

Decision No. 87335

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 consolidate its Hamilton City )  
district with its Chico district for )  
all purposes and for an order )  
authorizing it to increase rates )  
charged for water service in the new )  
consolidated district, including the )  
Chico area and the Hamilton City area.)

Application No. 56186  
(Filed January 9, 1976)

McCutchen, Doyle, Brown & Enersen, by Crawford Greene,  
Attorney at Law, for applicant.  
Katie L. Richardson, for herself, interested party.  
Lionel B. Wilson, Attorney at Law, and Jasjit Sekhon,  
for the Commission staff.

INTERIM OPINION

Applicant California Water Service Company seeks authority to consolidate its Hamilton City District and Chico District and to increase rates for water service in the resulting consolidated district. The proposed rates would increase revenues by a total of \$293,000, or 24 percent. Public hearing was held before Examiner Gilman in Hamilton City on November 8, 1976 and in Chico on November 9, 1976. Copies of the application had been served; notice of filing of the application published and mailed to customers; and notice of

hearing published, mailed to customers, and posted, in accordance with this Commission's rules of procedure. The matter was submitted for an interim opinion on October 25, 1976, subject to filing by applicant of a proposed decision draft by November 19, 1976. At the conclusion of the hearing, no issues concerning rates remained to be resolved in the interim decision draft.

Testimony on behalf of applicant<sup>1/</sup> was presented by its vice president. A total of twenty customers attended the two hearings. Three of the customers made statements. Staff counsel interviewed the other customers and summarized their statements. The Commission staff presentation<sup>1/</sup> was made through two engineers.

Service Area and Water System

Applicant owns and operates water systems in twenty-two districts in California. Its Hamilton City District service area comprises the unincorporated community of Hamilton City in Glenn County. Its Chico District consists of the city of Chico and unincorporated areas of Butte County adjacent to the city limits. Both service areas are relatively flat. Total population served is estimated at 1,200 for the Hamilton City system and 34,700 for the Chico system.

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<sup>1/</sup> Testimony applicable to overall company operations was presented by witnesses for applicant and the staff in Application No. 56134, the East Los Angeles District rate proceeding. This testimony was incorporated by reference in Application No. 56186.

The entire supply for the Hamilton City system is normally obtained from three company-owned wells. The wells are equipped with electrically driven pumps, automatically controlled by pressure switch, time clock, or tank level control. One of the well pumps is equipped with an auxiliary engine drive for use in the event of electric power failure. An emergency supply of water is available through a standby connection with the separate well supply of Holly Sugar Company. A 25,000-gallon elevated tank establishes system pressure and provides storage for periods of peak use. The distribution system includes about six miles of distribution mains, ranging in size up to 6 inches.

The entire supply for the Chico system is obtained from 47 company-owned wells. The wells are equipped with electrically driven pumps, automatically controlled by pressure switches. Ten of the well pumps are equipped with auxiliary engine drives for use in the event of electric power failure. Four elevated tanks with a combined capacity of 850,000 gallons establish system pressure and provide storage for periods of peak use. The distribution system includes about 160 miles of distribution mains, ranging in size up to 14 inches.

#### Service

An investigation of applicant's operations, service, and facilities in its Hamilton City and Chico Districts was made by the Commission staff. The staff reported that, during the period from January 1, 1975 through June 1976, there were no informal complaints to the Commission from the Hamilton City District and only two informal complaints from the Chico District. During that same period, customer complaints made directly to applicant consisted of one water quality complaint in Hamilton City and 66 miscellaneous complaints in Chico.

The one customer at the hearing who had a service problem was a Chico resident who complained of inadequate flow of water in his home when yard sprinklers were on. An investigation by applicant's personnel during the noon recess disclosed that a flow of 40 gallons per minute (gpm) was available at the point of service near the customer's property line but only 9 gpm at the house. A 60-foot run of the customer's own old piping restricts the flow. The customer now plans to replace it.

Because the maximum static water pressure from the Hamilton City elevated tank is 39 pounds per square inch (psi), and during periods of peak demand the normal friction losses in the system piping reduce the pressures somewhat below that, the system pressures do not meet the 40 psi minimum now prescribed by revised General Order No. 103 for new system construction. With the installation of the third Hamilton City well and pressure controls subsequent to the staff's field trip in July, the pressure throughout the system will be maintained well above the 25 psi minimum formerly prescribed by the General Order.

Applicant's witness presented testimony in support of applicant's position that it would be a financial burden to the Hamilton City customers to attempt to raise the normal system pressures to a 40 psi minimum prior to the replacement of the present elevated tank when it reaches the normal end of its useful life. The staff concedes that bringing the present pressure levels up to General Order No. 103 standards will be uneconomical as far as the residents of Hamilton City are concerned and, further, that in terms of actual costs, applicant has made a significant investment to improve the service pressure in Hamilton City. Nevertheless, it is the staff's position that the utility should periodically reevaluate the problem of replacing its elevated storage tank, and whenever economically feasible it should consider installing a tank designed to raise the system pressure.

We think the staff proposal inappropriate. The company witness has expressed his professional opinion that it will not be economically feasible to replace the existing tank at any time in the near future; he also testified that it would not be physically feasible to increase present pressure levels by adding a hydropneumatic tank. His testimony was highly credible and not countered by the staff. The burden of convincing the Commission has now shifted to the staff. If it wishes to raise this issue in the future, it will be expected to advance a plan of its own, demonstrating that it is physically possible to produce the desired pressure increase. Further we believe that it should make enough of a cost-benefit analysis so that those directly affected can tell whether or not the project is worthwhile.

#### Rates

Applicant's present tariffs for these two districts consist primarily of schedules for general metered service, residential flat rate service, and public fire hydrant service.

Applicant proposes to consolidate and increase its rates for general metered service and residential flat rate service and to modify its rates for public fire hydrant service to implement the provisions of Section VIII.4., "Fire Hydrant Agreement" of General Order No. 103. That section provides for agreements between the water utility and fire protection agencies. It further provides:

"If such agreement between the utility and the agency provides that the agency thereafter shall maintain or cause to be maintained and install or cause to be installed all fire hydrants, starting with the tee in the main, and shall supply or cause to be supplied all labor and materials for all new hydrants on new or existing mains, the agency shall be relieved of hydrant service charges."

The following Table I presents a comparison of applicant's present and proposed rates for general metered service and flat rate service, together with those authorized herein:

TABLE I.

Comparison of Monthly Rates

<u>GENERAL METERED SERVICE</u>	<u>Present Rates</u>		<u>Chico-Hamilton City District Rates</u>		
	<u>Hamilton City</u>	<u>Chico</u>	<u>Proposed</u>		
	<u>Area</u>	<u>Area</u>	<u>For 1977</u>	<u>After 1977</u>	<u>Authorized</u>
Minimum Charge <sup>a/</sup> or Service Charge <sup>b/</sup> :					
For 5/8 x 3/4-inch meter .....	\$ 2.83	\$ 3.04	\$ 3.71	\$ 3.77	\$ 3.04
For 3/4-inch meter .....	3.35	3.35	4.08	4.15	4.15
For 1-inch meter .....	4.13	4.57	5.56	5.66	5.66
For 1 1/4-inch meter .....	5.69	-	-	-	-
For 1 1/2-inch meter .....	7.25	6.39	7.79	7.92	7.92
For 2-inch meter .....	12.51	8.22	10.02	10.18	10.18
For 3-inch meter .....	18.89	15.22	18.55	18.85	18.85
For 4-inch meter .....	25.49	20.70	25.23	25.64	25.64
For 6-inch meter .....	-	34.40	41.92	42.60	42.60
For 8-inch meter .....	-	51.15	62.33	63.34	63.34
For 10-inch meter .....	-	63.32	77.17	78.42	78.42

## Quantity Rates:

First 1,000 cu.ft. or less (minimum charge rates) .....	2.83	-	-	-	-
First 500 cu.ft., per 100 cu.ft. (service charge rates) .....	-	.144	.172	.176	.144
Next 500 cu.ft., per 100 cu.ft. (service charge rates) .....	-	.144	.172	.176	.178
Next 3,000 cu.ft., per 100 cu.ft. ..	.208	.144	.172	.176	.178
Next 6,000 cu.ft., per 100 cu.ft. ..	.148	.144	.172	.176	.178
Over 10,000 cu.ft., per 100 cu.ft. ..	.088	.144	.172	.176	.178

a/ Present Hamilton City rates only. The Minimum Charge will entitle the customer to the quantity of water which that Minimum Charge will purchase at the Quantity Rates.

b/ Excluding present Hamilton City rates. 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.

(Continued)

TABLE I  
(Continued)

	<u>Present Rates</u>		<u>Chico-Hamilton City District Rates</u>		
	<u>Hamilton City</u>	<u>Chico</u>	<u>Proposed</u>		<u>Authorized</u>
	<u>Area</u>	<u>Area</u>	<u>For 1977</u>	<u>After 1977</u>	
<u>FLAT RATE SERVICE</u>					
Single-family residential unit, including premises having the following areas:					
6,000 sq.ft. or less .....	\$ 5.20	\$ 5.96	\$ 7.12	\$ 7.25	\$ 7.15
6,001 to 10,000 sq.ft. ....	6.07	6.94	8.31	8.46	8.33
10,001 to 16,000 sq.ft. ....	7.10	8.13	9.73	9.91	9.76
16,001 to 25,000 sq.ft. ....	8.95	10.25	12.27	12.50	12.30
Each additional single-family unit .....	3.75	4.29	5.12	5.21	5.15
Each public school or park in Hamilton City .....	26.95	-	33.40	34.03	32.38

Applicant's studies show that in Hamilton City an average commercial customer (business and residential) uses about 34,000 cubic feet of water per year, or 28 Ccf (hundreds of cubic feet) per month. For a customer with a standard 5/8 x 3/4-inch meter, the charge for that quantity of water under present rates is \$6.57 per month. At applicant's proposed rates for the year 1977, the corresponding monthly charge would be \$8.53, or 30 percent higher than under present rates. At applicant's proposed rates for subsequent years, the corresponding monthly charge would be \$8.70, or 32 percent higher than under present rates. At the rates authorized herein, the corresponding monthly charge will be \$7.85, or 19 percent higher than under present rates.

Applicant's studies show that in Chico an average commercial customer (business and residential) uses about 62,000 cubic feet of water per year, or 52 Ccf per month. For a customer with a standard 5/8 x 3/4-inch meter, the charge for that quantity of water under present rates is \$10.53 per month. At applicant's proposed rates for the year 1977, the corresponding monthly charge would be \$12.65, or 20 percent higher than under present rates. At applicant's proposed rates for subsequent years, the corresponding monthly charge would be \$12.92, or 23 percent higher than under present rates. At the rates authorized herein, the corresponding monthly charge will be \$12.13, or 15 percent higher than under present rates.

A typical flat-rate residential customer in either Hamilton City or Chico has premises which fall within the 6,001 to 10,000-square foot bracket. The present monthly charge for that lot size is \$6.07 in the Hamilton City area and \$6.94 in the Chico area. At applicant's proposed rates for the year 1977, the corresponding monthly charge would be \$8.31, or 37 percent higher in Hamilton City and 20 percent higher in Chico than under present rates. At

applicant's proposed rates for subsequent years, the corresponding monthly charge would be \$8.46, or 39 percent higher in Hamilton City and 22 percent higher in Chico than under present rates. At the rates authorized herein, the corresponding monthly charge will be \$8.33, or 37 percent higher in Hamilton City and 20 percent higher in Chico than under present rates.

#### Results of Operation

Witnesses for applicant and the Commission staff have analyzed and estimated applicant's operational results. Summarized in the following Table II, based upon Exhibit 15, the final reconciliation exhibit sponsored jointly by applicant and the staff, are the estimated results of operation for the test year 1977, under present rates and under those proposed by applicant for the year 1977.

Applicant's original estimates were completed in October 1975. Between then and the completion date of the staff's exhibit, several changes took place in rates for purchased power, ad valorem taxes, and other expenses, some of which have been reflected in offset increases in applicant's rates. Also, additional information became available as to actual numbers of customers, year-end 1975 plant balances, and other recorded data. In addition, another full year's weather data became available for use in adjusting recorded consumption to normal weather conditions. Further, a standardized method of estimating normal consumption by use of computer technology in lieu of the formerly accepted graphical method has been developed recently by a joint committee of industry and Commission staff representatives.

Instead of amending the estimated summaries of earnings each time a change took place and each time later data became available, applicant kept the Commission staff advised of changes and new data so they could be reflected in the staff's estimates. When the staff exhibits were distributed, applicant checked the staff's independent estimates for reasonableness and adopted those portions on which there were no issues. Staff estimates with which applicant disagreed were pointed out to the staff, who then reviewed those items and revised the estimates. That left no issue to be resolved with respect to summary of earnings, as shown on Table II.

TABLE II  
Reconciliation of Applicant's and Staff's Summary of Earnings,  
Test Year 1977  
(Dollars in Thousands)

Item	Applicant's Estimates		Both Estimates	Staff's	Estimates
	Original (a)	Change (b)	Modified (c)	Change (d)	Original (e)
<u>PRESENT RATES</u>					
Operating Revenues	\$1,210.9	\$ 59.7	\$1,270.6	\$ -	\$1,270.6
<u>Operating Expenses</u>					
Operation & Maintenance	413.5	56.9	470.4	33.5	436.9
Admin. & General Misc.	35.4	(2.1)	33.3	-	33.3
Taxes Other Than Income	140.1	4.9	145.0	0.7	144.3
Depreciation	143.5	(4.3)	139.2	-	139.2
Amortiz. SCFT	3.3	(3.3)	0.0	-	0.0
G.O. Prorated Expenses	116.4	(4.5)	111.9	-	111.9
Income Taxes	<u>16.2</u>	<u>8.2</u>	<u>24.4</u>	<u>(17.5)</u>	<u>41.9</u>
Total Expenses	868.4	55.8	924.2	16.7	907.5
Net Operating Revenues	342.5	3.9	346.4	(16.7)	363.1
Deprec. Rate Base	4,638.8	(96.9)	4,541.9	-	4,541.9
Rate of Return	7.38%	0.25%	7.63%	(0.36)%	7.99%
<u>PROPOSED RATES</u>					
Operating Revenues	\$1,467.8	\$ 55.4	\$1,523.2	-	\$1,523.2
<u>Operating Expenses</u>					
Operation & Maintenance	413.5	56.9	470.4	33.5	436.9
Admin. & General Misc.	35.4	(2.1)	33.3	-	33.3
Taxes Other Than Income	140.1	4.9	145.0	1.7	143.3
Depreciation	143.5	(4.3)	139.2	-	139.2
Amortiz. SCFT	3.3	(3.3)	0.0	-	0.0
G.O. Prorated Expenses	116.4	(4.5)	111.9	-	111.9
Income Taxes	<u>151.6</u>	<u>5.9</u>	<u>157.5</u>	<u>(17.5)</u>	<u>175.0</u>
Total Expenses	1,003.8	53.5	1,057.3	17.7	1,039.6
Net Operating Revenues	464.0	1.9	465.9	(17.7)	483.6
Deprec. Rate Base	4,638.8	(96.9)	4,541.9	-	4,541.9
Rate of Return	10.00%	0.26%	10.26%	(0.39)%	10.65%

(Red Figure)

(Footnotes to Table II on next page)

TABLE II  
(Footnotes)

- (a) Applicant's estimates, summarized on staff's Exhibit 13, Page 1, Lines 15-27.
- (b) Effect of applicant's adoption of staff's modified estimates.
- (c) Modified applicant's estimates, consisting of the sum of Columns (a) and (b) of this table, and modified staff's estimates, consisting of the sum of Columns (d) and (e) of this table.
- (d) Effect of staff's adjustments to the August 27, 1976 PG&E Co. power rates, to payroll expense and to taxes other than on income.
- (e) Staff's estimates, summarized in staff's Exhibit 13, Page 1, Lines 15-27.

Consumption Per Commercial Customer

Applicant's original consumption estimates of 376.7 Ccf in Hamilton City and 664.7 Ccf in Chico per commercial metered customer for the year 1977 were based upon a preliminary proposed method of estimating then being considered by the joint committee of industry and Commission staff representatives hereinbefore mentioned. Subsequently, certain improvements and modifications were incorporated in the final method adopted by the committee. The staff applied that final method to total metered commercial consumption and updated weather statistics. Using that method, the estimate of probable normal annual consumption per commercial metered customer is 344.0 Ccf in Hamilton City and 616.9 Ccf in Chico. Applicant concurred with the staff estimates so, in this proceeding, there is no issue on this subject.

Water Conservation

Applicant presented, as Exhibit 3, a comprehensive review of its efforts to effect water conservation.

Applicant's witness testified that part of the present program has been in effect for several years. Although it is impossible to separate the effects of this program from all other possible causes of the changes in normal consumption per customer, the witness stated that, in his opinion, at least a portion of the change in usage can reasonably be attributed to the conservation program.

In this regard, we note that, in most districts, the general trend in usage per commercial customer was upward until about the year 1970 and downward since that year.

Rate of Return

The appropriate rate of return for applicant's operations is discussed in detail in the decision on Application No. 56159, relating to applicant's East Los Angeles District. In that decision, we concluded that the staff recommendation of a 9.85 percent return on rate base and 12.78 percent return on common stock equity strikes a reasonable balance between (1) consumer interests in the lowest rates possible consistent with the rendering of good water service, and (2) applicant's financial needs.

Trend in Rate of Return

Applicant's Exhibit 8 shows that, for a test period from 1975 through 1978, if the present water rates remain unchanged except for offset rate changes to cover such things as changes in wage rates, tax rates, and rates for purchased water and power (those items normally subject to advice letter offsets) an average annual decline of 0.28 percent per year would still be expected. Applicant's exhibit does not show the corresponding decline at the proposed rates because those rates incorporate step increases designed to just offset the decline that otherwise would occur. The staff's Exhibit 12 shows a decline of 0.41 percent between the test years 1976 and 1977 at present rates and a corresponding decline of 0.51 percent if applicant's 1977 proposed rates were applied to both years. The staff recommended against step rates but recommended that a 0.28 percent attrition in the rate of return attributed to large increases in rate base be considered in setting rates for this district. Applicant's witness stated that, although he felt the step rates were somewhat more equitable, he took no issue with the staff's recommendation.

In some prior decisions in rate proceedings involving other districts of applicant, the apparent future trend in rate of return has been offset by a single level of rates designed to produce, on the average over several years, the rate of return found reasonable. In other decisions, the Commission authorized step rates designed to maintain, in each of several future years, the rate of return found reasonable. In view of the staff's stated policy against step rates, and applicant's acquiescence to single-level rates which would produce the same result as step rates over a given period, we will deny applicant's original request for step rates.

The rate increase authorized herein will not be in effect for any part of the year 1976. With the indicated future trend in rate of return, the 10.13 percent return for the test year 1977 under the level of rates authorized herein should produce rates of return of 10.13 percent, 9.85 percent, and 9.57 percent respectively, for 1977, 1978, and 1979, or an average rate of return of 9.85 percent for the three-year period.

#### Pending Investigation

Comprehensive studies have been and are being made by the Commission staff of officers' salaries and expense reimbursements of many major California utilities. At the time of submission of this application for an interim decision, the staff had commenced, but not yet completed, such a study applicable to applicant's operations. At hearings held in San Francisco on November 30 and December 2 and 3, 1976 in Application No. 56186, applicant's Chico-Hamilton City District rate proceeding, the staff's studies and applicant's response were presented. The maximum adjustments resulting from this additional evidence would have a minimal effect upon the rates authorized herein. It would therefore not be reasonable to delay this decision to await careful review by the Commission of the additional evidence. Applicant stipulated that

the maximum staff adjustment could be reflected in the six rate proceedings now pending. If such adjustment is later found to be inappropriate by a final order in Application No. 56186, applicant offered to forego the additional revenue requirement until such time as it must again seek rate relief for other reasons. Pursuant to applicant's stipulation, the minor adjustment recommended by one of the staff witnesses will be incorporated in the summary of earnings at authorized rates.

Summary of Earnings at Authorized Rates

The following Table III is derived from Column (c) of Table II, modified to reflect the rates authorized herein in lieu of applicant's present rates and expanded to show a more detailed breakdown of the various items of revenues and expenses:

TABLE III

Summary of Earnings - Test Year 1977

(Dollars in Thousands)

<u>Item</u>	<u>Applicant @ Present Rates</u>	<u>Authorized Changes</u>	<u>Adopted Rates</u>
<u>Operating Revenues</u>			
Metered	\$ 423.7	\$ 82.5	\$ 506.2
Commercial & Public Authorities Flat Rate	827.2	167.6	994.8
Fire Protection & Miscellaneous	19.7	(11.9)	7.8
Total Revenues	<u>1,270.6</u>	<u>238.2</u>	<u>1,508.8</u>
<u>Operating Expenses</u>			
<u>Oper. &amp; Maint., Admin. &amp; Gen'l. &amp; Misc.</u>			
Purchased Water	0.3	-	0.3
Purchased Power	215.0	-	215.0
Total Payroll	198.0	-	198.0
Other Operation & Maintenance	76.5	-	76.5
Other Admin. & Gen'l. & Misc.	13.9	-	13.9
Total Oper. & Maint., Admin. & Gen'l. & Misc.	<u>503.7</u>	-	<u>503.7</u>
<u>Taxes Other Than on Income</u>			
Ad Valorem	122.9	-	122.9
Local Taxes	9.5	-	9.5
Payroll Taxes	12.6	-	12.6
Total Taxes Other Than on Income	<u>145.0</u>	-	<u>145.0</u>
Depreciation	139.2	-	139.2
<u>G.O. Prorated Expenses</u>			
Payroll - Union Contract	19.8	-	19.8
- Other	22.6	(2.0)*	20.6
- Total Payroll	<u>42.4</u>	<u>(2.0)</u>	<u>40.4</u>
Payroll Taxes	3.1	-	3.1
Other G.O. Prorated Expenses	66.4	-	66.4
Total G.O. Prorated Expenses	<u>111.9</u>	<u>(2.0)</u>	<u>109.9</u>
Subtotal	<u>899.8</u>	<u>(2.0)</u>	<u>897.8</u>

(Red Figure)

\* Adjustment recommended by staff compensation witness.

(Continued)

TABLE III  
(Continued)

<u>Item</u>	<u>Applicant @ Present Rates</u>	<u>Authorized Changes</u>	<u>Adopted Rates</u>
<u>Income Taxes</u>			
Income Taxes Before Invest. Tax Credit	\$ 54.4	\$126.5	\$ 180.9
Investment Tax Credit @ 10%	(30.0)	-	(30.0)
Total Income Taxes	<u>24.4</u>	<u>126.5</u>	<u>150.9</u>
Total Operating Expenses	924.2	124.5	1,048.7
Net Operating Revenues	346.4	113.7	460.1
Depreciated Rate Base	4,541.9	-	4,541.9
<u>Rate of Return</u>			
Before Attrition Adjustment	7.63%	2.50%	10.13%
Attrition Adjustment	-	(0.28)	(0.28)
After Attrition Adjustment	<u>7.63%</u>	<u>2.22%</u>	<u>9.85%</u>

(Red Figure)

The more detailed breakdown in Table III will provide a basis for review of future advice-letter requests for rate increases or decreases to offset changes not reflected in either the test year 1977 or in the trend in rate of return adopted as the basis for the rates authorized herein.

The purchased power rates are the current rates which became effective August 27, 1976. The wage rates used for union employees are the 1977 contract rates already established. When wage rates for other employees are established, any adjustment will presumably be the subject of part of the expense changes to be offset by future advice-letter requests. Applicant took no exception to this procedure. The composite effective ad valorem tax rate of 2.440 percent of the dollars of beginning-of-year net plant plus materials and supplies is that applicable to the fiscal year 1975-76. The payroll tax rates and coverages are the current ones which became effective January 1, 1976.

Butte County and the city of Chico (but not the fire protection agency in Hamilton City) have availed themselves of the provisions of General Order No. 103 which relieve the fire protection agency from monthly charges for public fire hydrant service under specific conditions set forth in detail in the general order. The Butte County's and Chico's fire protection agencies serve essentially all of applicant's Chico District. This will result in the loss of \$11,900 in 1977 revenues, with no offsetting decrease in operation and maintenance expenses. This is reflected in the "Authorized Changes" column of Table III. The agreements provide that they shall become effective concurrently with the effective date of the rate increases authorized in this proceeding.

Lifeline Rates

The staff suggested in Exhibit 13 that the present Chico rate for the first 500-cubic foot (lifeline) block and the service charge for a 5/8 x 3/4-inch meter not be increased. The company did not oppose the proposal. The rates authorized herein implement that suggestion.

Consolidation of Districts

The Hamilton City and Chico systems are operated by the same personnel, utilize the same type of well sources, and have pressures stabilized by means of the same types of elevated storage tanks. The utility's investment per customer in plant to serve the public is reasonably comparable, although somewhat higher in Hamilton City than in Chico. Applicant proposes to consolidate the two districts.

A principal concern of some Hamilton City residents is that consolidation with the Chico District would hinder any future acquisition of the Hamilton City system by a local public agency. Applicant has stipulated that it will continue to maintain separate plant records for the two systems. In fact, it must do so in any event in order to provide information to the assessors in Glenn and Butte Counties. Also, separate plant records will be necessary in any future review of the reasonableness of continuing the consolidation. If too much disparity develops in investment per customer between the two portions of the consolidated district, such as would result from extensive redesign of either system, it may then no longer be appropriate to continue the consolidation.

The Commission staff offered no objections to the proposed consolidation. In view of the long-range economies which will be effected by treating the consolidated areas as a single district, applicant's request for consolidation will be granted. The title "Chico-Hamilton City District" is more appropriate, however, than the title "Consolidated Chico District" suggested by applicant, and is consistent with the titles of other consolidated districts, such as Los Altos-Suburban District and Hermosa-Redondo District.

Findings

1. Applicant is in need of additional revenues but the rates requested would produce an excessive rate of return.
2. The adopted estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test year 1977, and an annual decline of 0.28 percent in rate of return, reasonably indicate the probable range of results of applicant's operations for the near future.
3. An average rate of return of 9.85 percent on applicant's rate base for 1977, 1978, and 1979 is reasonable. The related average rate of return on common equity over the three-year period is 12.78 percent.
4. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.
5. It is reasonable and in the public interest for applicant to combine the present Hamilton City District and Chico District into a single Chico-Hamilton City District, provided applicant continues to maintain separate plant and depreciation reserve records for the two systems.
6. The public interest does not require replacement of the present tank in Hamilton City, or the addition of a hydropneumatic tank.
7. The revenue increase is approximately \$238,200. ✓

INTERIM ORDER

IT IS ORDERED that:

1. Commencing with the calendar year 1977, applicant is authorized to consolidate, for all purposes, its present Hamilton City District and Chico District into a single Chico-Hamilton City District.

2. After the consolidation is effected as authorized in the foregoing paragraph, applicant shall continue to maintain separate plant accounts and separate depreciation reserve accounts for the Hamilton City and Chico portions of the Chico-Hamilton City District.

3. After the effective date of this order, applicant California Water Service Company is authorized to file for its Chico-Hamilton City District the revised rate schedules attached to this order as Appendix A, concurrently to withdraw its present Hamilton City Tariff Area Schedules Nos. HM-1, HM-2, HM-2L, HM-4, HM-5, and HM-10, and concurrently to revise its present Chico Tariff Area Schedules Nos. CH-4 and CH-10 to make them applicable to the Chico-Hamilton City District. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be four

days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

4. Applicant's stipulation that the proposed staff salary adjustment be tentatively adopted, subject to a subsequent decision on the merits on this issue, should be accepted.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 17th day of MAY, 1977.

*I will file a dissent.  
as to believe only.  
William L. Moore Jr.*

Commissioner

*Robert Batmanc*  
\_\_\_\_\_  
President

*George P. [unclear]*  
\_\_\_\_\_  
*Richard D. [unclear]*  
\_\_\_\_\_

Commissioners

APPENDIX A  
Page 1 of 6

Schedule No. CH-1

Chico-Hamilton City Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Chico and vicinity, Butte County, and Hamilton City and vicinity, (T)  
Glenn County. (T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charge:		
For 5/8 x 3/4-inch meter .....	\$ 3.04	
For 3/4-inch meter .....	4.15	(I)
For 2-inch meter .....	5.66	
For 1 1/2-inch meter .....	7.92	
For 2-inch meter .....	10.18	
For 3-inch meter .....	13.35	
For 4-inch meter .....	25.64	
For 6-inch meter .....	42.60	
For 8-inch meter .....	63.34	
For 10-inch meter .....	78.42	(I)

Quantity Rates:

First 500 cu.ft., per 100 cu.ft. ....	0.144	
Over 500 cu.ft., per 100 cu.ft. ....	.178	(I)

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

APPENDIX A  
Page 2 of 6

Schedule No. CH-2

Chico-Hamilton City Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Chico and vicinity, Butte County, and Hamilton City and vicinity, (T)  
Glenn County. (T)

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For a single-family residential unit, including premises having the following area:		
6,000 sq.ft. or less .....	\$ 7.15	(I)
6,001 to 10,000 sq.ft. ....	8.33	
10,001 to 16,000 sq.ft. ....	9.76	
16,001 to 25,000 sq.ft. ....	12.30	
For each additional single-family residential unit on the same premises and served from the same service connection .....	5.15	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

(Continued)

APPENDIX A  
Page 3 of 6

Schedule No. CH-2

Chico-Hamilton City Tariff Area

RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS—Contd.

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. CH-1, General Metered Service.

(T)  
|  
(T)  
(D)  
(D)

APPENDIX A  
Page 4 of 6

Schedule No. CH-2L

(N)

Chico-Hamilton City Tariff Area

SCHOOLS AND PUBLIC PARK FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis to schools and public parks.

TERRITORY

Hamilton City and vicinity, Glenn County.

RATE

	<u>Per Month</u>
For each public school or public park .....	\$32.38

SPECIAL CONDITIONS

1. Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. CH-1, General Metered Service.

2. Service under this schedule is limited to active services as of January 1, 1977.

(N)

APPENDIX A  
Page 5 of 6

Schedule No. CH-5

Chico-Hamilton City Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, (T)  
incorporated fire districts or other political subdivisions of the State. (T)

TERRITORY

Chico and vicinity, Butte County, and Hamilton City and vicinity, (T)  
Glenn County. (T)

RATES

	<u>Per Hydrant Per Month</u>		
	<u>Chico and Vicinity, Butte County</u>	<u>Hamilton City and Vicinity, Glenn County</u>	
For fire hydrant service	No Charge	\$1.00	(R)(T)

SPECIAL CONDITIONS

1. In Chico and vicinity, the fire protection agencies are (T)  
responsible for the hydrant installation and maintenance costs including,  
without limitation: the capital cost of new hydrant installations starting  
with the tee in the main and the branch gate valve; any hydrant replace-  
ments caused by age, wear, or change in hydrant standards; relocations to  
accommodate street improvements or changes of grade to the utility's  
pipelines or changes to the right-of-way; relocations or reconections  
of hydrants brought about by replacement of the main by the utility; (T)

(Continued)

APPENDIX A  
Page 6 of 6

Schedule No. CH-5

Chico-Hamilton City Tariff Area

PUBLIC FIRE HYDRANT SERVICE

SPECIAL CONDITIONS—Contd.

maintenance (including repairs caused by traffic accidents and the expense of shutting down and reestablishment of service); mechanical maintenance or adjustment of the hydrant; painting; and clearing of weeds.

2. In Hamilton City and vicinity, fire hydrants will be attached to the utility's distribution mains only as authorized by the proper public authority. Such authorization must designate the size and type of hydrants and specifically state the location at which each is to be installed.

3. Relocation of any hydrant shall be at the expense of the party requesting relocation.

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

(T)

(T)

A. 56134 D.  
A. 56159 D.  
A. 56186 D. 87335  
A. 56208 D.  
A. 56225 D.  
A. 56251 D.

WATER RATE INCREASE FOR CALIFORNIA WATER SERVICE COMPANY

COMMISSIONER WILLIAM SYMONS, JR., Dissenting,

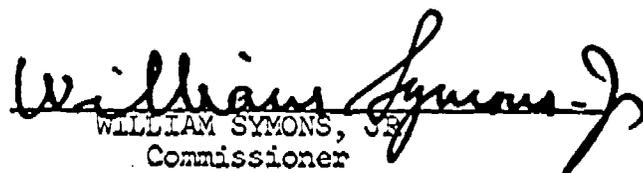
It is silly to introduce give-away water rates at a time when California is facing the worst drought in recorded history. I am referring to the euphemistically-termed "lifeline" provision which the Commission majority mandates into this water company pricing structure today.

This appears to be a knee-jerk carry-over from "lifeline" installed in our natural gas and electric utility tariffs. But no case for need has been established in the water cases.

It is a plain fact that water prices have not escalated like energy prices have. Water prices are modest. There is no argument for the necessity of welfare via raising prices to non-benefited utility rate payers. Neither has the Legislature in the case of water seen it necessary to mandate subsidy.

A maximum conservation effort is essential in the face of our severe water shortage. To relieve any class of water-users of their fair share of the increased costs to serve them water, has the counter productive effect of preventing natural price signals to encourage reduced consumption. "Lifeline" freezes the first 500 cubic feet of water used for all residential customers. So this confused price signal is sent to all residential users. This is the substitution of nonsense for public policy.

San Francisco, California  
May 17, 1977

  
WILLIAM SYMONS, JR.  
Commissioner