

Decision No. 89108 JUL 25 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA WATER SERVICE COMPANY) Application No. 57332
a corporation, for an order author-) (Filed May 23, 1977; amended
izing it to increase rates charged) June 1, 1977 and August 31, 1977)
for water service in the Selma)
District.)
_____)

McCutchen, Doyle, Brown & Enersen, by
Crawford Greene, Attorney at Law, for
applicant.
Paulette Janian, Attorney at Law, for
City of Selma, Protestant.
Jasper Williams and Elmer Sjostrom,
Attorneys at Law, and Ernst G. Knolle,
Kenneth Chew, Benny Y. B. Tan, and
A. V. Garde, for the Commission staff.

INTERIM OPINION

Applicant California Water Service Company seeks authority to increase rates for water service in its Selma District. The proposed annual step rates through the year 1980 would increase annual revenues by a total of \$67,600 or 18 percent. Applicant also requests a preliminary order granting partial rate relief which would increase annual revenues by \$16,200, or 4 percent, pending final disposition of this proceeding.

Public hearing was held in Selma on October 5, 1977. Copies of the original application and amendments 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 Practice and Procedure. The interim rate relief phase of the application was submitted on October 5, 1977, subject to receipt of applicant's brief by November 8, 1977 and receipt of reply briefs within 10 additional days. Applicant's brief was filed November 7, 1977. A reply brief in opposition to the interim rate relief was filed by the Commission staff recommending that the interim relief be deferred until completion of the staff studies in early April 1978.

Following notice to all appearances, adjourned hearings were held, on a consolidated record with pending applications involving four other of applicant's districts, before Administrative Law Judge Gilman in San Francisco on April 10, 11, and 12 and in Stockton on April 13 and 14, 1978. This application was submitted for final decision on April 14, 1978, subject to receipt of concurrent opening briefs by May 4, 1978 and reply briefs by May 14, 1978. An opening brief was filed by applicant and a reply brief was filed by the staff.

In support of the request for rate relief in this district, applicant presented testimony of its vice president in charge of regulatory matters. Testimony applicable to overall company operations has been presented by witnesses for applicant and the Commission's staff in pending Application No. 57328, the Stockton District rate proceeding. That evidence was incorporated by reference in the Selma District proceeding.

The Commission presentation for this district was made through three engineers.

The mayor and the city attorney for the city of Selma, and one customer of the Selma District presented statements in opposition to the rate increases.

Service Area and Water System

Applicant owns and operates water systems in twenty-one districts in California. Its Selma District includes all of the incorporated city of Selma, together with contiguous territory in Fresno County. The terrain is flat, with elevations ranging from 300 feet to 318 feet above sea level. The population within the area served is estimated at 11,400.

Water for the Selma District is obtained from 13 company-owned wells located throughout the service area. All well pumps are electrically powered and five of them have a secondary source of power. Pressure governors and time switches are used as the primary controls for the wells.

The transmission and distribution system includes about 42 miles of mains, ranging in size up to 12-inch. There are about 930 metered services, 2,175 flat rate services, 14 private fire protection services, and 190 public fire hydrants.

Service

There have been no informal complaints to the Commission from this district during the period from January 1976 through August 1977. Utility records indicate that customer complaints received at applicant's district office were quickly resolved. The absence of any service complaints from any customers at the hearing is a further indication that service is satisfactory.

Rates

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

Applicant proposes to increase its rates for general metered service and residential flat rate service.

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

COMPARISON OF MONTHLY RATES

A-57332 Alt.-RDG-/ka

<u>Metered Service</u>	<u>Present*</u> <u>Rates</u>	<u>Proposed Rates†</u>			<u>Authorized Rates</u>		
		<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Service Charge:							
For 5/8 x 3/4-inch meter	\$ 2.98	\$ 3.18	\$ 3.34	\$ 3.61	\$ 3.00	\$ 3.15	\$ 3.30
For 3/4-inch meter	3.28	4.70	4.90	5.30	4.40	4.60	4.90
For 1-inch meter	4.45	6.40	6.70	7.20	6.00	6.30	6.70
For 1-1/2-inch meter	6.19	9.00	9.40	10.10	8.40	8.80	9.40
For 2-inch meter	7.92	11.50	12.00	13.00	11.00	11.50	12.00
For 3-inch meter	14.59	21.00	22.00	24.00	20.00	21.00	22.00
For 4-inch meter	19.43	29.00	30.00	33.00	27.00	28.00	30.00
For 6-inch meter	32.68	48.00	50.00	54.00	45.00	47.00	50.00
For 8-inch meter	48.98	72.00	75.00	81.00	67.00	70.00	75.00
For 10-inch meter	60.19	89.00	93.00	100.00	83.00	87.00	93.00
Quantity Rates:							
For the first 300 cu.ft., per 100 cu.ft.	0.153	0.167	0.190	0.207	0.157	0.160	0.172
For the next 200 cu.ft., per 100 cu.ft. ....	.153	.222	.253	.276			
For all over 500 cu.ft., per 100 cu.ft. ....	.201	.222	.253	.276			
For all over 300 cu.ft., per 100 cu.ft. ....					.214	0.220	0.231

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.

* Authorized by Resolution No. W-2190, dated July 26, 1977, in response to applicant's Advice Letter 553.

† Set forth in applicant's Exhibit 8, which reflects the staff recommendations as to "Lifeline" rate guidelines.

(Continued)

COMPARISON OF MONTHLY RATES

<u>Flat Rate Service</u>	<u>Present*</u> <u>Rates</u>	<u>Proposed Rates†</u>			<u>Authorized Rates</u>		
		<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Single-family residential unit, including premises having the following area:							
6,000 sq. ft. or less	\$ 7.71	\$ 8.44	\$ 8.52	\$ 8.67	\$ 8.00	\$ 8.30	\$ 8.60
6,001 to 10,000 sq. ft.	9.33	10.14	10.23	10.41	9.80	10.25	10.65
10,001 to 16,000 sq. ft.	11.80	12.86	13.00	13.22	12.50	13.00	13.60
16,001 to 25,000 sq. ft.	14.85	16.16	16.32	16.60	15.75	16.50	17.30
Each additional single-family unit	5.11	5.56	5.61	5.71	5.30	5.60	5.90

* Authorized by Resolution No. W-2190, dated July 26, 1977, in response to applicant's Advice Letter 553.

† Set forth in applicant's Exhibit 8, which reflects the staff recommendations as to "Lifeline" rate guidelines.

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Staff studies, with which applicant concurs, show that an average commercial metered customer (business and residential) will use about 35,280 cubic feet of water per year, or 29 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 \$8.57 per month. At applicant's proposed step rates for the years 1978, 1979, and 1980, the corresponding monthly charges would be, respectively, \$9.45, \$10.49, and \$11.41, or 10, 22, and 33 percent higher than under present rates. At the rates authorized herein, the corresponding monthly charges would be, respectively, \$9.04, \$9.35, and \$9.82, or 5, 9, and 15 percent higher than under present rates.

For a typical flat rate residential customer on premises of 6,001 to 10,000 square feet in area, the present rate is \$9.33 per month. At applicant's proposed step rates, the corresponding monthly charges would be, respectively, \$10.14, \$10.23, and \$10.41, or 9, 10, and 12 percent higher than under present rates. At the rates authorized herein, the corresponding monthly charges would be, respectively, \$9.80, \$10.25, and \$10.65, or 5, 10, and 14 percent higher 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 Tables II-A and -B, based upon Exhibits 6 and 7, but expanded to show a more detailed breakdown of the various items of revenues and expenses, are the estimated results of operation for the test years 1978 and 1979 under present rates, under those proposed by applicant, and under the rates authorized herein.

Summary of Earnings - Test Year 1978

(Dollars in Thousands)

Item	Applicant		Staff		Adopted Rates
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	
<u>Operating Revenues</u>					
Metered	\$ 111.0	\$ 120.5	\$ 126.5	\$ 135.3	\$ 137.4
Flat Rate	250.8	275.4	254.6	281.3	264.2
Fire Protection & Misc.	<u>6.7</u>	<u>6.7</u>	<u>7.1</u>	<u>7.1</u>	<u>7.1</u>
Total Operating Revenues	368.5	402.6	388.2	423.7	408.7
<u>Operating Expenses</u>					
<u>O. & M., A. & G. & Misc.</u>					
Purchased Power	58.6	58.6	58.5	58.5	58.5
Payroll	78.5	78.5	83.2	83.2	83.2
Other O. & M. Exp.	24.9	24.9	25.2	25.3	25.2
Other A. & G. & Misc.	<u>7.0</u>	<u>7.0</u>	<u>7.1</u>	<u>7.1</u>	<u>7.1</u>
Total O. & M., A. & G. & Misc. Expenses	169.0	169.0	174.0	174.1	174.0
<u>Taxes Other Than Income</u>					
Ad Valorem	28.3	28.3	27.0	27.0	27.0
Payroll	5.2	5.2	5.5	5.5	5.5
Other	<u>.1</u>	<u>.1</u>	<u>.1</u>	<u>.1</u>	<u>.1</u>
Total Taxes Other Than Income	33.6	33.6	32.6	32.6	32.6
Depreciation	28.8	28.8	32.1	32.1	32.1
<u>G.O. Prorated Expenses</u>					
Payroll & Benefits	24.5	24.5	25.5	25.5	25.5
Payroll Taxes	.9	.9	1.1	1.1	1.1
Other Prorated Exp.	<u>9.8</u>	<u>9.8</u>	<u>12.2</u>	<u>12.2</u>	<u>12.2</u>
Total G.O. Prorated Expenses	35.2	35.2	38.8	38.8	38.8
<u>Income Taxes</u>					
Incl. Taxes Before I.T.C.	22.6	40.6	23.5	42.1	34.3
Investment Tax Credit	<u>(7.0)</u>	<u>(7.0)</u>	<u>(9.3)</u>	<u>(9.3)</u>	<u>(9.3)</u>
Total Income Taxes	15.6	33.6	14.2	32.8	25.0
Total Operating Expenses	282.2	300.2	291.7	310.4	302.5
Net Operating Revenues	86.3	102.4	96.5	113.3	106.2
Rate Base	986.3	986.3	1,067.0	1,067.0	1,067.0
Rate of Return	8.75%	10.38%	9.04%	10.62%	9.95%
Water Production KCcf	1,519.0		1,589.3		1,589.3
Metered Sales - KCcf	363.1		431.3		431.3
Average Metered Services	928		958		958
Average Flat Rate Services	2,198		2,230		2,230

(Red Figure)

Summary of Earnings - Test Year 1979

(Dollars in Thousands)

Item	Applicant		Staff		Adopted Rates
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	
<u>Operating Revenues</u>					
Metered	\$ 112.0	\$ 125.4	\$ 129.0	\$ 141.4	\$ 145.0
Flat Rate	257.4	294.1	267.0	307.9	289.3
Fire Protection & Misc.	<u>7.4</u>	<u>7.4</u>	<u>7.4</u>	<u>7.4</u>	<u>7.4</u>
Total Operating Revenues	376.8	426.9	403.4	456.7	441.7
<u>Operating Expenses</u>					
<u>O. & M., A. & G. & Misc.</u>					
Purchased Power	59.9	59.9	60.5	60.5	60.5
Payroll	82.4	82.4	90.3	90.3	90.3
Other O. & M. Exp.	26.5	26.5	26.6	26.6	26.6
Other A. & G. & Misc.	<u>7.4</u>	<u>7.4</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>
Total O. & M., A. & G. & Misc. Expenses	176.2	176.2	184.9	184.9	184.9
<u>Taxes Other Than Income</u>					
Ad Valorem	30.5	30.5	30.9	30.9	30.9
Payroll	5.5	5.5	6.0	6.0	6.0
Other	<u>.1</u>	<u>.1</u>	<u>.1</u>	<u>.1</u>	<u>.1</u>
Total Taxes Other Than Income	36.1	36.1	37.0	37.0	37.0
Depreciation	31.1	31.1	35.7	35.7	35.7
<u>G.O. Prorated Expenses</u>					
Payroll & Benefits	26.1	26.1	27.2	27.2	27.2
Payroll Taxes	.9	.9	1.3	1.3	1.3
Other Prorated Exp.	<u>10.1</u>	<u>10.1</u>	<u>13.2</u>	<u>13.2</u>	<u>13.2</u>
Total G.O. Prorated Expenses	37.1	37.1	41.7	41.7	41.7
<u>Income Taxes</u>					
Incl. Taxes Before I.T.C.	15.1	41.5	14.6	42.7	34.8
Investment Tax Credit	<u>(9.1)</u>	<u>(9.1)</u>	<u>(11.3)</u>	<u>(11.3)</u>	<u>(11.3)</u>
Total Income Taxes	6.0	32.4	3.3	31.4	23.5
Total Operating Expenses	286.5	312.9	302.6	330.7	322.8
Net Operating Revenues	90.3	114.0	100.8	126.0	118.9
Rate Base	1,098.5	1,098.5	1,195.4	1,195.4	1,195.4
Rate of Return	8.22%	10.38%	8.43%	10.54%	9.95%
Water Production KCcf	1,552.7		1,654.9		1,654.9
Metered Sales - KCcf	366.9		441.2		441.2
Average Metered Services	932		970		970
Average Flat Rate Services	2,256		2,339		2,339

(Red Figure)

Applicant's original estimates were completed in May 1977, with a major amendment made in August 1977. 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 data became available as to actual numbers of customers, year-end 1977 plant balances, and other recorded data.

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. For the purpose of this proceeding all of the staff's estimates, except those related to the staff's original recommendation that flat rate service no longer be made available to any new customers, have been adopted by applicant. When the Commission issued Decision No. 88692 dated April 11, 1978 in Case No. 10114, removing various mandatory metering requirements from an earlier decision in that proceeding, the staff withdrew its recommendation, leaving no issues to be resolved with respect to summary of earnings. In view of (1) the time which has elapsed since this application was filed, (2) the fact that the public hearing was held in Selma before the issue of potential metering arose, and (3) the fact that Decision No. 88692 requires review of the flat rate vs. metering problem in any new general rate application, it would not be appropriate to reopen the current proceeding to cover that subject.

The more detailed breakdown in Tables II-A and -B under adopted results of operation will provide a basis for review of future advice letter requests for rate increases or decreases to offset changes not reflected in either (1) the test years 1978 and 1979 or (2) the trend in rate of return into 1980 adopted as the basis for the rates authorized herein. The purchased power rates are those which became effective April 1, 1978 and result in a composite charge of 5.055 cents per kwh. The composite equivalent effective ad valorem tax rate of 2.332 percent of the dollars of beginning-of-year net plant plus materials and supplies is that applicable to the fiscal year 1977-78. The state and federal income tax rates used are the current 9 percent and 48 percent rates, respectively. The investment tax credit is the current 10 percent applicable to operations.

Operating Revenues

Both applicant and the staff used the "Modified Bean" method, as described in the staff manual, Standard Practice U-25, to estimate commercial metered sales. Neither staff nor applicant used 1977 recorded data in the regression analysis due to the abnormal conservation effect experienced during that drought year. The methods used by both applicant and the staff were consistent with guidelines established by the staff and the California Water Association's Consumption-Revenue Estimation Committee. Estimated normalized consumption per metered commercial customer before adjustment for conservation for both 1978 and 1979 test years is 356.0 Ccf in applicant's studies and 361.9 in the staff's studies. This difference of less than two percent is due to slightly different projections of the indicated trend in consumption when data for 1977 was determined to be unusable. The drought effects had not been anticipated in the standardized guidelines and specific procedures relating thereto are not specified.

Applicant and staff agree that there will be some residual conservation even though the drought is over. To estimate this effect, applicant used a judgmental percentage of the recent recorded decline in customer usage. Applicant estimated the long-term residual conservation effect to be 12.5 and 6 percent below the pre-drought "normal" for, respectively, metered and flat rate customers. The staff estimated the residual conservation effect to be approximately 2.5 percent below the pre-drought "normal" for commercial, 10 percent for public authority customers, and 4 percent for flat rate customers.

In August 1977, to arrive at its residual conservation effect, applicant estimated 1977 sales to be below normalized and used approximately one-third of the percentage difference as the residual conservation effect. However, the staff, in estimating its residual conservation effect, had later data available which showed recorded 1977 sales from April through December to be greater than anticipated by applicant. The staff then used approximately one-fourth of the percentage difference as the residual conservation effect.

Applicant concurs in the use of the later data and does not wish to challenge the one-fourth factor used by the staff rather than one-third used by applicant in this district as residual conservation into the future. We will adopt the staff estimate.

Conservation of Water and Power

Applicant presented, in a previous series of rate proceedings, a comprehensive review of its efforts to effect water conservation. Decision No. 87333 dated May 17, 1977 in Application No. 56234, involved applicant's East Los Angeles District, which was the initial district of the previous series. That decision included a discussion of this subject and the finding that applicant's conservation program was satisfactory.

In the current proceeding, applicant presented evidence that it is continuing actively to prevail upon its customers to avoid nonbeneficial consumption of water. Also, applicant has followed the recommendation of the Commission staff in Case No. 10114 (the pending Commission investigation into water conservation matters) that, in order to conserve power, a program of pump efficiency testing be established.

Rate of Return

In Decision No. 89110 dated JUL 25 1978, 1978 in Application No. 57330, applicant's Salinas District rate proceeding, the Commission discussed at some length the basis for its findings that rates of return of 9.95 percent on rate base and 12.81 percent on common equity are reasonable for applicant's operations for the period from 1978 through 1980. The same discussion, including consideration of quality of service, applies to applicant's Selma District and need not be repeated in this decision.

Trend in Rate of Return

In some prior decisions in rate proceedings involving other districts of applicant, the apparent future trend in rate of return has been offset by the authorization of a level of rates to remain in effect for several years and designed to produce, on the average over that period, the rate of return found reasonable. In other decisions, we deemed it more appropriate to increase the rates in steps designed to maintain, in each of several future years, the rate of return found reasonable. In the current proceeding, applicant and the staff recommended that step rates be authorized. Estimates of operations for the years 1978 and 1979 provide the basis for the step rates applicable to those years. Estimated projection of the downward trend that would prevail at the 1979 level of rates provides the basis for the 1980 step rates required to maintain a level rate of return beyond 1979.

As shown in Tables II-A and -B, at present rates, the staff's estimated rates of return are 9.04 percent for 1978 and 8.43 percent for 1979, a difference of 0.61 percent. The staff's analysis also shows that there is about 0.2 percent greater attrition at higher levels of fixed rates. Applicant's studies show, in addition, that the expected decline from 1977 to 1978 was higher than from 1978 to 1979. It appears reasonable to adopt applicant's recommendation, concurred in by the staff, that an attrition allowance of 0.75 percent over 1979 rates be adopted in establishing the 1980 step rates.

The staff recommends that applicant be required to file an advice letter with appropriate work papers at the end of 1978 and 1979 to justify the next year's step rate. To provide adequate review time, applicant will be expected to file its advice letters on or before December 1 of each year, based upon data for the previous twelve months ending October 31.

Rate Spread

After the total revenue requirement is determined in a rate proceeding, there still remains the problem of an equitable distribution of that revenue requirement among the various components of the rate structure. Applicant's original proposed rates were based upon early "lifeline" rate structures promulgated by the Commission, in which none of the increase is added to (1) the service charge for the smallest size (5/8 x 3/4-inch) of residential metered service and (2) the quantity rate for the

first 500 cubic feet of consumption each month. In more recent rate increases granted to applicant,^{1/} recognition has been given in lifeline rates to the fact that indefinite freezing of the aforementioned two components of the rate structure would place an unfair burden on larger users.

In this proceeding, the staff presented more detailed guidelines for rate design. Applicant concurred in the guidelines and utilized them in designing revised proposed rates which would produce the same revenues as the original proposed rates. The staff's guidelines, set forth in Exhibit 6, which were also used in designing the rates authorized herein, are:

- "A. The service charge for a 5/8 x 3/4-inch meter be increased for the years 1978, 1979 and 1980 so that the charge for the 5/8 x 3/4-inch meter be approximately 68 percent of the charge for a 3/4-inch meter.
- "B. The lifeline quantity be reduced from 500 cubic feet to 300 cubic feet."

Other Staff Recommendations and Comments

Several additional recommendations and comments were included by the staff in its exhibits and testimony relating to operations of the company as a whole and of the Selma District. They do not affect the rates to be authorized and therefore need not be the subject of findings, conclusions, and the order herein. They do, however, warrant the discussion which was included in the Salinas District decision hereinbefore mentioned. The topics covered are:

1. Utility plant acquisition adjustment.
2. Balancing accounts.
3. Allocating common plant in district reports to the Commission.
4. Accounting for revenue from leased water rights.
5. Ad valorem taxes used in calculating income taxes.
6. Amortization of abnormal conservation expenses.

^{1/} Decision No. 87861 dated September 13, 1977 in Application No. 57190 involving applicant's San Francisco Peninsula districts, and Resolution No. W-2244 dated September 7, 1977, in response to applicant's Advice Letter 562, involving the Stockton District.

Position of Protestant

The city of Selma did not make any independent investigation of the rate increase application, other than to compare applicant's present and proposed rates with those of several city-owned water systems in other communities in the San Joaquin Valley.

The fact that water rates vary among different communities, regardless of whether the water systems are publicly or privately owned, is not unusual or surprising. Further, the investor-owned utilities are normally not subsidized from city, county, state, or federal funds, whereas some city-owned water systems are. In fact, investor-owned utilities provide funds to city, county, state, and federal governments through payment of taxes and fees not applicable to municipal systems. Also, investor-owned water utilities are precluded by the Commission's General Order No. 103 from charging the "connection fees" levied by many municipal systems. The uniform water main extension rule prescribed by the Commission provides for refundable subdividers' advances instead of the non-refundable subdividers' contributions received by many municipal systems. Even the rates of two similar investor-owned systems can vary considerably. If the plant for one was installed originally or replaced more recently than for the other, the effect of inflation and of the differing depreciation reserves at any given time can have significant effects on the rate base and hence on the revenue requirement. Thus the Commission does not judge the reasonableness of rates by merely comparing them with rates of other purveyors. It sets water rates on a case-by-case basis, carefully determining the expenses necessary for the particular system under study, plant investment required, and the reasonable return for the investment in question.

The city is also concerned that the extra cost of water to a small lot owner under applicant's proposed flat rates would work a hardship on Selma's large minority population, those with low income and the unemployed. Under applicant's tariffs, however, a flat-rate residential customer may request and receive metered service. Under the lifeline concept incorporated in the metered service rates, low-usage customers get the benefit of lower rates than the rates charged for greater use.

Findings

1. Applicant's water quality, conservation program, and service are satisfactory.
2. Applicant is in need of additional revenues but the rates requested would produce an excessive rate of return.
3. The adopted estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test years 1978 and 1979, and an annual fixed-rate decline of 0.75 percent in rate of return into 1980, reasonably indicate the probable results of applicant's operations for the near future.
4. A rate of return of 9.95 percent on applicant's rate base for 1978, 1979, and 1980 is reasonable. The related average rate of return for common equity over the three-year period is approximately 12.81 percent. This will require an increase of \$20,500 or 5.3 percent, in annual revenues for 1978; an increase from present rate of \$38,300, or 9.5 percent, for 1979; and a final increase of \$19,000, or 4.3 percent, for 1980. ✓
5. The staff's recommendations on rate spread are reasonable and should be adopted.
6. 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.

7. The step increases authorized in Appendix B and Appendix C should be appropriately modified in the event the rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the twelve months ended October 31, 1978 and/or the twelve months ended October 31, 1979 exceeds 9.95 percent.

8. Inasmuch as this matter is now submitted for final decision, there is no need for the preliminary decision phase which was submitted over seven months ago.

9. At this time the effect of Article XIII-A (known as the Jarvis-Gann initiative) on applicant's ad valorem tax liability is not known. The rates granted herein should be adjusted by a proper amount when the ad valorem tax savings under Article XIII-A are known.

The Commission concludes that the application should be granted to the extent provided by the following order on an interim basis ✓ until such time that the effect of Article XIII-A on applicant's ad valorem tax liability is known.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order, applicant California Water Service Company is authorized to file for its Selma District the initial revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. On or before December 1, 1978, applicant is authorized to file, along with appropriate work papers, the step rates 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 Selma District rate of return on rate base, adjusted to reflect the rates then in effect on (1) pro forma basis using recorded sales and (2) pro forma basis with normal ratemaking adjustments for the twelve months ended October 31, 1978, exceeds 9.95 percent. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be January 1, 1979. The revised schedule shall apply to service rendered on and after the effective date thereof.

3. On or before December 1, 1979, applicant is authorized to file, along with appropriate work papers, the step rates attached to this order as Appendix C or to file a lesser increase which includes a uniform cents-per-hundred-cubic-feet of water adjustment from Appendix C in the event that the Selma District rate of return on rate base, adjusted to reflect the rates then in effect on (1) pro forma basis using recorded sales and (2) pro forma basis with normal ratemaking adjustments for the twelve months ended October 31, 1979, exceeds 9.95 percent. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be January 1, 1980. The revised schedule shall apply only to service rendered on and after the effective date thereof.

4. Applicant's request for a preliminary decision is denied. Applicant shall, by August 1, 1978, file an advice letter reducing the rates set forth in Appendix A to account for the ad valorem tax saving it estimates will result from the adoption of California Constitution Article XIII-A. It shall, at the same time, file in this proceeding and serve an explanation of its estimate and proposed modifications in Appendices B and C.

Because of the elapsed time since this application was filed, the effective date of this order is the date hereof.

Dated at San Francisco, California, this 25th
day of JULY, 1978.

I concur in part
William S. Jones Jr.

Robert Bateman

President

I concur in part
Vernon L. Stinger

Vernon L. Stinger

Michael D. Hinkle

Clair T. DeLoach
Commissioners

APPENDIX A
Page 1 of 2

Schedule No. SL-1

Selma Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Selma and vicinity, Fresno County.

RATES

Service Charge:

For 5/8 x 3/4-inch meter	\$ 3.00	(I)
For 3/4-inch meter	4.40	
For 1-inch meter	6.00	
For 1-1/2-inch meter	8.40	
For 2-inch meter	11.00	
For 3-inch meter	20.00	
For 4-inch meter	27.00	
For 6-inch meter	45.00	
For 8-inch meter	67.00	
For 10-inch meter	83.00	(I)

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft. ....	.157	(I)(T)
For all over 300 cu.ft., per 100 cu.ft. ....	.214	(I)(T)

The 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.

APPENDIX A
Page 2 of 2

Schedule No. SL-2R

Selma Tariff AreaRESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Selma and vicinity, Fresno County.

RATES

Per Service Connection
Per Month

For a single-family residential unit,
including premises having the following
areas:

6,000 sq.ft., or less	\$ 8.00	(I)
6,001 to 10,000 sq.ft.	9.80	
10,001 to 16,000 sq.ft.	12.50	
16,001 to 25,000 sq.ft.	15.75	

For each additional single-family residential unit on the same premises and served from the same service connection	5.30	(I)
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SPECIAL CONDITIONS:

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

2. All service not covered by the above classification 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. SL-1, General Metered Service.

APPENDIX B
Page 1 of 2

Schedule No. SL-1

Selma Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Selma and vicinity, Fresno County.

RATES

Service Charge:

For 5/8 x 3/4-inch meter	\$ 3.15	(I)
For 3/4-inch meter	4.60	
For 1-inch meter	6.30	
For 1-1/2-inch meter	8.80	
For 2-inch meter	11.50	
For 3-inch meter	21.00	
For 4-inch meter	28.00	
For 6-inch meter	47.00	
For 8-inch meter	70.00	
For 10-inch meter	87.00	(I)

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft. ....	.160	(I)
For all over 300 cu.ft., per 100 cu.ft. ....	.220	(I)

The 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.

APPENDIX B
Page 2 of 2

Schedule No. SL-2R

Selma Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Selma and vicinity, Fresno County.

RATES

Per Service Connection
Per Month

For a single-family residential unit,
including premises having the following
areas:

6,000 sq.ft., or less	\$ 8.30	(I)
6,001 to 10,000 sq.ft.	10.25	
10,001 to 16,000 sq.ft.	13.00	
16,001 to 25,000 sq.ft.	16.50	

For each additional single-family residential unit on the same premises and served from the same service connection	5.60	(I)
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SPECIAL CONDITIONS:

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

2. All service not covered by the above classification 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. SL-1, General Metered Service.

APPENDIX C
Page 1 of 2

Schedule No. SL-1

Selma Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Selma and vicinity, Fresno County.

RATES

Service Charge:

For 5/8 x 3/4-inch meter	\$ 3.30	(I)
For 3/4-inch meter	4.90	
For 1-inch meter	6.70	
For 1-1/2-inch meter	9.40	
For 2-inch meter	12.00	
For 3-inch meter	22.00	
For 4-inch meter	30.00	
For 6-inch meter	50.00	
For 8-inch meter	75.00	
For 10-inch meter	93.00	(I)

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft. ....	.172	(I)
For all over 300 cu.ft., per 100 cu.ft. ....	.231	(I)

The 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.

APPENDIX C
Page 2 of 2

Schedule No. SL-2R

Selma Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Selma and vicinity, Fresno County.

RATES

Per Service Connection
Per Month

For a single-family residential unit,
including premises having the following
areas:

6,000 sq.ft., or less	\$ 8.60	(1)
6,001 to 10,000 sq.ft.	10.65	
10,001 to 16,000 sq.ft.	13.60	
16,001 to 25,000 sq.ft.	17.30	

For each additional single-family residential unit on the same premises and served from the same service connection	5.90	(1)
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SPECIAL CONDITIONS:

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classification 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. SL-1, General Metered Service.