

ORIGINAL

Decision No. 88600 MAR 21 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of FRANCIS LAND AND WATER COMPANY to increase its rates and charges for its water system serving the City of Ferndale and vicinity, in Humboldt County.

Application No. 56700 (Filed August 19, 1976; amended February 1, 1977)

Application of CITIZENS UTILITIES COMPANY OF CALIFORNIA to increase its rates and charges for its water system serving the unincorporated Town of Felton and vicinity, in Santa Cruz County.

Application No. 56701 (Filed August 19, 1976; amended December 22, 1976)

John H. Engel, Attorney at Law (New York and Missouri), for Francis Land and Water Company and Citizens Utilities Company of California, applicants.
Rahn Garcia, for Santa Cruz County Supervisor Edward Borovatz, interested party.
Mary Carlos, Attorney at Law, J. M. Barnes, and R. Charvez, for the Commission staff.

OPINION

By application dated August 19, 1976, Francis Land and Water Company (Francis) and Citizens Utilities Company of California, Felton District (Felton), both wholly owned subsidiaries of Citizens Utilities Company (Citizens), requested an increase in rates for water service to increase annual gross revenue in the test year by \$26,200 and \$30,000, respectively. Application No. 56700 was amended

February 1, 1977 and Application No. 56701 was amended December 22,

1976 to raise the proposed increases to \$79,900 and \$23,200, respectively.

Public hearing was held at San Francisco on July 6, 7, 8, and 25, 1977 at which time the matter was submitted. Copies of the applications had been served and notice of hearing had been published, posted, and mailed in accordance with the Commission's Rules of Practice and Procedure.

Service Area

Felton serves approximately 1,200 customers in an area of three square miles encompassing the unincorporated area of Felton and the immediately adjacent vicinity in Santa Cruz County. Sources of water that are supplied to the system include diversion from Fall Creek and Bull Creek, two springs, and a well. Two earthen reservoirs and nine tanks of various sizes provide a total combined storage capacity of 541,400 gallons. The distribution system contains about 116,000 feet of transmission and distribution mains.

Francis provides water service in an area of approximately three square miles to approximately 620 metered customers in the city of Ferndale and adjacent areas in Humboldt County. The main source of water supply is from tunnels, springs, and a well. The total combined storage capacity is about 1,363,400 gallons. The distribution system contains approximately 57,000 feet of main varying in size up to 10 inches.

1/ For both Felton and Francis, Citizens filed on or about June 24, 1975 a proposed advice letter filing to increase rates by \$30,000 and \$26,000, respectively. By letter dated August 9, 1976, the Commission advised Citizens that the proposed increase would not be handled by the advice letter process and suggested that a formal application be filed.

PERSONNEL DATA AND OTHER INFORMATION

Information to be furnished to the Commission
 Form No. 1 - 1978

Service

The staff reports that service for Felton is satisfactory.

For Francis, a staff field investigation was made in April

1977. The conclusion was that service provided is good.

Results of Operation

A comparison of applicant's and staff summary of earnings

for test year 1978 and results adopted herein are:

Applicant's Earnings	Staff Summary of Earnings	Applicant's Earnings	Staff Summary of Earnings	Description
100,000	100,000	100,000	100,000	Basic Salary
100,000	100,000	100,000	100,000	Supplemental Pay
100,000	100,000	100,000	100,000	Retirement
100,000	100,000	100,000	100,000	Health Insurance
100,000	100,000	100,000	100,000	Life Insurance
100,000	100,000	100,000	100,000	Disability Insurance
100,000	100,000	100,000	100,000	Unemployment Insurance
100,000	100,000	100,000	100,000	Professional Fees
100,000	100,000	100,000	100,000	Travel Expenses
100,000	100,000	100,000	100,000	Education Expenses
100,000	100,000	100,000	100,000	Charitable Contributions
100,000	100,000	100,000	100,000	Gifts
100,000	100,000	100,000	100,000	Other Expenses
100,000	100,000	100,000	100,000	Total

FRANCIS LAND AND WATER COMPANYComparison of Applicant and Staff Summary of Earnings
Pro Forma 1978 - Proposed Rates

Item	(1)	(2)	(3)	(4)
	Applicant Revised Exhibit 13	Staff Exhibit 18	Difference (1) - (2)	Adopted
<u>Operating Revenues</u>				
Commercial	\$133,300	\$132,430	\$ 870	\$ -
Fire Protection	3,400	3,370	30	-
Other	100	100	-	-
Total Operating Revenues	136,800	135,900	900	92,000
<u>Operation & Maint. Expenses</u>				
Salaries and Wages	16,700	15,800	900	16,000
Materials, Services & Misc.	3,800	3,300	500	3,300
Pumping Power	2,800	2,000	800	2,000
Transportation Expense	1,100	1,120	(20)	1,100
Uncollectible Accounts	200	240	(40)	200
Telephone & Telegraph	300	250	50	300
Total Operation & Maint. Expenses	24,900	22,710	2,190	22,900
<u>Admin. & General Expenses</u>				
Admin. Office Expenses	5,600	3,500	2,100	3,500
Common Plant Expenses	1,900	750	1,150	1,000
Legal & Regulatory	6,700	715	5,985	3,000
Insurance	200	100	100	200
Injuries & Damages	1,600	500	1,100	500
Welfare & Pensions	3,800	2,450	1,350	2,450
Rent	400	360	40	360
Miscellaneous & Per Diem	400	200	200	400
Total Admin. & General Expenses	20,600	8,575	12,025	11,410
<u>Taxes Other Than Income Taxes</u>				
Ad Valorem Taxes	4,200	4,100	100	4,100
Payroll Taxes	1,500	1,470	30	1,470
Total Taxes Other Than Income Taxes	5,700	5,570	130	5,570
Depreciation	11,400	10,305	1,095	10,305
Income Taxes	27,400	31,807	(4,407)	7,100
Total Operating Expenses	90,000	78,967	11,033	57,285
Net Operating Income	46,800	56,933	(10,133)	34,715
Average Rate Base	469,200	379,532	89,668	379,532
Rate of Return	9.97%	15.00%	(5.03%)	9.1%

(Red Figure)

CITIZENS UTILITIES COMPANY OF CALIFORNIA
FELTON WATER DISTRICT

Comparison of Applicant and Staff Summary of Earnings
Pro Forma 1978 - Proposed Rates

<u>Item</u>	<u>Applicant</u> <u>Revised</u> <u>Exhibit 9</u>	<u>Staff</u> <u>Exhibit 24</u>	<u>Difference</u> <u>(1) - (2)</u>	<u>Adopted</u>
Operating Revenues				
Commercial	\$241,800	\$246,400	\$ (4,600)	-
Fire Protection	1,800	4,800	(3,000)	-
Other	700	700	-	-
Total Operating Revenues	244,300	251,900	(7,600)	167,500
Operation & Maint. Expenses				
Salaries & Wages	39,400	37,400	2,000	38,000
Materials, Services & Misc.	8,400	7,300	1,100	7,300
Pumping Power	9,900	7,000	2,900	7,000
Transportation Expense	4,000	2,500	1,500	2,500
Uncollectible Accounts	500	300	200	300
Telephone & Telegraph	1,600	1,200	400	1,200
Total Operation & Maint. Expenses	63,800	55,700	8,100	56,300
Admin. & General Expenses				
Admin. Office Expenses	11,400	8,200	3,200	8,200
Common Plant Expenses	4,000	1,600	2,400	2,000
Legal & Regulatory	6,100	3,000	3,100	2,500
Insurance	400	200	200	200
Injuries & Damages	4,000	2,300	1,700	2,300
Welfare & Pensions	8,600	7,300	1,300	7,300
Rent	100	100	-	100
Miscellaneous & Per Diem	200	200	-	200
Total Admin. & General Expenses	34,800	21,200	13,600	22,800
Taxes Other Than Income Taxes				
Ad Valorem Taxes	35,400	10,200	25,200	10,200
Payroll Taxes	3,100	3,000	100	3,000
Total Taxes Other Than Income	38,500	13,200	25,300	13,200
Depreciation	20,400	15,600	4,800	15,600
Income Taxes	29,400	64,600	(35,200)	18,800
Total Operating Expenses	186,900	170,300	16,600	126,700
Net Operating Income	57,400	81,600	(24,200)	40,800
Average Rate Base	668,800	447,700	221,100	447,700
Rate of Return	8.58%	18.23%	(9.65%)	9.1%

(Red Figure)

A.56700, 56701 dz/fc

Comparison of Applicants and Staff Summary of Expenses
Pro Forma 1978 - Proposed Rates

The matters at issue between staff and applicants are primarily administrative and general expenses, certain operating expenses, rate base, and rate of return. We will discuss those items where the difference is significant.

Operating Revenue

Staff and applicants each used normalized water consumption of 126 Ccf per customer per year to determine commercial metered revenues, but differ in estimates of the number of customers. Staff made its determination on the basis of additional average customers in test years 1977 and 1978 while applicants annualized the number added through June 30, 1977. We believe the staff's approach is more reliable and should be adopted.

Operation and Maintenance Expenses

The major differences between applicants and staff occur in the salaries and wages, material and services, and pumping power accounts. Pumping Power Costs Staff estimated pumping power costs using the average 1976 cost per Ccf. Applicants used current costs per Ccf for the four months ending April 1977 adjusted by 15 percent for anticipated rate increases through 1978. We believe the staff's approach is sound and should be adopted.

Materials, Services, and Miscellaneous

Staff used a five-year average of expenses to which 7 percent was added for test year 1978. While the applicants argue that the 7 percent inflation allowance is inadequate, we believe each entity should try to ease the inflation spiral. We will adopt the staff estimate as reasonable.

(See Page 2)

Salaries and Wages

The staff used current salary levels for test year purposes while applicants projected a percentage increase in current salaries which is contrary to current Commission policy. We will accept the staff's estimates rounded to \$16,000 for Francis and \$38,000 for Felton.

Administrative and General Expenses

Administrative Office Expense

The staff used the same basic figures for administrative office expenses that were used in Application No. 55430,^{2/} allocated by the four factor method for both Francis and Felton. Because the figures were reviewed for currency in the present applications, the staff argues that they are comparable to recorded figures up to 1976 and correspond generally to the administrative costs of other water utilities doing business in California.

Applicants assert that they have changed their method of assigning administrative office expenses to their various districts and subsidiaries reportedly in compliance with staff recommendations in Application No. 55430. Applicants allege that this new system was in effect starting in 1976 with parts implemented prior to 1976, that staff made no independent analysis of these expenses, but based its estimates on a staff report entitled "General Report on the Results of Operation of Citizens Utilities Company of California 1975 Estimated and 1976 Estimated" which is dated October 21, 1975 and is based on outdated material.

^{2/} In the application of Jackson Water Works, Inc., Decision No. 87609 or dated July 19, 1977.

While the applicants have filed a plan in compliance with Decision No. 87609, it has not been reviewed by the staff and approved by the Commission. The staff estimates are reasonable and, except where noted, will be adopted.

Legal and Regulatory Expense

Staff estimates for legal and regulatory expenses were based on the expectation that the hearing would be held for one day only with in-house legal counsel, and the cost spread over four years. The staff argues that applicants' estimates are excessive in view of the fact: (1) there are no major legal issues to be litigated and no customer service complaints; (2) that applicants used in-house counsel, whose salary is already allocated to the districts and subsidiaries; and (3) the two proceedings were consolidated for hearing in San Francisco.

Applicants allege their estimates were made following the Commission ordered procedure of charging directly the salaries and related expenses of personnel working on the application and amortized over three years. We believe that the applicants overestimated and the staff underestimated. Accordingly, we will adopt legal and regulatory expenses that we feel are reasonable.

Welfare and Pension Expense

The staff excluded from its estimate the amount attributable to the employees' efficiency incentive fund. The staff considered this a bonus plan, which was disallowed by the Commission in Decision No. 76996 dated March 24, 1970 in Application No. 48905 (Citizens Utilities of California - Guerneville). Applicants consider this as part of their compensation structure and as such a proper charge to operations. The Commission has previously held that this is more in the nature of a bonus or profit sharing plan which should be paid for by the stockholders. We are still of this opinion. The staff's estimates are reasonable and will be accepted.

A.56700, 56701 dz/fc

TAXES OTHER THAN INCOME TAXES

Taxes Other Than Income Taxes

Applicants allege that estimated ad valorem taxes were determined by using the procedure of the State Board of Equalization in determining valuation, a weighting of capitalized earnings, and plants, and then applying the current tax rate set by the County Board of Supervisors. The staff's calculations used the latest available effective tax rate on net plant balances as estimated by the staff for the test year. We believe the staff's approach is sound and should be adopted.

Rate Base

The following tabulation sets forth a comparison of applicants' and the staff's rate base components for the estimated year 1978 as revised at the hearing:

Applicant	Applicant Rate Base	Staff Rate Base	Difference
101	(000,00)	(000,00)	000,00
102	(000,00)	(000,00)	000,00
103	(000,00)	(000,00)	000,00
104	(000,00)	(000,00)	000,00
105	(000,00)	(000,00)	000,00
106	(000,00)	(000,00)	000,00
107	(000,00)	(000,00)	000,00
108	(000,00)	(000,00)	000,00
109	(000,00)	(000,00)	000,00
110	(000,00)	(000,00)	000,00
111	(000,00)	(000,00)	000,00
112	(000,00)	(000,00)	000,00
113	(000,00)	(000,00)	000,00
114	(000,00)	(000,00)	000,00
115	(000,00)	(000,00)	000,00
116	(000,00)	(000,00)	000,00
117	(000,00)	(000,00)	000,00
118	(000,00)	(000,00)	000,00
119	(000,00)	(000,00)	000,00
120	(000,00)	(000,00)	000,00
121	(000,00)	(000,00)	000,00
122	(000,00)	(000,00)	000,00
123	(000,00)	(000,00)	000,00
124	(000,00)	(000,00)	000,00
125	(000,00)	(000,00)	000,00
126	(000,00)	(000,00)	000,00
127	(000,00)	(000,00)	000,00
128	(000,00)	(000,00)	000,00
129	(000,00)	(000,00)	000,00
130	(000,00)	(000,00)	000,00
131	(000,00)	(000,00)	000,00
132	(000,00)	(000,00)	000,00
133	(000,00)	(000,00)	000,00
134	(000,00)	(000,00)	000,00
135	(000,00)	(000,00)	000,00
136	(000,00)	(000,00)	000,00
137	(000,00)	(000,00)	000,00
138	(000,00)	(000,00)	000,00
139	(000,00)	(000,00)	000,00
140	(000,00)	(000,00)	000,00
141	(000,00)	(000,00)	000,00
142	(000,00)	(000,00)	000,00
143	(000,00)	(000,00)	000,00
144	(000,00)	(000,00)	000,00
145	(000,00)	(000,00)	000,00
146	(000,00)	(000,00)	000,00
147	(000,00)	(000,00)	000,00
148	(000,00)	(000,00)	000,00
149	(000,00)	(000,00)	000,00
150	(000,00)	(000,00)	000,00

(Total Rate Base)

FRANCIS LAND AND WATER COMPANY

Comparison of Applicant and Staff Average Rate Base
Pro Forma 1978

Item	Applicant Revised Exhibit 10	Staff Exhibit 18	Difference (1) - (2)
Utility Plant in Service	\$ 611,400	\$ 530,140	\$81,260
Reserve for Depreciation	(124,300)	(123,718)	(582)
Net Utility Plant in Service	487,100	406,422	80,678
Common Plant	2,200	850	1,350
Materials and Supplies	600	600	-
Working Cash	8,500	4,290	4,210
Minimum Bank Balances	2,300	-	2,300
Non-Interest-Bearing C.W.I.P.	700	-	700
Advances for Construction	(13,000)	(13,300)	300
Contributions in Aid of Construction	(2,700)	(2,800)	100
Reserve for Deferred Income Taxes	(16,500)	(16,530)	30
Average Rate Base	469,200	379,532	89,668

(Red Figure)

CITIZENS UTILITIES COMPANY OF CALIFORNIA

FELTON WATER DISTRICT

Comparison of Applicant and Staff Average Rate Base

Pro Forma 1978

(1) Applicant (2) Staff (3) Difference

Item	Revised Exhibit 14	Staff Exhibit 24	Difference (1) - (2)
Utility Plant in Service	\$ 946,200	\$ 726,300	\$ 219,900
Reserve for Depreciation	(170,800)	(171,400)	600
Net Utility Plant in Service	775,400	554,900	220,500
Common Plant	460,000	3,000	457,000
Materials and Supplies	-	-	-
Working Cash	4,800	10,800	(6,000)
Minimum Bank Balances	3,300	-	3,300
Non-interest-Bearing C.W.I.P.	1,000	-	1,000
Advances for Construction	(90,200)	(90,900)	700
Contributions in Aid of Construction	(10,400)	(10,400)	-
Reserve for Deferred Income Taxes	(19,700)	(19,700)	-
Average Rate Base	668,800	447,700	221,100

As can be seen from the above, the differences between applicants and staff are primarily in utility plant in service, working cash, and minimum bank balances.

Utility Plant in Service

The main difference in utility plant in service is due to estimated construction. The staff estimates are averages of recorded data (six years for Francis and 10 years for Felton). Applicants used estimates for additions to be undertaken in the years 1977 and 1978 arguing that these amounts will be invested in plant prior to and during test year 1978 and are therefore reasonable.

Past construction history of both Francis and Felton show wide fluctuation without apparent pattern. Francis has a high of \$95,581 and a low of \$10,695 while Felton shows a high of \$141,200 and a low of \$3,800. Such variations do not reflect an orderly construction program based on a master plan. In view of past fluctuation in construction expenditures and the past test year construction budget, we believe it unlikely that the high test year level of expenditures will be sustained and therefore will adopt the staff's estimated averages as reasonable.

The Finance Division recommended that certain accounting adjustments be made on the books of account to resolve certain accounting exceptions for utility plant in service (Exhibits 19 and 25) and that these adjustments be excluded from rate base.

For Felton, two exceptions were noted: the use of excessive allowance for funds used during construction (AFUDC) for the period 1970 through 1975 and the recording of acquisition costs of Gold Gulch River Park Mutual Water Co. (Gold Gulch) at an amount in excess of cost.

With respect to AFUDC, Felton has been using a rate in excess of the 7.5 percent rate last authorized by Decision No. 81821 dated August 28, 1973. Staff recommends an adjustment of the AFUDC amounts to reflect a 7.5 percent rate and elimination of compounding AFUDC. We agree with the staff that this adjustment should be made.

The Gold Gulch system acquired in 1972 for \$1.00 has been in operation since 1962. Unable to determine its original cost, the replacement cost new was estimated and recorded as follows:

	Account Number	Amount Recorded	
		Debit	Credit
Mains	343	\$ 6,995	\$ -
Services	345	2,145	-
Hydrants	348	1,050	-
Plant Acquisition Adjustment	100-5	-	7,635
Depreciation Reserve	250	-	2,555
		\$10,190	\$10,190

In Decision No. 64209 dated September 4, 1962, we determined that cost of a mutual water system was the proper amount to be recorded on the books of account. We are still of that opinion and accept the staff recommendation.

Exceptions noted for Francis were excessive AFUDC funds, unrecorded retirements, inclusion of certain radio equipment no longer used or useful in utility operations, and the inclusion of the Van Ness well which is currently not acceptable to the State Department of Health.

Francis used the same excess rates for AFUDC as did Felton. For the reason stated above, the same adjustment should be made on Francis' books.

Francis removed from service certain items of plant which do not conform to State Department of Health requirements without an appropriate accounting adjustment. We agree with the staff that these items should be excluded from rate base and the appropriate accounting adjustment made.

The amount involved in equipment not being used in utility operations is insignificant. We will accept the staff recommendation that it be excluded from rate base.

With respect to the Van Ness well, staff recommends that it be excluded from rate base because it is currently unacceptable to the State Department of Health. Francis argues that this well was used in the past on a standby basis only because of the high iron and manganese content, but that a treatment facility to remove the iron and manganese was completed in early 1977 and is needed, used, and useful in its utility service and is properly included. We agree with the staff and will exclude the Van Ness well pending approval of the State Department of Health at which time Francis can make an advice letter filing for inclusion in rate base.

A.56700, 56701 dz/fc * *

Working Cash
For working cash, the staff used the simplified method prescribed by Standard Practice U-16 while the applicants used

a lead-lag study which has not yet been approved by the Commission.

The staff's estimate will be accepted.

Minimum Bank Balance

The applicants include a minimum bank balance arguing that it should be included in rate base as an aid to obtain short-term financing. The staff excluded the minimum bank balance in conformity with the Commission's holding in Decision No. 83610 dated October 16, 1974 in Application No. 54323 (Washington Water and Light Co.)

The Commission has excluded minimum bank balances because they represent portions of the amount of minimum bank balances that Citizens-Delaware is required to keep with banks in order to acquire short-term financing at a prime rate. Applicants do not make any short-term borrowings. Therefore, these balances are not directly related to the day-to-day operations. Staff's estimates are reasonable and will be accepted.

We find the staff's estimated average depreciated rate base for each applicant to be reasonable and will be adopted.

Rate of Return

The last authorized rate of return for Francis was 7.7000 percent as determined by Decision No. 82310 dated January 8, 1974 and 7.7 percent for Felton, as determined by Decision No. 79699 dated February 8, 1972. For both Felton and Francis, Citizens is herein seeking a rate of return on rate base of 12.25 percent yielding at least a 15 percent return on common equity. It is alleged that such a rate is necessary to enable it to earn a fair rate of return on its investment, to cover the cost of debt capital and to attract capital, both debt and equity, at a reasonable and competitive rate.

Based on our adopted results of operation, Citizens' rate of return at present rates is estimated to be 4.96 percent for Felton and 5.12 percent for Francis.

FRANCIS FULTON WATER SYSTEM

The staff recommended a rate of return in a range of 8.80 percent to 9.10 percent applicable to the adopted rate base. Based on the consolidated capital structure and debt costs in the staff's exhibits, this would result in a return on common equity of 9.74 percent to 10.21 percent. At the hearing, the staff recommended a specific rate of return of 9.0 percent resulting in a 10.05 percent return on common equity.

After evaluating the rate of return evidence and testimony, we believe that Citizens' request is too high and the staff's recommendation is more reasonable. The Commission will adopt a rate of return of 9.1 percent which will produce a 10.21 percent return on common equity.

Rates Authorized

A comparison of present and proposed rates for Francis and Felton appears in Appendices C and D, respectively.

The rates authorized herein will increase revenues for Francis by approximately 63 percent and Felton by 34 percent. The following table compares the present and authorized rates for residential metered customers showing the percent of increase for the amount of water consumed.

Present Rate	Authorized Rate	Percent Increase
21	34.1	61.2
22	35.4	60.5
23	37.0	60.9
24	38.3	60.4
25	39.7	57.2
26	41.2	57.2
27	42.8	57.0
28	44.5	59.5
29	46.3	59.5

FRANCIS LAND AND WATER COMPANY

<u>Usage Cuft.</u>	<u>Present Rates</u>	<u>Authorized Rates</u>	<u>% Increase</u>
0	\$ 3.62	\$ 3.50	(3.3)%
100	3.62	4.10	13
200	3.62	4.70	30
300	3.62	5.30	46
400	3.62	5.90	63
500	3.62	6.50	80
600	4.31	7.37	71
800	5.69	9.11	60
1,000	7.07	10.85	53
2,000	13.97	19.55	40
5,000	28.37	45.65	62

CITIZENS UTILITIES COMPANY OF CALIFORNIA,
FELTON DISTRICT

<u>Usage Cuft.</u>	<u>Present Rates</u>	<u>Authorized Rates</u>	<u>% Increase</u>
0	\$ 3.00	\$ 3.30	10%
100	3.47	3.85	11
200	3.94	4.40	12
300	4.41	4.95	12
400	4.88	5.64	16
500	5.35	6.33	18
600	5.82	7.02	21
800	6.76	8.40	24
1,000	7.70	9.78	27
2,000	12.40	16.68	34
5,000	26.50	37.38	41

Findings

1. Applicants are in need of additional revenues, but the proposed rates set forth in the applications are excessive.

2. The adopted estimates, as set forth on pages four and five of this opinion, of operating revenues, operating expenses, and rate base for the test year 1978 reasonably reflect the results of each applicants' operations in the near future.

3. A rate of return of 9.10 percent on the adopted rate base and a return on common equity applicable to each applicants' operations are reasonable.

4. Revenues will be increased by approximately \$41,400 (32.4 percent) for the Felton district and \$35,500 (62.8 percent) for Francis by the rates authorized herein.

5. The increases in rates authorized herein are justified and reasonable.

ORDER

IT IS ORDERED that:

1. Francis Land and Water Company and Citizens Utilities Company of California, Felton District, are authorized to file the revised schedules attached to this order as Appendix A and Appendix B,

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

2. Within one hundred and twenty days after the effective date hereof, applicants shall submit to the Commission staff a three-year plan of system improvements including associated costs and timetable giving significant consideration to the recommendations set forth in Exhibits 18 and 24.

3. Upon approval of the plans by the Executive Director of the Commission and in accordance with the timetable established therein, applicants shall make the necessary improvements.

4. ALL cost-accounting procedures of administrative and office costs and expenses that are allocated by Citizens-Delaware to its California subsidiaries, including applicants herein, shall conform to the staff recommendations set forth in the proceedings on Jackson Water Works, Inc. in Application No. 55430 (Exhibit 17) as previously ordered in Decision No. 87609. Failure to do so will result in disallowance of all administrative and office expenses that are allocated to the California subsidiaries of Citizens-Delaware effective July 19, 1978.

A.56700, 56701 dz/fc*

5. Francis Land and Water Company and Citizens Utilities Company of California, Felton District shall adjust the books of account to reflect the staff's exceptions noted in Exhibits 19 and 25.

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

Dated at San Francisco, California, this 21st day of MARCH, 1978.

Robert Belmont
President
William A. ...
...
...
...
Commissioners

APPENDIX A
Page 1 of 4

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of Ferndale and adjacent unincorporated territory,
Humboldt County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 3.50	(I)
For 3/4-inch meter	3.85	|
For 1-inch meter	5.25	|
For 1 1/2-inch meter	7.00	|
For 2-inch meter	9.45	|
For 3-inch meter	17.50	|
For 4-inch meter	23.80	|
For 6-inch meter	39.55	|
For 8-inch meter	58.80	(I)
Quantity Rates:		
First 500 cu.ft., per 100 cu.ft. ....	.60	(I)
Over 500 cu.ft., per 100 cu.ft. ....	.87	(I)

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 Rates, for water used during the month.

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service rendered for private fire protection purposes.

TERRITORY

The City of Ferndale and adjacent unincorporated territory, Humboldt County.

RATES

	<u>Per Month</u>
For each 4-inch connection, or smaller	\$10.00 (I)
For each 6-inch connection	15.00
For each 8-inch connection	20.00
For each 10-inch connection	41.60
For each 12-inch connection	58.30 (I)

SPECIAL CONDITIONS

1. The customer will pay without refund the entire cost of installing the service connection.
2. The maximum diameter of the service connection will not be more than the diameter of the main to which the service is connected.
3. Where service connection is 6 inches in diameter or larger and supplied from a water main within 1,000 feet of a 10- or 12-inch main, the rate will be based on the size of the main from which such connection is supplied.
4. The customer's installation must be such as to effectively separate the fire sprinkler system from that of the customer's regular water service. As a part of the sprinkler service installation there shall be a detector check or other similar device acceptable to the company which will indicate the use of water. Any unauthorized use will be charged for at the regular established rate for general metered service, and/or may be grounds for the company's discontinuing the fire sprinkler service without liability to the company.

(continued)

APPENDIX A
Page 3 of 4

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (Cont'd.)

5. There shall be no cross-connection between the fire sprinkler system supplied by water through the company's fire sprinkler service to any other source of supply without the specific approval of the company. This specific approval will require, at the customer's expense, a special double check valve installation or other device acceptable to the company. Any such unauthorized cross-connection may be the grounds for immediately discontinuing the sprinkler service without liability to the company.

6. The company will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to duly organized fire districts or other political subdivisions of the State.

TERRITORY

The City of Ferndale and adjacent unincorporated territory, Humboldt County.

RATES

	<u>Per Month</u>
For each wharf-type hydrant	\$ 4.15 (I)
For each standard hydrant	5.00 (I)

SPECIAL CONDITIONS

1. Hydrants will be owned by, furnished, installed and maintained at the expense of the public authority. The utility will install and own the tee on the water main to which the hydrant is connected.
2. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
4. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

APPENDIX B
Page 1 of 7

Schedule No. FE-1

Felton Tariff Area

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Felton and vicinity, Santa Cruz County.

RATES

	<u>Per Meter</u> <u>Per Year</u>	
Annual Service Charge:		
For 5/8 x 3/4-inch meter	\$ 39.60	(I)
For 3/4-inch meter	55.20	|
For 1-inch meter	88.80	|
For 1 1/2-inch meter	147.00	|
For 2-inch meter	235.20	|
For 3-inch meter	440.40	|
For 4-inch meter	600.00	(I)
Monthly Quantity Rates:		
First 300 cu.ft., per 100 cu.ft.	\$0.55	(I)
Over 300 cu.ft., per 100 cu.ft.	0.69	(I)

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 Rates, for water used during the month.

Service Re-establishment Charge:

For each re-establishment of water service \$4.00

(Continued)

APPENDIX B
Page 2 of 7

Schedule No. FE-1

Felton Tariff Area

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS

1. The opening bill for general metered service shall be the established annual service charge. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three hundred sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the billing year, to pay a prorated service charge in advance on a bimonthly basis equal to one-sixth of the annual service charge.

2. The service re-establishment charge provided for herein is in addition to the charges calculated in accordance with this schedule and will be made each time an account is reopened for a customer at the time water service is to be restored after discontinuance at that customer's request.

APPENDIX B
Page 3 of 7

Schedule No. FE-4

Felton Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

The community of Felton and vicinity, Santa Cruz County.

RATES

	<u>Per Month</u>	
For each 4-inch diameter service connection	\$10.80	(I)
For each 6-inch diameter service connection	16.25	|
For each 8-inch diameter service connection	21.65	|
For each 10-inch diameter service connection	43.30	|
For each 12-inch diameter service connection	60.90	(I)

SPECIAL CONDITIONS

1. The customer will pay without refund the entire cost of installing the service connection.

2. The maximum diameter of the service connection will not be more than the diameter of the main to which the service is connected.

3. The customer's installation must be such as to separate effectively the fire sprinkler system from that of the customer's regular water service. As a part of the sprinkler service installation there shall be a detector check or other similar device acceptable to the utility which will indicate the use of water. Any unauthorized use will be charged for at the regular established rate for general metered service, and/or may be grounds for the utility's discontinuing the fire sprinkler service without liability to the utility.

4. There shall be no cross-connection between the fire sprinkler system supplied by water through the utility's fire sprinkler service to any other source of supply without the specific approval of the utility. This specific

(Continued)

APPENDIX B
Page 4 of 7

Schedule No. FE-4

Felton Tariff Area

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (Contd.)

approval will require, at the customer's expense, a special double check valve installation or other device acceptable to the utility. Any such unauthorized cross-connection may be the grounds for immediately discontinuing the sprinkler system without liability to the utility.

5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

Schedule No. FE-5

Felton Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

The unincorporated community of Felton and vicinity, Santa Cruz County.

RATES

: Hydrant	: Size of	: :	: Attached to				:	
			: Hydrant	: Type	: 2" or 2-1/2"	: 3" Main		: 4" Main	: 6" Main
District	2-1/2-inch	Wharf	\$1.35		\$1.70	\$2.00	\$2.40	(I)
Company	2-1/2-inch	Wharf	1.70		2.00	2.40	2.70	|
District	3-inch	Wharf	-		2.00	2.40	2.70	|
Company	3-inch	Wharf	-		2.40	2.70	3.00	|
District	4-inch	Standard	-		-	2.70	3.40	|
Company	4-inch	Standard	-		-	3.40	4.00	(I)

SPECIAL CONDITIONS

1. The above rates are for the use of water required for fire fighting purposes and as may be used during scheduled fire drills. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges will be made at the monthly quantity rates under Schedule No. FE-1, Annual General Metered Service.

2. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

APPENDIX B
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Schedule No. FE-6M

Felton Tariff Area

ANNUAL METERED RESALE SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Felton and vicinity, Santa Cruz County.

RATES

	<u>Per Meter</u> <u>Per Year</u>	
Annual Service Charge:		
For 5/8 x 3/4-inch meter	\$ 39.60	(I)
For 3/4-inch meter	55.20	|
For 1-inch meter	88.80	|
For 1 1/2-inch meter	147.00	|
For 2-inch meter	235.20	|
For 3-inch meter	440.40	|
For 4-inch meter	600.00	(I)
Monthly Quantity Rates:		
First 300 cu.ft., per 100 cu.ft.	\$0.55	(I)
Over 300 cu.ft., per 100 cu.ft.	0.69	(I)

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 Rates, for water used during the month.

Service Re-establishment Charges:

For each re-establishment of water service \$4.00

SPECIAL CONDITIONS

1. The opening bill for general metered service shall be the established annual service charge. Where initial service is established after the first day

(Continued)

APPENDIX B
Page 7 of 7

Schedule No. FE-6M

Felton Tariff Area

ANNUAL METERED RESALE SERVICE

SPECIAL CONDITIONS (Contd.)

of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three hundred sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the billing year, to pay a prorated service charge in advance on a bimonthly basis equal to one-sixth of the annual service charge.

2. The service re-establishment charge provided for herein is in addition to the charges calculated in accordance with this schedule and will be made each time an account is reopened for a customer at the time water service is to be restored after discontinuance at that customer's request.

3. The utility at its sole discretion shall have the right to limit water deliveries under this schedule as to maximum instantaneous flows and maximum amount delivered during any period of time.

4. The utility shall supply only such water at such pressure and flows as may be available from time to time as the result of its normal operation of its system.

5. Utility may temporarily interrupt or cancel deliveries under this schedule for any reason at its option.

6. The furnishing of water for resale under this schedule shall not constitute a perpetual dedication of such service. Service under this schedule may be withdrawn at any time at the sole option of the utility.

APPENDIX C
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FRANCIS LAND AND WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered service.

TERRITORY

Ferndale and vicinity, Humboldt County.

RATES

Quantity Rates:		<u>Per Meter Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
First	500 cu.ft., or less	\$ 3.62	\$ 8.71
Next	1,500 cu.ft., per 100 cu.ft. ....	.69	1.66
Next	3,000 cu.ft., per 100 cu.ft. ....	.48	1.15
Next	5,000 cu.ft., per 100 cu.ft. ....	.29	.70
Over	10,000 cu.ft., per 100 cu.ft. ....	.21	.51
Minimum Charge:			
For	5/8 x 3/4-inch meter	\$ 3.62	\$ 8.71
For	3/4-inch meter	5.60	13.47
For	1-inch meter	8.90	21.41
For	1-1/2-inch meter	16.70	40.18
For	2-inch meter	24.50	58.95
For	3-inch meter	40.00	96.24
For	4-inch meter	61.00	146.77
For	6-inch meter	95.00	228.57
For	8-inch meter	139.00	334.43

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

APPENDIX C
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FRANCIS LAND AND WATER COMPANY

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service rendered for private fire protection purposes.

TERRITORY

The City of Ferndale and adjacent unincorporated territory, Humboldt County.

RATES

	Per Month	
	<u>Present</u>	<u>Proposed</u>
For each 4-inch connection, or smaller	\$ 6.00	\$14.44
For each 6-inch connection	9.00	21.65
For each 8-inch connection	12.00	28.87
For each 10-inch connection	25.00	60.15
For each 12-inch connection	35.00	84.21

APPENDIX C
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FRANCIS LAND AND WATER COMPANY

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to duly organized fire districts or other political subdivisions of the State.

TERRITORY

The City of Ferndale and adjacent unincorporated territory, Humboldt County.

RATES

	Per Month	
	<u>Present</u>	<u>Proposed</u>
For each wharf-type hydrant	\$2.50	\$6.02
For each standard hydrant	3.00	7.22

CITIZENS UTILITIES COMPANY OF CALIFORNIA

Schedule No. FE-1

Felton Tariff Area.ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Felton and vicinity, Santa Cruz County.

RATES

Monthly Quantity Rates:

	<u>Per Meter</u>	<u>Per Month</u>
	<u>Present</u>	<u>Proposed</u>
First 5,000 cu.ft., per 100 cu.ft.	\$ 0.47	\$ 0.94
Over 5,000 cu.ft., per 100 cu.ft.	0.40	0.80

Annual Service Charge:

	<u>Per Meter</u>	<u>Per Year</u>
	<u>Present</u>	<u>Proposed</u>
For 5/8 x 3/4-inch meter	\$ 36.00	\$ 72.36
For 3/4-inch meter	55.00	110.64
For 1-inch meter	88.00	177.00
For 1-1/2-inch meter	147.00	295.56
For 2-inch meter	235.00	472.56
For 3-inch meter	440.00	884.64
For 4-inch meter	650.00	1,306.92

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

Service Re-establishment Charge:

For each re-establishment of water service \$4.00

APPENDIX D
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CITIZENS UTILITIES COMPANY OF CALIFORNIA

Schedule No. FE-4

Felton Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

The community of Felton and vicinity, Santa Cruz County.

RATES

	Per Month	
	<u>Present</u>	<u>Proposed</u>
For each 4-inch diameter service connection	\$ 8.00	\$16.08
For each 6-inch diameter service connection	12.00	24.12
For each 8-inch diameter service connection	16.00	32.16
For each 10-inch diameter service connection	32.00	64.32
For each 12-inch diameter service connection	45.00	90.45

APPENDIX D
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CITIZENS UTILITIES COMPANY OF CALIFORNIA

Schedule No. FE-5

Felton Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

The unincorporated community of Felton and vicinity, Santa Cruz County.

RATES

Owned by :	Hydrant :	Size of :	Type :	Attached to							
				2" or 2-1/2"		3" Main		4" Main		6" Main	
				Present	Proposed	Present	Proposed	Present	Proposed	Pres.	Prop.
District	2-1/2-inch	Wharf		\$1.00	\$2.01	\$1.25	\$2.51	\$1.50	\$3.02	\$1.75	\$3.52
Company	2-1/2-inch	Wharf		1.25	2.51	1.50	3.02	1.75	3.52	2.00	4.02
District	3-inch	Wharf		-	-	1.50	3.02	1.75	3.52	2.00	4.02
Company	3-inch	Wharf		-	-	1.75	3.52	2.00	4.02	2.25	4.52
District	4-inch	Standard		-	-	-	-	2.00	4.02	2.50	5.03
Company	4-inch	Standard		-	-	-	-	2.50	5.03	3.00	6.03

CITIZENS UTILITIES COMPANY OF CALIFORNIA

Schedule No. FE-6M

Felton Tariff Area

ANNUAL METERED RESALE SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Felton and vicinity, Santa Cruz County.

RATES

	<u>Per Meter Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
Monthly Quantity Rates:		
First 5,000 cu.ft., per 100 cu.ft.	\$ 0.47	\$ 0.94
Over 5,000 cu.ft., per 100 cu.ft.	0.40	0.80

Annual Service Charge:

	<u>Per Meter Per Year</u>	
	<u>Present</u>	<u>Proposed</u>
For 5/8 x 3/4-inch meter	\$ 36.00	\$ 72.36
For 3/4-inch meter	55.00	110.64
For 1-inch meter	88.00	177.00
For 1-1/2-inch meter	147.00	295.56
For 2-inch meter	235.00	472.56

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

Service Re-establishment Charge:

For each re-establishment of Water Service \$4.00