

ALJ/ks

Decision 82 05 076 MAY 18 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CITIZENS UTILITIES COMPANY for)
authority to increase rates and)
charges for water service in its)
Montara Water District.)

Application 60253
(Filed February 10, 1981)

John H. Engel, Attorney at Law, for
applicant.

Brian T. Cragg, Attorney at Law,
Alex Chocas, and William P. Adams,
for the Commission staff.

O P I N I O N

In Application (A.) 60253, Citizens Utilities Company of California (Citizens-California) seeks a rate increase for its Montara Water District (Montara). The amount of the proposed metered service revenue increase over the level existing at the time of filing is \$323,800 or an increase of 135.6% in 1980; \$27,300 or 4.6% in 1981; \$33,900 or 5.4% in 1982; and \$34,900 or 5.3% in 1983. By Resolution W-2809, dated March 17, 1981, Citizens-California obtained partial relief by an offset increase for Montara which, when based on the adopted quantities in Appendix C, amounted to \$106,100 or 31.4%.

A duly noticed public hearing was held before Administrative Law Judge (ALJ) Orville I. Wright on May 21 and 22, 1981, in El Granada, and on June 15 and 16, 1981, in San Francisco. Testimony was presented by Bobby E. Pierce, W. B. Stradley, Edward W. Schwartz, and Arthur Smithson for Montara, and by Alex Chocas and William P. Adams for the Commission staff. Final submission date for the last of the issues involved in these proceedings was September 14, 1981.

Summary of Decision

Citizens-California's Montara Water District is granted a general rate increase over rates existing at the time of filing of \$357,900 for test year 1981 and a further increase of \$31,000 in test year 1982. The increase for 1981 is 157.5% and the increase for 1982 is an additional 5.3%.

A rate of return of 12.04% on rate base is found reasonable. Return on equity is 13.2%.

Table I, following, shows revenues, expenses, and rate base for 1981 as developed by applicant and by staff, differences being labeled "at issue." Adopted revenues and expenses at present rates and at adopted rates are also depicted.

Table II presents the aforesaid data for 1982, and Tables III and IV show rate base issues and their resolution.

For test year 1981 \$7,400 of the revenue requirement increase is due to the Economic Recovery Tax Act (ERTA); the effect for test year 1982 is \$11,500. The effect could increase. We will direct Montara to notify its customers of the ERTA effect on rates (see Appendix D).

As this order will be effective in 1982 we ordinarily would base rates upon the revenue requirement for the 1982 test year. The total revenue increase for test year 1982 is \$388,900 or 162.8%. The offset rate increase in March 1981 has reduced this by \$106,100 or 31.4%. However, in order to lessen the further impact on consumers of justified but unusually precipitous rate increases, we have adopted a policy of allowing no more than a 50% raise in rates in any one year. Consonant with this policy, we authorize a revenue increase of \$168,700 or 50% for test year 1982, the revenue difference being deferred to 1983 and 1984 as shown in Appendixes A and B. Appendix E shows the method used in deferring income and in compensating Montara for postponement of full rate relief.

The result is that we grant Citizens-California's Montara Water District a general rate increase of \$278,700 or 82.6% in the form of a first step of \$168,700 in 1982 and a second step in the form of the balance plus recovery over two years of the deferred portion plus interest of \$146,300 in 1983 and 1984.

Discussion of the issues resolved in this proceeding as shown in Tables I through IV is contained in Decision (D.) 82-02-059, Citizens-California's Sacramento County Water District, and in D.82-03-023, Citizens-California's Guerneville Water District. That discussion is incorporated here by reference as if fully set forth.

EXHIBIT I
Citizens Utilities Company of California
Montara Water District
1981 Summary of Earnings

A.60253 ALT/bw

<u>Item</u>	<u>Applicant</u> ^{1/}	<u>At Issue</u>	<u>Staff</u> ^{1/}	<u>Adopted Revenues & Expenses</u> ^{1/}	<u>Adopted Rates</u>
<u>Operating Revenues</u>					
Metered	\$ 226,500	\$ -	\$ 226,500	\$ 226,500	\$ 584,400
Flat Rate	-	-	-	-	-
Private Fire Protection	300	-	300	300	300
Other	400	-	400	400	400
Total Operating Revenues	227,200	-	227,200	227,200	585,100
<u>Operating Revenue Deductions</u>					
Salaries and Wages	77,500	-	77,500	77,500	77,500
Materials, Serv. & Misc.	17,100	-	17,100	17,100	17,100
Purchased Power & Water	40,100	-	40,100	40,100	40,100
Balancing Acct. (T.I.A.)	-	-	-	(1,700)	(1,700)
Customer Acct. & Misc.	8,800	4,400	4,400	4,400	4,400
Transportation Expense	9,500	2,000	7,500	9,500	9,500
Telephone and Telegraph	1,600	-	1,600	1,600	1,600
Banking Charges	-	(1,030)	1,030	-	-
Uncollectible Accounts	2,600	-	2,600	2,600	2,600
Administrative Office Exp.	35,400	800	34,600	35,400	35,400
Legal and Reg. Com. Exp.	16,400	15,000	1,400	16,400	16,400
Insurance	700	100	600	700	700
Injuries and Damages	5,200	2,700	2,500	5,200	5,200
Welfare and Pensions	17,800	3,200	14,600	17,800	17,800
Rents	1,200	-	1,200	1,200	1,200
Miscellaneous and Per Diem	500	500	-	500	500
Franchise Tax	-	-	-	-	-
Ad Valorem Tax	13,400	-	13,400	13,400	13,400
Payroll Tax	6,000	-	6,000	6,000	6,000
Depreciation Expense	50,100	3,900	46,200	46,200	46,200
Income Taxes	-	-	-	-	120,600
Total Oper. Rev. Deductions	303,900	31,570	272,330	293,900	414,500
Net Operating Revenues	(76,700)	(31,570)	(45,130)	(66,700)	171,800
Average Depr. Rate Base	1,588,000	187,030	1,400,970	1,426,800	1,426,800
Rate of Return	(4.83)%	(1.61)%	(3.22)%	(4.67)%	12.04%

^{1/} Excludes offset increase authorized by Resolution W-2809, dated March 17, 1981.

(Red Figure)

Citizens Utilities Company of California
Montara Water District
1982 Summary of Earnings

<u>Item</u>	<u>Applicant^{1/}</u>	<u>At Issue</u>	<u>Staff^{1/}</u>	<u>Adopted Revenues & Expenses^{1/}</u>	<u>Adopted Rates</u>
Operating Revenues					
Metered	\$ 230,600	\$ -	\$ 230,600	\$ 230,600	\$ 615,400
Flat Rate	-	-	-	-	-
Private Fire Protection	300	-	300	300	300
Other	400	-	400	400	400
Total Operating Revenues	231,300	-	231,300	231,300	616,100
Operating Revenue Deductions					
Salaries and Wages	86,300	-	86,300	86,300	86,300
Materials, Serv. & Misc.	17,100	-	17,100	17,100	17,100
Purchased Power & Water	40,700	-	40,700	40,700	40,700
Balancing Acct. (T.I.A.)	-	-	-	(1,700)	(1,700)
Cust. Acct. & Misc.	9,700	5,300	4,400	4,400	4,400
Transportation Expense	9,900	2,400	7,500	9,900	9,900
Telephone and Telegraph	1,600	-	1,600	1,600	1,600
Banking Charges	-	(1,030)	1,030	-	-
Uncollectible Accounts	2,600	-	2,600	2,600	2,600
Admin. Office Expenses	38,900	900	38,000	38,900	38,900
Legal and Reg. Com. Expense	16,400	15,000	1,400	16,400	16,400
Insurance	800	100	700	800	800
Injuries and Damages	5,700	3,100	2,600	5,700	5,700
Welfare and Pensions	19,100	3,300	15,800	19,100	19,100
Rents	1,200	-	1,200	1,200	1,200
Miscellaneous and Per Diem	500	500	-	500	500
Franchise Tax	-	-	-	-	-
Ad Valorem Tax	17,300	500	16,800	16,800	16,800
Payroll Tax	6,600	-	6,600	6,600	6,600
Depreciation Expense	54,400	2,500	51,900	51,900	51,900
Income Taxes	-	-	-	-	115,400
Total Oper. Rev. Deductions	328,800	32,570	296,230	318,800	434,200
Net Operating Revenues	(97,500)	(32,570)	(64,930)	(87,500)	181,900
Average Depr. Rate Base	1,649,700	89,730	1,559,970	1,510,680	1,510,680
Rate of Return	(5.91)%	(1.75)%	(4.16)%	(5.79)%	12.04%

^{1/} Excludes offset increase authorized by Resolution W-2809, dated March 17, 1981.
 (Red Figure)

TABLE III

Citizens Utilities Company of California
Montara Water District
Rate Base

Test Year 1981

<u>Item</u>	<u>Applicant</u>	<u>At Issue</u>	<u>Staff</u>	<u>Adopted</u>
Utility Plant in Service	\$2,053,100	\$146,950	\$1,906,150	\$1,906,150
Depreciation Reserve	<u>(285,700)</u>	<u>10,040</u>	<u>(295,740)</u>	<u>(295,740)</u>
Net Utility Plant in Service	1,767,400	156,990	1,610,410	1,610,410
Noninterest-Bearing CWIP	-	-	-	-
Materials and Supplies	6,400	1,000	5,400	6,400
Working Cash	153,200	86,070	67,130	147,330
Common Plant	8,600	-	8,600	8,600
Customers' Advances for Construction	(269,000)	(52,700)	(216,300)	(269,000)
Contributions in Aid of Construction	(25,400)	290	(25,110)	(25,400)
Reserve for Deferred Federal Income Tax	<u>(53,200)</u>	<u>(4,040)</u>	<u>(49,160)</u>	<u>(51,540)</u>
Total Average Depreciated Rate Base	1,588,000	187,030	1,400,970	1,426,800

(Red Figure)

TABLE IV

Citizens Utilities Company of California
Montara Water District
Rate Base

Test Year 1982

<u>Item</u>	<u>Applicant</u>	<u>At Issue</u>	<u>Staff</u>	<u>Adopted</u>
Utility Plant in Service	\$2,240,400	\$124,510	\$2,115,890	\$2,115,890
Depreciation Reserve	<u>(331,900)</u>	<u>6,110</u>	<u>(338,010)</u>	<u>(338,010)</u>
Net Utility Plant in Service	1,908,500	130,620	1,777,880	1,777,880
Noninterest-Bearing CWIP	-	-	-	-
Materials and Supplies	6,900	1,500	5,400	6,900
Working Cash	153,200	86,070	67,130	147,330
Common Plant	8,500	-	8,500	8,500
Customers' Advances for Construction	(334,800)	(121,310)	(213,490)	(334,800)
Contribution in Aid of Construction	(26,500)	(470)	(26,030)	(26,500)
Reserve for Deferred Federal Income Tax	<u>(66,100)</u>	<u>(6,680)</u>	<u>(59,420)</u>	<u>(68,630)</u>
Total Average Depreciated Rate Base	1,649,700	89,730	1,559,970	1,510,680

(Red Figure)

Description of Montara

Montara provides water service to the communities of Montara, Marine View, Farallone City, Moss Beach, and adjacent areas of San Mateo County. Water is obtained from a spring diversion and nine wells, four of which were recently added to the system. In addition, there are booster pumps, a treatment plant, storage capacity of approximately 790,000 gallons, and 126,000 feet of distribution main ranging in size up to 8 inches in diameter serving some 1,300 metered customers.

Rate Design

The increases authorized by this decision are spread equally (by percentage) to service charges and to quantity rates as accumulated revenue increases since January 1, 1976 exceed 25% and thus permit lifeline rate changes. Citizens-California proposed no increase in rates for either private fire protection service or public fire hydrant service, and staff concurring, these rates remain unchanged.

Public Witness Testimony

At well-attended public hearings on this application, some 34 of Montara's 1,272 customers made statements or gave evidence in strong opposition to the proposed rate increases. Some service and quality complaints were also presented, the latter being investigated and responded to by Montara on the record. Water quality and system condition at Montara have been improved in the last half decade, and further upgrading of the system is contemplated in Montara's construction budget.

The enormity of the present rate application stems in large part from the fact that Montara has expended approximately \$878,706 of Citizens-California's funds in completing ordered construction programs in the water district within the last five years. This amounts to about \$685 per customer. During this time there have been no substantial rate increases granted to Montara, with the exception of the offset increase granted March 17, 1981 by Resolution W-2809.

Transportation Expense

Montara's estimate of transportation expense for its three vehicles is \$9,500 for 1981 and \$9,900 for 1982. Staff's estimate is \$7,500 for each of the test years.

Montara estimated its gas, oil, and repair component of transportation expense by applying a 10% inflation factor to 1979 actual costs. The testimony is that 1980 actual was substantially higher than 1979, and the latter year was adopted as being a conservative starting point.

Staff computed a cost per mile of 38¢ and estimated projected total mileage for each of the test years. Montara's logs showed, however, that actual mileage traveled in 1980 was greatly in excess of the staff estimate. There is no evidence that actual miles as recorded represented other than business usage.

We will adopt Montara's estimate as being the more reasonable.

Legal and Regulatory Commission Expenses

There is a difference between the parties of \$15,000 for each of the two test years.

In companion case decisions we have adopted applicant's actual rate case preparation and trial expenses, as we do here.

The other major item of difference is the proper amortization period for \$56,284 litigation costs associated with Montara's supply of water in San Mateo County (Superior Court No. 185744). It is agreed that the cost is a proper charge to ratepayers, but staff, without explanation, urges a 6-year amortization period while Montara urges a 3-year period.

Since we are using a 3-year period to amortize regulatory expense in this proceeding, we will adopt the same span for legal expenses in order to be consistent.

Miscellaneous and Per Diem

Montara reviewed miscellaneous and per diem expenses for 5 years and used an average of \$500 for this expense. A detailed worksheet was not prepared because of the small amount involved. This expense, Montara testified, is largely the cost of travel of internal auditors.

Staff opposes any allowance for this expense, contending that Montara should prove this expenditure in precise detail. We find applicant's testimony to be persuasive.

Tax Initiative Account (TIA)

Montara's computation of the balance in its TIA as of December 31, 1980 is \$3,163. In accordance with our discussion in D.82-02-059, Sacramento County Water District, we adopt the staff's computation in the amount of \$5,100 and amortize it over three years.

Rate Base Exclusive of Working Cash

In accordance with our decisions in A.60132, Sacramento County Water District, and other companion Citizen-California's cases, we adopt staff's method of valuing utility plant in service and depreciation on the issue of "rollback."

In all other respects we find Montara's estimates reasonable and we adopt them.

Working Cash

In accordance with our decisions in A.60132, Sacramento County Water District, and other companion Citizens-California's cases, working cash is developed as follows for both test year 1981 and test year 1982:

Montara Allowance	\$153,200
Less:	
Revenue/Expense Lag	<u>(5,870)</u>
Adjusted Allowance	\$147,330

Findings of Fact

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test year 1981 and 1982 are reasonable.

2. A rate of return of 12.04% on the adopted rate base is reasonable.

3. Montara's earnings under existing rates exclusive of the March 17, 1981 offset for test year 1981 would produce a net operating loss of \$66,700 on a rate base of \$1,426,800 based on the adopted results of operations, resulting in a rate of return of minus 4.67%. ✓

4. Montara's earnings under existing rates exclusive of the March 17, 1981 offset for test year 1982 would produce a net operating loss of \$87,500 on a rate base of \$1,510,680 based on the adopted results of operations, resulting in a rate of return of minus 5.79%. ✓

5. The authorized increases in rates are expected to provide annual increases in revenues of \$357,900 in 1981 and \$31,000 in 1982. ✓

6. Montara's level of water service is adequate. ✓

7. The increases in rates and charges authorized for the year 1982 in Appendix A are just and reasonable, and the present rates and charges insofar as they differ from those prescribed, are for the future unjust and unreasonable. ✓

8. The increase in rates authorized for 1983 in Appendix B are just and reasonable. ✓

9. The rate design established by this decision is reasonable. ✓

Conclusions of Law

1. The application should be granted to the extent provided by the following order; the authorized rates are just and reasonable.

2. Because of the immediate need for additional revenues, the following order should be effective on the date of signature.

O R D E R

IT IS ORDERED that:

1. Citizens Utilities Company of California (Citizens-California), Montara Water District, is authorized to file the revised schedule attached to this order as Appendix A and to concurrently cancel its present schedule for such service. This filing shall comply with General Order (GO) Series 96. The effective date of the revised schedule shall be 4 days after the date of filing. The revised schedule shall apply only to service rendered on and after their effective date.

2. On or after November 15, 1982 Citizens-California is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increase attached to this order as Appendix B or to file a lesser increase which includes a uniform cents per 100 cubic feet of water adjustment from Appendix B in the event that Montara's rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1982, exceeds the lower of (a) the rate of return

found reasonable by the Commission for Citizens-California during the corresponding period in the then most recent rate decision, or (b) 12.04%. Such filing shall comply with GO 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 rates, whichever is later.

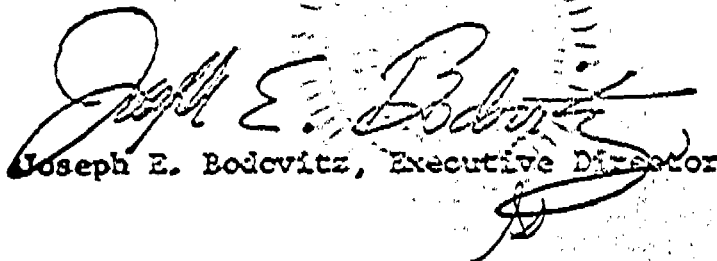
3. Before July 1, 1982, Citizens-California shall send the bill insert set out in Appendix D to its Montara Water District customers.

This order is effective today.

Dated May 18, 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. Bodovitz, Executive Director

APPENDIX A

Schedule No. MO-1

Montara Tariff Area

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Montara, Farallone City, Moss Beach and Marine View, and vicinity,
San Mateo County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
For the first 300 cu. ft., per 100 cu. ft.	\$1.23
For all over 300 cu. ft., per 100 cu. ft.	1.86

Service Charge:

For 5/8 x 3/4-inch meter	\$10.00
For 3/4-inch meter	11.00
For 1-inch meter	15.00
For 1-1/2-inch meter	20.00
For 2-inch meter	27.00
For 3-inch meter	50.00
For 4-inch meter	68.00

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge computed at the Quantity Rate for water used during the billing period.

(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.

Effective Date
1-1-83

Service Charge

For 5/8 x 3/4-inch meter	\$ 2.50
For 3/4-inch meter	2.75
For 1-inch meter	3.75
For 1-1/2-inch meter	5.00
For 2-inch meter	6.75
For 3-inch meter	12.50
For 4-inch meter	17.00

Quantity Rates:

For the first 300 cu. ft., per 100 cu. ft.	0.40
For all over 300 cu. ft., per 100 cu. ft.	0.57

(END OF APPENDIX B)

APPENDIX C
Page 1

ADOPTED QUANTITIES

Company: Citizens Utilities Company of California - Montara District

	<u>1982</u> CCF(1000)
1. <u>Water Production:</u>	
Surface Supply	25.3
Wells	<u>180.0</u>
Total	205.3
2. <u>Electric Power:</u>	
KWH	418,370
Cost	\$ 29,800
Cost per KWH	\$.071229
3. <u>Ad Valorem Taxes:</u>	\$ 16,800
4. <u>Effective Tax Rate:</u>	.945%
5. <u>Local Franchise Tax:</u>	N o n e
6. <u>Uncollectible Rate:</u>	1.12%
7. <u>Metered Water Sales Used To Design Rates:</u>	
<u>Usage - Ccf</u>	<u>1982</u>
Block 1 0-3	44,992
Block 2 Over 3	<u>150,710</u>
Total Usage	195,702

APPENDIX C
Page 2

8. <u>Number of Service:</u>	<u>No. of Services</u> <u>1982</u>	<u>Usages - KCcf</u> <u>1982</u>
Commercial-Metered	1388	195.7
Private Fire Protection	4	--
	<u>1392</u>	--
Unaccounted For Water		9.6
		<u>205.3</u>

9. <u>Number of Services (By Meter)</u>	<u>1982</u>
<u>Meter Size</u>	
5/8 x 3/4"	1366
3/4"	--
1"	13
1-1/2"	4
2"	3
3"	--
4"	2
	<u>1388</u>

APPENDIX C
Page 3

INCOME TAX CALCULATION

Item	: 1981	: 1982
<u>State Franchise Tax</u>		
Operating Revenue	\$ 585.1	\$ 616.1
<u>Expenses</u>		
O&M, A&G, and Taxes Other Than Income	247.7	266.9
<u>Deductions and Adjustments</u>		
Clearing Accounts	(6.5)	(6.5)
Deductible Expense Capitalized	6.5	6.5
Interest	39.9	45.2
Subtotal - Deductions	39.9	45.2
State Tax Depreciation	79.0	83.4
Net Taxable Revenue	218.5	220.6
CCFT at 9.6%	21.0	21.2
<u>Federal Income Tax</u>		
Operating Revenue	585.1	616.1
Expenses	247.7	266.9
Deductions	39.9	45.2
FIT Depreciation	51.5	68.6
CCFT	21.0	21.2
Taxable Income	225.0	214.2
Federal Income Tax at 46%	103.5	98.5
Graduated Tax Adjustment	(0.5)	(0.5)
Investment Tax Credit	(3.4)	(3.8)
FIT	99.6	94.2

(Red Figure)

(END OF APPENDIX C)

APPENDIX D

Bill Insert for Montara Water District Customers

N O T I C E

\$11,500 of the recent rate increase granted to Citizens Utilities Company of California for its Montara District was made necessary by changes in tax laws proposed by the President and passed by Congress last year. This was the Economic Recovery Tax Act of 1981. Among its provisions was a requirement that utility ratepayers be charged for certain corporate taxes even though the utility does not have to pay them. This results from the way utilities may treat tax savings from depreciation on their plant and equipment. The savings can no longer be credited to the ratepayer, but must be left with the company and its shareholders.

For a more detailed explanation of this tax change, send a stamped self-addressed envelope to:

Consumer Affairs Branch
Public Utilities Commission
350 McAllister Street
San Francisco, CA 94102

(END OF APPENDIX D)

APPENDIX E

<u>1982</u>	<u>Adopted</u>	<u>Distribution</u>
	(Dollars in Thousands)	
Present Rate	\$337.4 <u>1/</u>	\$337.4 <u>1/</u>
Adopted	616.1	506.1
Increase	278.7 (82.6%)	168.7 (50.0%)

<u>1983</u>		
Present	616.1	506.1
Adopted	616.1 (31.8 <u>a/</u> + 4.5 <u>b/</u>)	652.4
Increase		146.3 (28.9%)

<u>1984</u>		
Present	616.1	652.4
Adopted	616.1 (32.4 <u>a/</u> + 3.9 <u>b/</u>)	652.4
Increase		none

a/ Deferred amounts:

1982 \$278.7 - \$168.7 = \$110.0

For 7 months: \$110.0 x 7/12 = \$64.2 (\$31.8 to 1983 and \$32.4 to 1984)

b/ Interest to be recovered in:

1983 \$64.2 x 12.04% x 7/12 = \$4.5

1984 \$32.2 x 12.04% = \$3.9

1/ Based on rates per Advice Letter #183, an offset increase authorized by Resolution W-2809, dated March 17, 1981.

(END OF APPENDIX E)

The result is that we grant Citizens-California's Montara Water District a general rate increase of \$278,700 or 82.6% in the form of a first step of \$168,700 in 1982 and a second step in the form of recovery of the deferred portion plus interest of \$178,700 in 1983. The rates are reduced to the authorized level by a decrease of \$68,700 in 1984.

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Rate Base Exclusive of Working Cash

In accordance with our decisions in A.60132, Sacramento County Water District, and other companion Citizen-California's cases, we adopt staff's method of valuing utility plant in service and depreciation on the issue of "rollback."

In all other respects we find Montara's estimates reasonable and we adopt them.

Working Cash

In accordance with our decisions in A.60132, Sacramento County Water District, and other companion Citizens-California's cases, working cash is developed as follows for both test year 1981 and test year 1982:

Montara Allowance	\$153,200
Less:	
Revenue/Expense Lag	<u>(5,870)</u>
Adjusted Allowance	\$147,330

Findings of Fact

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test year 1981 and 1982 are reasonable.

2. A rate of return of 12.04% on the adopted rate base of \$1,426,800 for test year 1982 is reasonable.

3. A rate of return of 12.04% on the adopted rate base of \$1,510,680 for test year 1982 is reasonable.

4. Montara's earnings under existing rates exclusive of the March 17, 1981 offset for test year 1981 would produce a net operating loss of \$66,700 on a rate base of \$1,426,800 based on the adopted results of operations, resulting in a rate of return of minus 4.67%.

5. Montara's earnings under existing rates exclusive of the March 17, 1981 offset for test year 1982 would produce a net operating loss of \$87,500 on a rate base of \$1,510,680 based on the adopted results of operations, resulting in a rate of return of minus 5.79%.

6. The authorized increases in rates are expected to provide annual increases in revenues of \$357,900 in 1981 and \$31,000 in 1982.

7. Montara's level of water service is adequate.

8. The increases in rates and charges authorized for the year 1982 in Appendix A are just and reasonable, and the present rates and charges insofar as they differ from those prescribed, are for the future unjust and unreasonable.

9. The increase in rates authorized for 1983, and the decrease for 1984 in Appendix B are just and reasonable.

10. The rate design established by this decision is reasonable.

found reasonable by the Commission for Citizens-California during the corresponding period in the then most recent rate decision, or (b) 12.04%. Such filing shall comply with GO 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 rates, whichever is later.

3. On or after November 15, 1983 Citizens-California is required to file an advice letter, with appropriate workpapers, requesting the step rate decrease attached to this order as Appendix B or to file a lesser decrease which includes a uniform cents per 100 cubic feet of water adjustment from Appendix B in the event that Montara's rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1983, exceeds the lower of (a) the rate of return found reasonable by the Commission for Citizens-California during the corresponding period in the then most recent rate decision, or (b) 12.04%. Such filing shall comply with GO 96-A. The requested decrease 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 decrease is not in accord with this decision, and the Commission may then modify the decrease.

The effective date of the revised schedule shall be no earlier than January 1, 1984, or 30 days after the filing of the step rate decrease, whichever is later.

4. Before July 1, 1982, Citizens-California shall send the bill insert set out in Appendix D to its Montara Water District customers.

This order is effective today.

Dated MAY 18 1982 , at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. CRAVELLE
LEONARD M. CRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

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>Effective Dates</u>	
	1-1-83	1-1-84
<u>Service Charge</u>		
For 5/8 x 3/4-inch meter	\$ 2.50	\$ -
For 3/4-inch meter	2.75	-
For 1-inch meter	3.75	-
For 1-1/2-inch meter	5.00	-
For 2-inch meter	6.75	-
For 3-inch meter	12.50	-
For 4-inch meter	17.00	-
 <u>Quantity Rates:</u>		
For the first 300 cu. ft., per 100 cu. ft.	\$ 0.51	\$ (0.26)
For all over 300 cu. ft., per 100 cu. ft.	0.75	(0.38)

(Decrease)

(END OF APPENDIX B)

APPENDIX E

<u>1982</u>	<u>Adopted</u>	<u>Distribution</u>
	(Dollars in Thousands)	
Present Rate	\$337.4 <u>1/</u>	\$337.4 <u>1/</u>
Adopted	616.1	506.1
Increase	278.7 (82.6%)	168.7 (50.0%)
 <u>1983</u>		
Present	616.1	506.1
Adopted	616.1 (64.2 <u>a/</u> + 4.5 <u>b/</u>)	684.8
Increase		178.7 (35.3%)
 <u>1984</u>		
Present	616.1	684.8
Adopted	616.1	616.1
Decrease		(68.7) (10.0%)

a/ Deferred amounts:

$$\underline{1982} \ \$278.7 - \$168.7 = \$110.0$$

$$\text{For 7 months: } \$110.0 \times 7/12 = \text{\$64.2}$$

b/ Interest to be recovered in:

$$\underline{1983} \ \$64.2 \times 12.04\% \times 7/12 = \$4.5$$

1/ Based on rates per Advice Letter #183, an offset increase authorized by Resolution W-2809, dated March 17, 1981.

(END OF APPENDIX E)