For 3/4-inch meter	6.25
For 1-inch meter	8.50
For 1 1/2-inch meter	13.00
For 2-inch meter	16.00
For 3-inch meter	30.00
For 4-inch meter	40.00
For 6-inch meter	66.00
For 8-inch meter	97.00
For 10-inch meter	122.00

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft.456
For the next 49,700 cu.ft., per 100 cu.ft.626
For all over 50,000 cu.ft., per 100 cu.ft.577

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. SS-4

South San Francisco Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

South San Francisco and vicinity, San Mateo 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. SS-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	\$0.25	\$0.25
For 3/4-inch meter	0.45	0.70
For 1-inch meter	0.50	0.60
For 1½-inch meter	1.00	1.00
For 2-inch meter	1.00	1.00
For 3-inch meter	3.00	3.00
For 4-inch meter	3.00	3.00
For 6-inch meter	5.00	5.00
For 8-inch meter	7.00	6.00
For 10-inch meter	8.00	8.00
 <u>Quantity Rates:</u>		
For the first 300 cu.ft., per 100 cu.ft. ..	0.031	0.030
For the next 49,700 cu.ft., per 100 cu.ft. ..	0.044	0.041
For all over 50,000 cu.ft., per 100 cu.ft. ..	0.040	0.038
 <u>Private Fire Protection Service</u>		
For each 1½-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
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ADOPTED QUANTITIES

Company: California Water Service Company
District: South San Francisco

	<u>1982</u> Ccf (1,000)	<u>1983</u> Ccf (1,000)	
1. <u>Water Production:</u>	3,555.9	3,570.2	
Purchased Water ^{1/}	2,880.8	2,895.1	
Surface Supply	-	-	
Wells	675.1	675.1	
2. <u>Electric Power:</u>	0.66188 KWh per Ccf		Supplier: PG&E Date: 6-21-81
KWh	2,353,600	2,363,000	
Cost	\$148.8	\$149.4	
Cost per KWh	\$0.063218	\$0.063218	
3. <u>Ad Valorem Taxes:</u>	\$53.2	\$55.9	
Eff. Tax Rate	0.782%	0.782%	
4. <u>Net-to-Gross Multiplier:</u>	2.05138		
5. <u>Local Franchise Tax Rate:</u>	0		
6. <u>Uncollectible Rate:</u>	0.14%		
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	481,905	483,613
Block 2	4-500	2,079,563	2,088,593
Block 3	500	<u>832,632</u>	<u>835,594</u>
Total Usage		3,394,100	3,407,800

	<u>1982</u>	<u>1983</u>
<u>1/</u> Purchased Water	2,880,800 Ccf	2,895,100 Ccf
Unit Cost	\$0.3071/Ccf	\$0.3071/Ccf
Cost	\$884.7	\$889.1

APPENDIX C

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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	13,724	13,771	2,242.5	2,250.2	163.4	163.4
Industrial	134	135	500.2	504.0	3,733.0	3,733.0
Industrial - Large	4	4	475.6	475.6	118,900.0	118,900.0
Public Authority	155	157	171.9	174.1	1,109.0	1,108.9
Other	<u>10</u>	<u>10</u>	<u>3.9</u>	<u>3.9</u>	390.0	390.0
Subtotal	14,027	14,077	3,394.1	3,407.8		
Private Fire Prt.	343	355				
Public Fire Prt.	<u>4</u>	<u>4</u>				
Total	14,374	14,436				
Water Loss @ 4.55%			<u>161.8</u>	<u>162.4</u>		
Total Water Produced			3,555.9	3,570.2		

9. Number of Services (by meter size)

<u>Meter Size</u>	<u>1982</u>	<u>1983</u>
5/8 x 3/4"	12,787 Services	12,832 Services
3/4"	10	10
1"	602	604
1½"	49	251
2"	301	302
3"	33	33
4"	29	29
6"	13	13
8"	3	3
10"	<u>-</u>	<u>-</u>
Total	13,827	14,077

APPENDIX C
Page 3INCOME TAX CALCULATION

Item	1982	1983
<u>State Franchise Tax</u>		
Operating Revenue	\$2,869.0	\$3,082.1
<u>Expenses</u>		
O&M	1,834.1	1,895.2
Taxes Other Than Income	77.1	81.7
Subtotal	<u>1,911.2</u>	<u>1,976.9</u>
<u>Deductions & Adjustments</u>		
Transportation Depr. Adj.	(9.4)	(10.6)
G.O. Depr. Adj.	(3.0)	(3.0)
Soc. Sec. Taxes Capitalized	4.5	4.7
Interest	<u>240.7</u>	<u>292.4</u>
Subtotal Deduction	<u>232.8</u>	<u>262.5</u>
State Tax Depreciation	273.6	294.5
Net Taxable Revenue	451.4	528.2
CCFT at 9.6%	43.4	50.7
<u>Federal Income Tax</u>		
Operating Revenue	2,869.0	3,082.1
Expenses	1,911.2	1,976.9
Deductions	232.8	282.5
FIT Depreciation	239.9	240.0
Preferred Stock Div. Cr.	1.4	1.4
State Income Tax	<u>43.4</u>	<u>50.7</u>
Taxable Revenue	<u>440.3</u>	<u>530.6</u>
FIT at 46%	202.5	244.1
Graduated Tax Adj.	(0.6)	(0.6)
Adj. for Invol. Conver.	(0.4)	(0.4)
Investment Tax Credit	<u>(6.1)</u>	<u>(1.7)</u>
FIT	195.4	242.4

(Red Figure)

(END OF APPENDIX C)

APPENDIX D

Bill Insert for CWS Customers
(South San Francisco District)

Of the \$310,500 annual rate increase recently granted to CWS for its South San Francisco District by the Public Utilities Commission \$76,500 was attributable to 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)