

Decision 82 12 095 DEC 15 1982**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CALIFORNIA WATER SERVICE COMPANY, a)
 corporation, for an order)
 authorizing it to increase rates)
 charged for water service in the)
 San Carlos District.)

Application 82-03-95
 (Filed March 26, 1982)

McCutchen, Doyle, Brown & Enersen, by
A. Crawford Greene, Attorney at
 Law, and Donald Houck, for
 California Water Service Company,
 applicant.
Lynn T. Carew, Attorney at Law, and
Sung B. Han, 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 San Carlos District to produce annual revenue increases of 25.8% or \$536,800 in 1983, and by additional amounts of 6.5% and 4.1% or \$171,300 and \$114,100, respectively, in 1984 and 1985.

Public hearings on a consolidated record with Application (A.) 82-03-94, A.82-03-96, A.82-03-97, and A.82-03-98 were held before Administrative Law Judge (ALJ) Orville I. Wright in San Francisco on August 2, 3, 4, 5, 6, and 12, 1982. Donald Houck, Barney Tumey, Parker Robinson, and Harold Ulrich presented evidence on behalf of CWS. Oscar David, Donald Yep, Arthur Gallegos, Donald McCrea, Chew Low, Ernst Knolle, Christopher Blunt, and Sung Han presented evidence on behalf of staff.

The matter was submitted with the filing of concurrent briefs on August 31, 1982. Areas of difference between staff and CWS were:

1. Operating revenues.
2. Payroll increases.
3. Postage expense.
4. Tank painting maintenance.
5. Construction budgets.
6. Rate of return.
7. Rate design.
8. Offset proposals.
9. Ordering paragraph revision.

The several areas of difference which are common to each application in this group of CWS districts were discussed and resolved in the East Los Angeles District decision (Decision (D.) 82-11-058, November 17, 1982). Reference is made to that decision and the pertinent text is incorporated here.

Remaining issues are:

1. Operating revenues.
2. Tank painting maintenance.
3. Construction budgets.

Decision Summary

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

	<u>Additional Revenues Requested</u>	<u>Percent Rate Increase</u>	<u>Additional Revenues Adopted</u>	<u>Percent Rate Increase</u>
1983	\$536,800	25.8%	\$388,100	19.1%
1984	171,300	6.5	134,300	5.5
1985	114,100	4.1	91,700	3.6

The table below shows typical bills for residential metered customers at various usage levels at present rates and at rates authorized for 1983:

General Metered Service (5/8 x 3/4) Inch Meters

<u>Monthly Usage</u>	<u>Present Rates</u>	<u>Adopted Rates</u>	<u>Percent Increase</u>
300 cu.-ft.	\$ 4.94	\$ 6.45	30.6%
500	6.78	8.53	25.8
1,000	11.38	13.72	20.6
1,500	15.98	18.92	18.4
2,000	20.58	24.11	17.2
2,500	25.18	29.31	16.4
3,000	29.78	34.50	15.8

Table I shows the adopted summary of earnings at present rates and at the rate levels adopted for test years 1983 and 1984.

TABLE I
CALIFORNIA WATER SERVICE COMPANY
San Carlos District

ADOPTED SUMMARY OF EARNINGS

	<u>Test Year 1983</u>	<u>Test Year 1984</u>
	(Dollars in Thousands)	
<u>Present Rates</u>		
Operating Revenues	2,026.9	2,032.9
<u>Operating Expenses</u>		
Purchased power	116.1	118.7
Purchased water	588.1	589.1
Payroll - District	210.2	224.3
Other O & M	142.9	150.0
Other A&G and misc.	18.4	19.0
Ad valorem taxes - District	56.7	59.8
Payroll taxes - District	14.6	15.4
Depreciation	158.4	167.2
Ad valorem taxes - G.O.	0.9	0.9
Payroll taxes - G.O.	3.9	4.1
Other prorates - G.O.	176.1	188.6
S.M. Prorate	-	3.9
Subtotal	1,486.3	1,541.0
Uncollectibles	2.3	2.3
Local franch. tax & bus. lic.	31.0	31.0
Income taxes before ITC	90.0	50.1
Investment tax credit	(7.7)	(7.7)
Total operating expenses	1,601.9	1,616.7
Net operating revenues	425.0	416.2
Rate base	5,023.4	5,306.5
Rate of return	8.46%	7.84%
<u>Authorized Rates</u>		
Operating revenues	2,415.0	2,556.4
<u>Operating expenses</u>		
Subtotal	1,486.3	1,541.0
Uncollectibles	2.8	2.9
Local franch. tax & bus. lic.	36.9	39.0
Income taxes before ITC	285.3	313.6
Investment tax credit	(7.7)	(7.7)
Total operating expenses	1,803.6	1,888.8
Net operating revenues	611.4	667.6
Rate base	5,023.4	5,306.5
Rate of return	12.17%	12.58%

(Red Figure)

A rate of return on rate base of 12.17% for 1983 and 12.58% for 1984 is found reasonable. Return on equity is 14.5%.

For test year 1983, \$142,400 of the revenue requirement is due to the Economic Recovery Tax Act (ERTA). The effect could increase. We will direct applicant to notify its customers of the ERTA effect on rates. (Appendix D.)

Operating Revenues

For test year 1983, staff's estimates of operating revenues exceed applicant's estimates by \$83,000 at present rates. For 1984 the figure is \$100,000.

Three areas account for the differences: the number of commercial metered customers; industrial sales estimates; and public authority sales.

Staff's independent estimates of the number of commercial metered customers were only slightly higher than applicant's. For 1983 and 1984, staff estimated 9,276 and 9,341, respectively, compared to 9,265 and 9,330 customers estimated by CWS.

Immediately prior to the hearing, CWS revised its customer number estimates to 9,203 for 1983 and 9,243 for 1984 based upon lower-than-expected increases in new customers through June 1982. Applicant states that it does not believe that it is reasonable to project average customers for 1983 and 1984 without giving full consideration to the well-known collapse of the housing industry in California, as evidenced by only a very few added customers during the first six months of 1982.

Staff estimates were supported by inquiry on future growth anticipated by public agencies within CWS service areas, together with the gathering and reviewing of residential construction data.

We think the short-term experience through June 1982 is insufficient to dictate revision of the longer term trends and adopt staff's estimate of commercial metered sales as being the more reasonable.

CWS's original industrial sales estimates were adopted by the staff, but applicant revised its estimates downward based upon recorded data through June 1982 and, in the case of one customer, based upon specific information indicating a substantial change in that customer's usage. GTE Lenkurt, a major industrial water user, announced plans in June 1982 to relocate its San Carlos manufacturing operations in the Southwest, maintaining administrative support operations in the local area. As the manufacturing process is responsible for the great bulk of water consumed, CWS lowered its original estimate to reflect this development.

Staff also sought to verify the effect the Lenkurt relocation decision would have on water usage, but declined to amend its estimate because of the seeming indefiniteness of responses by customer employees contacted. As late as July 21, 1982, however, Lenkurt's corporate secretary confirmed the closing of the plant to applicant's district manager.

We think the weight of the testimony supports the CWS industrial sales estimates, and we will adopt them.

CWS originally estimated public authority sales at 79.4 KCcf for 1983 and 85.1 KCcf for 1984. These estimates were accepted by the staff after review and some customer contact.

CWS supplied new estimates of 67.7 KCcf for 1983 and 70.2 KCcf for 1984 based upon recorded experience through June 1982 and, in this instance, upon reconsideration of the underlying data for earlier years. Least square trend data for the year 1978 through 1981 justify the revised CWS estimates and show that the original company estimates were too high. Recorded 1982 data confirm the validity of the revised estimates.

We adopt applicant's estimates of public authority sales as being more reasonable.

Balancing Account

As of October 31, 1982 (most current data) the balancing account for the San Carlos District was undercollected by \$41,200. Staff recommends: at the time when this decision is to be issued, if the accumulated over- or undercollection of the balancing account exceeds 1% of the adopted gross annual revenues for this district, that the balance be amortized over a one-year period through an appropriate adjustment to quantity rates based on adopted sales. As this recommendation is consistent with the current "Procedures for Maintenance of Balancing Accounts for Water Utilities" adopted by us on September 6, 1978, it will be adopted. At adopted quantities there will be an additional \$0.022/Ccf for test year 1983 only.

Tank Painting Maintenance

Staff recommends deletion of \$2,100 for painting of one tank (Highland No. 1) but its present condition was not fully visible to the staff at the time of inspection.

The record reasonably supports the allowance of this item as a matter of both painting and repair. We will adopt CWS tank painting budgets for San Carlos as reasonable.

Construction Budgets

Staff recommends disallowance of funds for a projected computer-based remote data and control system.

We discussed this issue in our decision in CWS's Palos Verdes District (Application 82-03-94) and adopt the staff recommendation here, as well. This amount is \$152,000 in the 1983 San Carlos District budget.

Staff further recommends the disallowance of \$150,000 in the 1984 budget for specific mains, reducing applicant's planned expenditures from \$315,500 to \$166,500. Staff's adjustment was made after consideration of alternative main replacement programs available to applicant at the recommended reduced program cost for 1984.

Footage and cost of CWS's main replacement history for the years 1978 through 1982, and as estimated for 1983 and 1984, are as follows:

<u>Year</u>	<u>Footage</u>	<u>Cost</u>
1978	5,565	\$186,431
1979	2,815	86,617
1980	3,380	141,155
1981	2,385	122,677
1982	2,850	143,435
1983	1,580	115,500
1984	3,540	316,500

Staff points out that over the last five years, CWS has replaced an average of 2,500 feet of steel mains, that the \$316,500 sought to be adjusted is by far the largest main replacement budget in ten years and is about 2½ times the average budget for the five years before 1984. Staff believes that the 1984 budgeted amount is excessive.

Applicant's evidence shows that it is proposing to replace over 1983 and 1984 only 75% (2,560 feet) of the average 3,399 feet replaced over each of the past five years. Further, CWS argues that, rather than exclude \$150,000 from 1984, staff should reasonably have moved that amount into 1983 because of the computer-based control system recommendation made in that year. According to applicant, a greater amount for main replacements would have been scheduled in 1983 except for the perceived need for the computer-based control system.

Staff additionally argues that CWS has not justified the need for the total budgeted costs in the test years. While applicant justifies its replacement program in part on leak history, staff found leak records to be incomplete and otherwise deficient. For example, applicant indicated that there were 12 leaks on the main line of one street in its system, but staff investigation found that seven of these leaks were on customer service lines only.

We will adopt staff's adjustment to the 1984 budget with the expectation that CWS will work to improve its leak history records.

Findings of Fact

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test years 1983 and 1984 are reasonable.

2. A rate of return of 12.17% on the adopted rate base of \$5,023,400 for test year 1983 is consistent with rates of return set for other CWS districts and is reasonable.

3. A rate of return of 12.58% on the adopted rate base of \$5,306,500 for test year 1984 reflects changes in the cost of capital and is reasonable.

4. CWS's earnings under present rates for test year 1983 would produce net operating revenues of \$425,000 on a rate base of \$5,023,400 based on the adopted results of operations, resulting in a rate of return of 8.46%.

5. CWS's earnings under present rates for test year 1984 would produce net operating revenues of \$416,200 on a rate base of \$5,306,500 based on the adopted results of operations, resulting in a rate of return of 7.84%.

6. The authorized increases in rates are expected to provide annual increases in revenues of \$388,100 in 1983, \$134,300 in 1984, and \$91,700 in 1985.

7. Operational attrition on the basis of adopted rates is 0.81% and financial attrition is 0.02% for 1985.

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

9. The increases in rates and charges authorized for the year 1983 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.

10. Increases in rates authorized for 1984 and 1985 in Appendixes B and C are required to offset attrition in earnings and are reasonable.

11. The adopted rate design will limit the impact on individual customers and is nondiscriminatory.

12. There is insufficient evidence to justify the expenditure of \$152,000 in 1983 for a computer-based remote data and control system in this district.

13. There is sufficient evidence to justify the expenditure of only \$166,500 in 1984 for main replacements rather than the \$315,500 budgeted by CWS.

14. The orderly transition to the increased rates and charges authorized here to be effective January 1, 1983 necessitates that this order be given immediate effect.

15. As of October 31, 1982, the balancing account for the San Carlos District was undercollected by \$41,200.

Conclusion of Law

The application should be granted to the extent provided by the following order.

O R D E R

IT IS ORDERED that:

1. California Water Service Company (CWS) is authorized to file the revised schedules attached to this order as Appendix A and to concurrently cancel its present schedules for such service. This filing shall comply with General Order (GO) Series 96. The effective date of the revised schedules shall be 4 days after the date of filing, but not earlier than January 1, 1983. The revised schedules shall apply only to service rendered on and after their effective date.

2. After CWS has completed its 1983 refinancing of its Series T Bonds, CWS shall file an advice letter, with appropriate workpapers, requesting changes in the authorized step rates for 1984 and 1985 to reflect the changes in the adopted rates of return for 1984 and 1985 resulting from actual 1983 refinancing costs of Series T Bonds differing from those costs adopted in this decision. Staff shall review the refinancing costs of the Series T Bonds and determine whether the refinancing costs are prudent. If staff finds that the refinancing costs are prudent, the revised rates of return for 1984 and 1985 shall be determined by substituting the actual 1983 refinancing costs of the Series T Bonds for the estimated costs adopted in order to derive the revised embedded debt costs for each of the two years. All other ratios, cost factors, and weighting factors adopted in this decision shall be used in calculating the revised rates of return. Changes in revenues for each year shall be calculated by multiplying the 1984 adopted rate base by the change in rate of return less the offsetting income tax effect due to the change in the embedded cost of debt for 1984. The resulting change in net revenues shall then be multiplied by the adopted net-to-gross multiplier to arrive at the change in gross revenues. The revised step rates resulting from the above determinations shall become effective on the date the authorized step rates would normally become effective, or on the date the changes in rates authorized in this ordering paragraph are approved by the Commission, whichever is later.

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 San Carlos District 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 CWS during the corresponding period in the then most recent rate decision, or (b) 12.17%. Such filing shall comply with GO 96-A. The requested step rates shall be reviewed by staff and shall go into effect upon staff's determination that they conform with this order. But 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. On or after November 15, 1984, 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 San Carlos District 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, 1984, 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) 12.58%. Such filing shall comply with GO 96-A. The requested step rates shall be reviewed by staff and shall go into effect upon staff's determination that they conform with this order. But 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, 1985, or 30 days after the filing of the step rates, whichever is later.

5. The utility is authorized to include an additional charge of \$0.022/Ccf to its quantity rates for the year 1983 only, to amortize the undercollection in the balancing account.

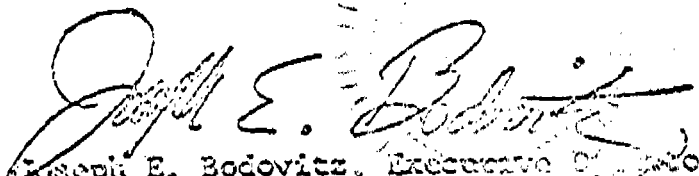
6. Before January 31, 1983, CWS shall send the bill insert in Appendix D to its San Carlos District customers.

This order is effective today.

Dated DEC 15 1982, at San Francisco, California.

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

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


Joseph E. Bodovitz, Executive Director

APPENDIX A
Page 1

Schedule No. SC-1
San Carlos Tariff Area
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

San Carlos and vicinity, San Mateo County.

RATES

Service Charge:	Per Meter Per Month	
For 5/8 x 3/4-inch meter	\$ 4.35	(I)
For 3/4-inch meter	7.00	
For 1-inch meter	9.50	
For 1 1/2-inch meter	13.30	
For 2-inch meter	17.00	
For 3-inch meter	32.00	
For 4-inch meter	43.00	
For 6-inch meter	72.00	
For 8-inch meter	106.00	
For 10-inch meter	132.00	

Quantity Rates:

For the first 300 cu. ft., per 100 cu. ft.700	
For the next 29,700 cu. ft., per 100 cu. ft.	1.039	
For all over 30,000 cu. ft., per 100 cu. ft.896	(I)

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.

SPECIAL CONDITION

Due to the undercollection in the balance account, a charge of \$0.022 per Ccf of water usage is to be added to the quantity rates to amortize the undercollection for 1983 only.

APPENDIX A
Page 2

Schedule No. SC-4

San Carlos Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

San Carlos and vicinity, San Mateo County.

RATES

	<u>Per Month</u>	
For each 1½-inch connection	\$ 4.15	(I)
For each 2-inch connection	5.50	
For each 3-inch connection	8.25	
For each 4-inch connection	11.00	
For each 6-inch connection	16.50	
For each 8-inch connection	22.00	
For each 10-inch connection	27.50	(I)

(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>Effective Dates</u>	
	<u>1-1-84</u>	<u>1-1-85</u>
<u>SCHEDULE EL-1</u>		
Service Charges:		
For 5/8 x 3/4-inch meter	\$0.25	\$0.15
For 3/4-inch meter	0.40	0.30
For 1-inch meter	0.50	0.40
For 1½-inch meter	0.70	0.50
For 2-inch meter	1.00	0.50
For 3-inch meter	2.00	1.00
For 4-inch meter	2.00	2.00
For 6-inch meter	4.00	3.00
For 8-inch meter	6.00	4.00
For 10-inch meter	7.00	5.00
Quantity Rates:		
For the first 300 cu. ft., per 100 cu. ft.	0.039	0.027
For the next 29,700 cu. ft., per 100 cu. ft.	0.058	0.040
For all over 30,000 cu. ft., per 100 cu. ft.	0.034	0.038

SCHEDULE EL-4

Rates:

For each 1½-inch connection	0.35	0.00
For each 2-inch connection	0.50	0.00
For each 3-inch connection	0.75	0.00
For each 4-inch connection	1.00	0.00
For each 6-inch connection	1.50	0.00
For each 8-inch connection	2.00	0.00
For each 10-inch connection	2.50	0.00

(END OF APPENDIX B)

APPENDIX C

Page 1

ADOPTED QUANTITIES: WATER PRODUCTION

Company: California Water Service Co.
 District: San Carlos District

	<u>1983</u>	<u>1984</u>
1. Water Production: KCcf	1,936.9	1,940.1
All water purchased. Assumed loss=5.6%		
2. <u>Purchased Power</u>	Supplier: PG&E	Date: 5-82
<u>Booster Stations</u>		
Total Production - MG	1,449.0	1,451.4
kWh per MG	982	1,002
Req'd kWh, Boosters	1,422,913	1,454,292
kWh Unit Cost	\$ 0.08159	\$ 0.08159
Total Cost	\$ 116,095	\$ 118,656
3. <u>Purchased Water</u>		
Production MG	1,449.0	1,451.4
Ccf	1,936,900	1,940,100
Unit Cost	\$ 0.3036	\$ 0.3036
Total Cost	\$ 588,043	\$ 589,014

APPENDIX C
Page 2

ADOPTED QUANTITIES

4. <u>Number of Services-Water Size:</u>		<u>1983</u>	<u>1984</u>		
5/8 x 3/4		7,723	7,777		
3/4		5	5		
1		1,471	1,482		
1-1/2		85	85		
2		144	144		
3		12	12		
4		8	8		
6		4	4		
8		0	0		
		<u>9,452</u>	<u>9,517</u>		
5. <u>Metered Water Sales:</u>		<u>1983</u>	<u>1984</u>		
<u>Range Ccf</u>		<u>Usage Ccf</u>	<u>Usage Ccf</u>		
0 - 3		322,100	324,300		
4 - 300		1,304,500	1,312,900		
300		201,800	194,300		
Total		<u>1,828,400</u>	<u>1,831,500</u>		
6. <u>Number of Services:</u>					
	<u>No. of Services</u>	<u>Usage-KCcf</u>	<u>Avg. Usage-Ccf/yr.</u>		
	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>
Commercial	9,276	9,341	1,533.3	1,544.1	165.3
Industrial	103	103	202.0	191.2	1,961.2
Public Authority	62	62	67.7	70.2	1,091.9
Other	11	11	25.4	26.0	2,309.1
subtotal	<u>9,452</u>	<u>9,517</u>	<u>1,828.4</u>	<u>1,831.5</u>	<u>2,363.6</u>
Private Fire Prot.	<u>131</u>	<u>134</u>			
Total	<u>9,583</u>	<u>9,651</u>			
Water Loss:5.6%			<u>108.5</u>	<u>108.6</u>	
Total Water Produced			<u>1,936.9</u>	<u>1,940.1</u>	

APPENDIX C

Page 3

INCOME TAX CALCULATION

	<u>1983</u> (Thousands of Dollars)	<u>1984</u> (Thousands of Dollars)
Operating Revenue (Authorized)	\$2,415.0	\$2,556.4
<u>O&M Expense</u>		
Purchased Power	116.1	118.7
Purchased Water	588.1	589.1
Payroll-District	210.2	224.3
Other O&M	142.9	150.0
Other A&G	18.4	19.0
G O Allocation	180.9	197.5
Subtotal	<u>1,256.6</u>	<u>1,298.6</u>
Uncollectibles @ 0.115%	2.8	2.9
Franchise @ 1.527%	36.9	39.0
Taxes Other	71.3	75.2
Transportation Depr. Adj.	(4.3)	(4.9)
Soc. Sec. Taxes Capitalized	2.5	2.7
Interest	<u>258.7</u>	<u>297.2</u>
Total Deductions	<u>1,624.5</u>	<u>1,710.7</u>
State Tax Depreciation	275.9	288.7
Net Taxable Income	514.6	557.0
State Corp. Franch. Tax @ 9.6%	49.4	53.5
Federal Tax Depreciation	224.6	223.1
State Income Tax	49.4	53.5
Pref. Stock Div. Credit	1.4	1.4
Net Taxable Income	515.1	567.7
Fed. Income Tax @ 46%	236.9	261.1
Less Grad. Tax Adj.	0.6	0.6
Less Invol. Conv. Adj.	0.4	0.4
Total Federal Income Tax	235.9	260.1
Total Income Tax	285.3	313.6

Net to Gross Multiplier: 2.0827

Book Depreciation: \$158,400 (1983); \$167,200 (1984).

(Red Figure)

(END OF APPENDIX C)

APPENDIX D

Bill Insert for San Carlos District Customers
of California Water Service Company

N O T I C E

\$142,400 of the recent rate increase granted to California Water Service Company for its San Carlos District was made necessary by changes in tax laws proposed by the President and passed by Congress. 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)

Balancing Account

As of October 31, 1982 (most current data) the balancing account for the San Carlos District was undercollected by \$41,200. Staff recommends: at the time when this decision is to be issued, if the accumulated over- or undercollection of the balancing account exceeds 1% of the adopted gross annual revenues for this district, that the balance be amortized over a one-year period through an appropriate adjustment to quantity rates based on adopted sales. As this recommendation is consistent with the current "Procedures for Maintenance of Balancing Accounts for Water Utilities" adopted by us on September 6, 1978, it will be adopted. At adopted quantities there will be an additional \$0.022/Ccf for test year 1983 only.

VKa

Tank Painting Maintenance

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Staff further recommends the disallowance of \$150,000 in the 1984 budget for specific mains, reducing applicant's planned expenditures from \$315,500 to \$166,500. Staff's adjustment was made after consideration of alternative main replacement programs available to applicant at the recommended reduced program cost for 1984.