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Decision No. 88573 - MAR 7 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of NORTH LOS ALTOS WATER)
COMPANY, to increase its rates and)
charges for its water system serving)
portions of the Cities of Los Altos)
and Mountain View in Santa Clara)
County.)

Application No. 55471

ORDER MODIFYING DECISION NO. 88127
AND DENYING REHEARING

On December 12, 1977, North Los Altos Water Company (petitioner) filed its petition for rehearing of Decision No. 88127. The Commission has considered each and every allegation of the petition and is of the opinion that good cause for rehearing has not been shown and that rehearing should be denied. However, the petition raises certain points that will require modification of Decision No. 88127. These changes are embodied in the following additional findings and conclusions:

1. The amount of \$11,300 for replacement of the Alvarado storage tank is reasonable and should be included in rate base.
2. The staff's rate base estimate of \$968,800, with the addition made in finding 1, is reasonable. Rate base in the amount of \$980,100 is reasonable and should be adopted.
3. Operation and maintenance expense should be increased by \$298 to include petitioner's allocated share of the cost of the management study ordered in Application No. 55430.
4. The amount of \$30,800 is reasonable for total taxes other than income taxes and should be adopted.
5. The amount of \$31,500 is reasonable for depreciation expense and should be adopted.

6. Due to the quality of service being rendered by petitioner, a rate of return of 7.7% is reasonable.

7. The following table summarizes the results of petitioner's operations for test year 1976 at present rates and at rates which will produce a rate of return of 7.7%:

SUMMARY OF EARNINGS 1976

	<u>Present Rates</u>	<u>Adopted Rates</u>
	(Dollars in thousands)	
Operating Revenue	\$309.7	\$317.4
<u>Operating Expenses</u>		
Oper. & Maint.	\$111.5	\$111.5
Admin. & Gen.	25.0	25.0
Taxes other than Inc.	30.8	30.8
Depreciation	31.5	31.5
Income Taxes	<u>39.0</u>	<u>42.9</u>
	\$237.8	\$241.7
Net Revenue	\$ 71.9	\$ 75.7
Rate Base	\$980.1	\$980.1
Rate of Return	7.33%	7.72%

8. A 2.49% increase in gross operating revenues, or \$7,700, is reasonable under the circumstances.

9. The Commission concludes that Decision No. 88127 should be modified to grant the application to the extent set forth in the following order:

IT IS ORDERED that:

1. North Los Altos Water Company is authorized to file the revised schedule for general metered service attached to this order as Appendix A, and concurrently to cancel its present schedule for general metered service.

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2. Such filing shall comply with General Order No. 96-A. The effective date of the new and revised tariff schedule shall be four days after the date of filing. The new and revised schedule shall apply only to service rendered on and after the effective date thereof.

3. The petition for rehearing of Decision No. 88127 is denied. The effective date of this order is the date hereof.

Dated at San Francisco, California this 7th day of MARCH, 1978.

I would grant rehearing.
William Lyons Jr

Robert B. Quinn
President

Vernon L. Sturgeon
Charles D. Howell
Walter J. Smith
Commissioners

Alt.

*Chris
Ex-2*

APPENDIX A

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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Los Altos, and vicinity, Santa Clara County

RATES

Quantity Rates:

Per Meter
Per Month

First 600 cu.ft. or less	\$ 6.61
Next 2,400 cu.ft., per 100 cu.ft.630
Over 3,000 cu.ft., per 100 cu.ft.573 (I)

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 6.61
For 3/4-inch meter	8.90
For 1-inch meter	13.80
For 1-1/2-inch meter	23.50
For 2-inch meter	36.00
For 3-inch meter	77.00

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.