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ORIGINAL

Decision No. 89858 JAN 16 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of The Campbell Water Company, a corporation, for authority to increase its rates and charges for its water system serving the city of Campbell, city of San Jose and adjacent territory in Santa Clara County.	Application No. 57777 (Filed December 29, 1977)

Orrick, Herrington, Rowley & Sutcliffe, by James F. Crafts, Jr., for applicant.
Robert H. Bennett and Kenneth L. Haskins, for the Commission staff.

O P I N I O N

After due notice, public hearing in this application was held August 3, 1978 before Administrative Law Judge Thompson at Campbell. The matter was submitted on briefs and late-filed exhibits received October 1, 1978.

The Campbell Water Company, a family-held corporation, is a public utility water corporation with a service area of about 1,600 acres embracing the city of Campbell and small portions of the city of San Jose and unincorporated areas in Santa Clara County. Its service area is completely surrounded by the service area of San Jose Water Works. It has 5,100 customers of whom one is agricultural, 98 are industrial, and the remainder domestic, residential, or commercial. All water, except for public and private fire protection, is metered and the rates for such metered service are maintained in a single schedule. There are flat monthly rates for water for fire protection.

In its application it was proposed by applicant to establish an increase in its rates for general metered service for 1978 and to establish a further increase in rates for that service in 1979. The intent of the two-step increase was to provide applicant with sufficient revenues for a rate of return of about 9.75 percent in each of those two years. At the hearing when it became apparent that rates resulting from this proceeding would probably not become effective much before 1979, it was agreed by applicant and the Commission's staff (staff) that 1979 should be considered the test year for ratemaking purposes.

Applicant and staff presented estimates of the results of operations for 1979 at the rates proposed by applicant for water service during 1979. Each made numerous adjustments in their original estimates up to the time of hearing because of numerous events that occurred during the intervening period which would have an effect upon results of future operations by applicant. Those events include, but are not limited to, changes in water rates of Santa Clara Valley Water District, a number of changes in the rates for electricity, a change in postal rates, and the enactment of Proposition 13. Several of those circumstances had resulted in changes in applicant's rates being made by advice letter. As a result of those events which occurred fast apace, and there being a reasonable expectancy of similar events in the future, the administrative law judge asked the parties whether they could agree upon a "cut-off date" for measuring cost levels for the purpose of this proceeding, particularly with respect to electricity rates and the charges for purchased water. The parties agreed that August 1, 1978 should be the "cut-off date". With that agreement there remained only a few areas of differences of opinion between applicant and staff regarding operations for the test year 1979 which we will discuss under the captioned headings below.

Water Usage Adjustment for Conservation

The recent drought which was partially alleviated by the rainfall this past winter and the efforts by Californians, water utilities, and public agencies towards conservation of water are not

beyond recall and, therefore, need not be recounted in detail. During that critical period conservation efforts in applicant's service area resulted in a curtailment of water usage of between 20 and 25 percent. The crisis having been ameliorated, and making the assumption that 1979 will be a "normal year" with respect to rainfall and availability of water supply, the question presents itself concerning the residual effect of conservation measures in estimating the amount of water usage per customer for 1979. When it prepared its application, which was still during the water shortage crisis, applicant guessed that in the future there would be a residual conservation effect which would result in a reduction in residential and commercial water usage of about 8 percent from the usage which would be projected by a normal trend curve excluding the effects of the drought. It made its estimate of residential and commercial water usage for 1979 accordingly. Thereafter, and just prior to the hearing, applicant made an analysis of its water production for the first six months of 1978 and compared it with the average for those months during the years 1974, 1975, and 1976. It found that water production was down over 22 percent. The analysis also showed that there was a decrease of 13 percent in June 1978 as compared to June 1976. On the basis of that analysis, applicant contends that a conservative estimate of the residual effect is 12 percent for residential and commercial water usage.

In its original estimate staff used the same computer analysis as did applicant and adopted the 8 percent residual conservation effect. Subsequently, in Application No. 57505 of San Jose Water Works, the applicant in that proceeding and staff agreed that a 10 percent decline from the normal trend in usage would be appropriate in the case of that company's operations to reflect the residual effect of conservation. Staff contends that inasmuch as applicant is completely surrounded by San Jose Water Works, there should be some consistency in the consideration of residual effect and, therefore, argues for 10 percent.

The agreement upon 10 percent between staff and San Jose Water Works was made under the same circumstances when applicant herein originally estimated 8 percent; it was made at the end of the crisis and there was no hard data available regarding what would occur following the crisis. The 12 percent urged by applicant has the advantage of being based upon a six months' experience following the crisis. There is to be considered whether the experienced data reflects a transition from the critical period requiring drastic conservation measures to one of lesser restrictions and whether it is reasonable to use that data to project water usage during 1979. We believe that the evidence as a whole supports applicant's estimate of the 12 percent residual. Applicant has not based its estimate upon any averaging of the data; the data shows that the water production for the six months in 1978 was over 22 percent lower than for the same period in 1976; and that in June 1978, a reasonable time after the lifting of a number of water use restrictions, the water production was 13 percent lower than in June 1976. Other evidence included Resolution No. 78-20 of the Santa Clara Valley Water District rescinding its prior orders for a goal of a 25 percent reduction in water usage and calling upon the communities and citizens of the district to "maintain permanently a water saving of <u>at least 10 percent</u> over previous levels of use in order to ensure a balanced water supply for the future" (emphasis added). There was testimony regarding changes in the building code which require the use of water conservation devices and appliances, and regarding methods utilized by residents to conserve water. It is reasonable to anticipate that diminished water usage resulting from devices and improved appliances will continue as most represent a capital investment by the resident; and it appears doubtful that such devices will be removed regardless of the availability of water supply. Probably the only methods that may be discontinued are those involving some physical activity on the part of the resident, such as transferring the bath water to flush a toilet, washing the automobile from water in a bucket rather than with a hose, or

sweeping the patio rather than hosing it down. There is support for applicant's estimate.

Applicant developed an estimate of 2,733 Ccf average usage of water by industrial customers based on a least square trend. It contends that a change in the types of industries from those using large quantities of water to those having lesser water requirements has contributed to the diminishing industrial water sales. No firm data was presented in that regard; aside from the least square trend, the estimate is supported only by conclusions in the form of generalities by applicant's president. Staff analyzed the least square trend developed by applicant and found the coefficient of correlation to have a value of 0.15.[1/]

1/ "Least Squares" is a statistical method for determining a linear equation (straight line) such that the sum of the squares of the deviations or variances of the plotted data from that line is less than those from any other straight line. A line fitted in this manner is usually considered by statisticians to be the best line with which to estimate values of one variable when those of the other variable are known, if it be assumed that the relationship really is linear (a straight line). The coefficient of correlation is a number varying from +1, through zero, to -1 which is determined by mathematical formula. The sign indicates whether the slope is positive or negative, while the magnitude of the coefficient indicates the degree of association between the variables. Most authorities agree that a correlation of zero shows absolutely no relationship between the variables and that a coefficient of .9 or higher indicates a close association between the two variables. A coefficient of .15 indicates very little association of the variables which, in turn, is indicative that the straight line may not be reliable for estimating purposes.

Staff estimated 2,872.31 Ccf for the average industrial metered use per service connection. The estimate was developed from an arithmetic mean of past industrial water usage and applying a 5 percent conservation residual factor (one-half of the 10 percent residual estimated for residential and commercial water usage). In light of the fact that applicant has not supported the basis for its estimate, the approach or method followed by the staff is appropriate; however, its calculation of the arithmetic mean does not appear to reflect the data or record; and we have determined a conservation residual factor of 12 percent to be appropriate for the residential and commercial customer. The record discloses an average annual water consumption for industrial services for the years 1972 through 1976 inclusive was 228,210.40 Ccf; and the average annual industrial service connections during that period to be 77. The average usage per industrial service connection, therefore, was 2,963.77 Ccf, which reduced by one-half of the residential conservation residual of 12 percent amounts to 2,785.9438 Ccf. An average water usage per industrial service connection of 2,786 Ccf for the year 1979 is a reasonable estimate. That estimate is higher than applicant's estimate by 53 Ccf per year (or approximately 442 cf per month).

There is only one agricultural metered service. Applicant and staff estimated water usage by this customer in 1979 to be 572 Ccf, which estimate we adopt.

Regulatory Expense

Applicant estimated regulatory expense by taking an average of the recorded expense for the years 1974, 1975, and 1976 which was $2,289. Applicant's last general rate increase proceeding was in 1974. Staff made its estimate of $1,800 by analysis of the 1977 recorded expense of $2,871. Its analysis indicated that $900 of that amount was not associated with preparation for this rate increase proceeding. It then estimated that the cost to applicant related to this proceeding would be $125 for transcript, $450 for attorney fee, $100 for printing and miscellaneous, and

$1,995 for preparation of the rate case (cost incurred in 1977). Its estimate of the total cost to applicant of presenting this rate increase application is $2,670 which amortized over three years amounts to $890 per year. It added that amount to the $900 to obtain the sum of $1,790 which it rounded off to $1,800.

Inherent in the staff's estimate are the assumptions that: (1) all preparation by applicant for the hearing in this proceeding had been accomplished during 1977; (2) the total time an attorney would be involved in the case would be one and one-half days; and (3) the fee to be paid to the attorney for that amount of time would include not only compensation for the attorney's time, but also for his costs. The first two assumptions were shown not to be valid. With respect to the third assumption, the witness admitted that the only basis for it was a discussion with his supervisor, but even on its face that assumption conflicts with the realities of the real world. Applicant engaged a large and experienced law office in San Francisco which regularly has a practice before this Commission. It cannot be said that applicant's selection of experienced counsel was imprudent. If we consider the estimated fee on an hourly basis it amounts to $37.50 per hour which includes not only the participation of the attorney in preparation and presentation of the case, including briefing, but also his travel time and cost of travel between San Francisco and Campbell, the cost of materials and supplies expended by the attorney in this case, and the overhead of the law office. Compared to the hourly wages of a plumber, an electrician, or an automobile mechanic, who would have to travel just as far, this estimated hourly fee is quite low.

Applicant's estimate is not unreasonably high when one considers that it is based on an average of three years and in only one of those years was there a general rate increase proceeding. It could be lower than one could reasonably anticipate in view of the fact that there has been no adjustment for inflation. In the circumstances we adopt the applicant's estimate.

Administrative and General Salaries

Some of applicant's employees are covered by collective bargaining agreements between applicant and a union and other employees, mostly managerial and clerical, are not. The collective bargaining agreement calls for a wage increase on the order of 6 percent for the union employees effective in October 1978. Applicant's estimate assumes a 6 percent wage increase for union and nonunion employees for the future test year; staff's estimate assumes a 6 percent increase only for the union employees. The premise behind the staff's treatment is that there is a firm commitment under the union labor contract for the wage increase for union employees and, therefore, one knows what will be the labor cost of those employees for most of the test year 1979; whereas there being no such firm commitment in the form of a contract with the nonunion employees, a pay increase of 6 percent is not completely assured; in other words, the employer does not really have to provide the nonunion employees with a 6 percent pay increase.

The evidence shows that the compensation of applicant's nonunion employees has been adjusted over the years concurrently with and in proportion to the adjustments in the pay of union employees. That circumstance is not unusual in a small company such as applicant which has a relatively small number of employees, most of whom are members of one union and subject to the same collective bargaining agreement.

What we are attempting to accomplish here is to reasonably project the revenues that applicant will receive for its services for an immediate period in the future and the reasonable expenses attendent to providing those services. The staff makes no assertion that the present compensation for nonunion employees is excessive or unreasonable nor that such compensation plus 6 percent will be excessive or unreasonable for their respective services in 1979. Reduced to its fundamental application, the staff's premise is that there being no commitment or contract at this time, there will be no increase at all in the compensation of those employees in 1979. When viewed in the light of past experience and present-day conditions,

which is the only basis for any reasonable projection into the future, the proposition that the compensation of applicant's managerial and clerical employees will be higher in 1979 than in the past seems virtually a cinch bet; the only question is how much. Again, viewing the matter against past experience and present-day conditions, and particularly because the amount involved does not exceed President Carter's requested voluntary restraints in his anti-inflation program, the 6 percent increase would appear to be the more reliable of any of the projections in the estimates for 1979. We adopt applicant's estimate.

Taxes Other Than Income Taxes

Article XIII-A of the Constitution (Proposition 13) was enacted by the people at the election on June 6, 1978. Thereafter, the Commission, in its Order Instituting Investigation No. 19, requested utilities to file reduced rates to reflect the reduction in ad valorem tax resulting from the enactment of Proposition 13. On July 26, 1978 applicant filed its Advice Letter No. 50 providing for a decrease of $0.020 per Ccf to all quantities of water sales over 500 cf. That rate decrease reflected an estimated reduction in ad valorem tax of $22,415 by reason of Proposition 13. The estimates by applicant and by staff of the results of operation for 1979 did not take this circumstance into account. The administrative law judge commented that because of the multitudinous changes in conditions following the filing of this application, of which Proposition 13 is one, the only way one could make any meaningful comparison of the results of operations for 1979 under proposed rates and under present rates is to consider the latter as being those rates known at the time of hearing to be the rates of applicant and to project expenses for 1979 on conditions known at the time of hearing and included in the record. The projections of ad valorem tax for 1979, therefore, should reflect the reduction of $22,415 estimated in Advice Letter No. 50 and reflected in the present rates.

Rate of Return

In its application applicant proposed increased rates which would provide it with a rate of return of 9.75 percent. In its brief, when it became apparent to applicant the rates proposed for 1979 would return 9.96 percent, it argued in favor of that rate of return. Staff recommends a rate of return of 9.60 percent. Its recommended rate of return was determined on the basis of returning 12.25 percent on stockholders' equity on the depreciated rate base. It was asserted that such return is consistent with returns afforded other water corporations having similar capital structures. Two of the proceedings he said he had considered concerned rates for particular districts of large water companies. One was the rate case of Laguna Hills Water Company; however, the return on common equity involved there pertained to the combined capital structure of Laguna Hills Water Company and Laguna Hills Sanitation Company. The remaining case involved Dominguez Water Company (Dominguez) and the witness based his judgment upon the staff recommendation and exhibit in that proceeding. That exhibit was received in this proceeding as Exhibit 11. In Table I below we set forth a comparison of the capital structures of applicant and of Dominguez together with the staff's recommendations in each case.

TABLE I

Comparison of Capital Structures and Staff Recommendations with Respect to Dominguez Water Company 1/ and applicant. 2/

Capital Component	Capital Ratio		Cost Factor		Weighted Cost	
	Dom.	App.	Dom.	App.	Dom.	App.
Debt	52.82%	54.22%	8.62%	7.70%	4.55%	4.17%
Pref. Stock	5.35	2.86	5.00	6.00	.27	.17
Com. Equity	41.83	42.92	12.85	12.25	5.38	5.26
	100.00%	100.00%			10.20%	9.60%

1/ Capital structure ratios estimated as of December 31, 1979.

2/ Capital structure estimated as of December 31, 1978.

At the outset we emphatically state that our discussion does not relate as to whether a return on equity of 12.85 percent for Dominguez and 12.25 percent for applicant is too high or too low or to whether the rates of return of 10.20 percent and 9.60 percent are inappropriate. We also point out that the returns for Dominguez were staff recommendations in Application No. 57631 which proceeding had not been decided by the Commission at the time of hearing herein. Our object is merely to show that the staff's rationale underlying its recommendation is inappropriate. The witness was unaware of the particulars concerning the operations of either company or their construction budgets. The witness did not suggest any diminishing of applicant's rate of return by reason of any inefficiencies by management; indeed, no such cause would lie because the evidence shows that applicant's water system is very capably and efficiently managed. The only criterion expressed by the witness as being the basis of the staff's recommendation is what he called the element of risk. This element he characterized as being the relationship of debt to the capital structure of the company. Table I shows that ratio of senior debt of applicant to be greater than that of Dominguez, and in the case of capitalization senior to common stock, Dominguez's ratio is only 1.09 percent higher than applicant's. That circumstance would not seem to warrant a conclusion that Dominguez has such a higher risk that would justify a .6 percent higher return to the stockholders. Table I does show a higher debt service requirement for Dominguez than in the case of applicant, but this, in our opinion, does not justify a lower common equity return for applicant. During 1978 applicant obtained $220,000 from the issuance of 8-7/8 percent notes due in 1998. Considering past, present, and future conditions of the cost of money, the obtaining of the borrowing at that cost reflects a high degree

of business acumen by management. Furthermore, in view of the fact that the cost of debt service is an item to be recovered in the rates paid by the public, the ratepayers have benefited by management's astuteness.

The application requests authority to establish in 1979 increased rates which will provide applicant with net earnings of $158,544 for a rate of return of 9.74 percent on an estimated rate base of $1,628,520. That return applicant estimated would provide it with a return on stockholders' equity of about 13 percent. Generally, applicant has supported its request. We have determined that rates which will provide around $159,000 net earnings with a rate of return on rate base of 9.75 percent and a return on stockholders' equity of 12.60 percent will be just and reasonable. That corresponds generally to applicant's request and in our judgment will provide earnings sufficient to cover service on debt, meet reasonable dividend requirements, and assure confidence in the financial integrity of the enterprise so as to maintain its credit and attract capital (Del Este Water Company (1976) 79 CPUC 327, 343).

There is no particular method prescribed for determining a reasonable return for a utility. It involves weighing many factors and making pragmatic adjustments to arrive at a total effect and end result in balancing the investor and consumer interests. Our result here being in keeping generally with applicant's request, there is no necessity for listing all of the factors and pragmatic adjustments that entered into our judgment. We do wish to point out that the evidence of applicant's efficient management of operations and finances, the steady and apparently well-planned growth of the system historically, and its construction budgets for 1978 and 1979 were considered among other factors and were weighted favorably towards applicant.

In setting a reasonable rate of return, we take cognizance of the fact that the current economic reality of attrition can serve to erode the ability of a utility to earn a meaningful and reasonable rate of return.

As we stated in Decision No. 88761 dated May 2, 1978, in Southern California Water Company's Application No. 57271:

> "One method of allowing for attrition is the establishment of rates sufficiently high to produce the authorized rate of return on the average over a specified period of time. Another method of counteracting the effect of rate of return attrition is the use of step rates. Such rates provide the utility the opportunity to earn the authorized rate of return on a uniform basis and are considered more equitable to the customers in that they do not pay any excesses during the first years to offset future anticipated deficiencies. Another advantage to step rates is that they afford an opportunity of a review of future changes in rate of return and initiation of appropriate action if a reduction in rates is indicated."

In its judgment, this Commission will assume that applicant's future rate of return is subject to a maximum 0.30 percent attrition. To insure applicant the opportunity to achieve and realize the rate of return of 9.75 percent authorized herein, we will authorize step rate increases to offset the maximum 0.30 percent attrition in rate of return.

This order will provide for the authorization for applicant to file, on or before November 15, 1979, an advice letter with appropriate work papers, requesting an attrition offset not to exceed $10,000, which represents 0.30 percent attrition in rate of return based on the adopted rate base.

Estimate of Operating Results for Test Year 1979

Our estimate of operating results for the test year 1979, set forth in Table II, generally conform to the staff's estimate set forth in Exhibit 9 with adjustments to reflect our findings herein regarding water usage, regulatory expense, administrative salaries, and taxes other than income taxes.

President Carter signed into law Revenue Act of 1978 (HR 13511). The Act reduces the corporate tax rate from 48 percent to 46 percent effective January 1, 1979, and provides for lower tax rates for the first four $25,000 increments of taxable income. The Act will thus reduce the utility's federal income tax liability beginning January 1, 1979. Therefore, our adjusted results for the test year 1979 will reflect the Revenue Act of 1978 corporate tax rate. The adopted test year results of operation are reasonable.

TABLE II

Campbell Water Company

Summary of Earnings

Item	1979 Present Rates (1)	1979 Proposed Rates	1979 Adopted Rates
Operating Revenue	$ 787,940	$ 877,600	$ 851,800
Operating Expenses			
Operation & Maintenance	369,090	369,090	369,090
Administrative & General	162,260	162,260	162,260
Taxes Other Than Income	38,680	38,680	38,680
Depreciation	77,610	77,610	77,610
Income Taxes	16,210	58,200	45,080
Total Expenses	663,850	705,840	692,720
Net Operating Revenue	124,090	171,760	159,080
Depreciated Rate Base	1,631,560	1,631,560	1,631,560
Rate of Return	7.61%	10.53%	9.75%

(1) Present rates are the reduced rates filed by applicant on July 26, 1978 in its Advice Letter No. 50 pursuant to a directive from the Commission issued following the enactment by the people of Proposition No. 13 at the June 6, 1978 general election.

Rate Structure

Applicant's present rate structure provides for a monthly readiness-to-serve charge based upon size of meter together with a quantity rate of $.398 Ccf for the first 5 Ccf and a rate of $.436 Ccf for quantities over 5 Ccf. This is what is commonly called an inverted rate structure and is intended to promote the conservation of water. Applicant proposes to modify its rate structure by reducing the initial quantity rate block from 5 Ccf to 3 Ccf and it proposes to spread the increased revenue requirement almost equally among the rates and charges.

Staff suggests some modifications to applicant's proposal. It concurs with the suggested reduction of quantity in the initial block because it believes such to be more consistent with lifeline and conservation objectives. It recommends that there be no increase in the readiness-to-serve charge for 5/8 x 3/4-inch metered service because it considers that the small residential user, i.e., the object of lifeline policy, normally would have that type of service. It urges that the Commission's policy regarding lifeline rates for water be consistent with the State's policy regarding lifeline gas and electric rates pronounced in Section 739 of the Public Utilities Code. Under that policy there should be no increase in the lifeline rate until the average system rate in increased 25 percent or more over the January 1, 1976 level. Staff's other recommendations deal with rounding off of rates so as to simplify their application. For example, it suggests rounding up the present initial quantity rate from $.398 to $.40 and rounding the readiness-to-serve charges for meters one inch or less to the nearest ten cents and for over one inch to the nearest dollar.

Applicant accepts the staff's suggestions and we find them to be consistent with our policies regarding water rate structures. We adopt the format of rates set forth in Exhibit 12. The actual rates set forth in Exhibit 12 will provide about $8,600 gross revenue in excess of that which we have determined to be reasonable. In order to achieve and maintain the rate structure objectives mentioned above, the necessary adjustment in rates on the schedule set forth in Exhibit 12 will be made in the quantity rate for amounts of water in excess of 300 cf.

Findings

1. Applicant is a public utility water corporation with a service area of about 1,600 acres in and about the city of Campbell.

2. By this application it seeks authority to increase its rates for general metered service to provide an increase of about 11.4 percent in gross revenues to result in estimated net earnings of $158,544

for a rate of return of 9.74 percent on an estimated depreciated rate base of $1,628,520.

3. Public hearing was held in this application at Campbell on August 3, 1978 and there are no protests to the granting of the application.

4. An average depreciated rate base of $1,631,560 for the year 1979 is a reasonable estimate for a test rate year.

5. A rate of return of 9.75 percent on said depreciated rate base will provide applicant with net earnings of $159,080 for a return on common equity of 12.60 percent, which earnings and returns are sufficient to cover service on debt, provide for reasonable dividends to stockholders, and assure confidence in the financial integrity of the enterprise so as to maintain its credit and attract capital, and they are reasonable.

6. The proposed increased rates will provide a rate of return of 10.53 percent and a return on common equity of 14.42 percent which returns are excessive and unreasonable.

7. The estimated results of operations set forth in Table II are reasonable estimates based on the record herein. These estimates include the tax effects of the Revenue Act of 1978 (HR 13511).

8. The schedule of rates for general metered service attached in Appendix A should provide the gross revenue set forth under adopted rates in Table II and said rates are the just and reasonable rates for general metered water service to be furnished by applicant. To the extent that the present rates are different from the rates prescribed herein, said present rates are, and for the future will be, unjust and unreasonable.

9. The schedule of rates set forth in Appendix A will provide applicant with additional gross revenues of about $64,000 or an increase of about 8.1 percent over the revenues produced by the present rates, which increase is justified.

10. Attrition in the rate of return of approximately 0.30 percent should be recognized in the authorized rates. A further step increase not to exceed $10,000 should be authorized as of January 1, 1980 to offset the 0.30 percent decline in rate of return. The increase authorized in Appendix A should be appropriately modified in the event the rate of return on rate base, adjusted to reflect the rates then in effect for the 12 months ended September 30, 1979, exceeds 9.75 percent.

We conclude that applicant should be authorized to increase its rates as provided in the ensuing order and that in all other respects the application should be denied.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant The Campbell Water Company is authorized to file the 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 five days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date of the revised schedules.

2. On or before November 15, 1979, The Campbell Water Company is authorized to file an advice letter, with appropriate work papers, requesting attrition offset not to exceed $10,000 which represents 0.30 percent attrition in rate of return based on the adopted rate base. The increase will be in a uniform cents-per-hundred-cubic-feet of water adjustment for consumption in excess of 300 cubic feet from the rates shown in Appendix A. In the event that its rate of return on rate base, adjusted to reflect the rates then in effect on (1) a pro forma basis using recorded sales, (2) a pro forma basis with normal ratemaking adjustments, and (3) a pro forma basis using step rates for the twelve months ended September 30, 1979, exceeds 9.75 percent a lesser

increase shall be allowed. Such filing shall comply with General Order No. 96-A. The staff will evaluate this request and, if appropriate, prepare the necessary resolution for the Commission's consideration.

3. In all other respects Application No. 57777 is denied.

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

Dated at San Francisco, California, this 16th day of JANUARY, 1979.

Robert Batinovich
President

Richard D. Gravelle

Claire T. Dedrick

Commissioners

A.57777

APPENDIX A

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Campbell and vicinity, Santa Clara County.

RATES

Service Charge:	Per Meter Per Month	
For 5/8 x 3/4-inch meter	$ 2.75	
For 3/4-inch meter	3.30	(I)
For 1-inch meter	4.50	|
For 1½-inch meter	6.30	|
For 2-inch meter	8.00	|
For 3-inch meter	15.00	|
For 4-inch meter	21.00	|
For 6-inch meter	33.00	|
For 8-inch meter	50.00	(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 Rate, for water used during the month.

Quantity Rates:		
First 300 cu. ft., per 100 cu. ft.	$ .400	(I)(C)
Over 300 cu. ft., per 100 cu. ft.	.479	(I)(C)