

ORIGINAL

Decision No. 89955 FEB 14 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FOREST TAYLOR, et al.,
 Complainants,
 vs.
 SOUTHERN CALIFORNIA WATER
 COMPANY, a corporation,
 Defendant.

Case No. 10189
(Filed October 8, 1976)

Forest Taylor, for complainants.
William V. Caveney, for Southern California Water
 Company, defendant.
Eugene M. Lill, for the Commission staff.

O P I N I O N

On October 8, 1976 Forest Taylor, et al. (complainants)^{1/} filed this complaint alleging that the practice of Southern California Water Company (SoCal) of metering duplexes in an area where single residences are assessed a flat rate for service is unjustified, inequitable, and discriminatory.

SoCal filed its answer denying the allegations and stated that its policy of metering all nonsingle family water uses is fair and equitable, is in accordance with its tariffs authorized by the Commission, and is consistent with the water and energy conservation policies of the Commission; that this is not the time to regress from metering to flat rate pricing; and that its policy of starting metering with the duplexes instead of a larger dwelling unit was occasioned by the necessity of starting the metering at some specific point.

SoCal concedes that the existence of both a flat rate and a metered rate within the same area can lead to differences in billings

^{1/} The complaint was signed by 25 customers who own duplexes and receive metered service from SoCal in its Arden-Cordova District.

for the same amount of water use and that its policy of starting metering with the duplex instead of a larger unit contains an element of arbitrariness but prays that the complaint be dismissed, or in the alternative, that the Commission establish at which point metered service should apply to multi-family dwellings in its Arden-Cordova District. SoCal also stated that it would not resist an order in its Arden-Cordova District that single-family dwellings and duplexes be served on flat rate schedules.

According to SoCal, the Commission encouraged water utilities to install meters, particularly where water is in short supply, must be transported long distances, or is otherwise very expensive. The obvious reason, according to SoCal, behind metered rates is to have each customer pay in proportion to cost and use (as certain customers and distribution costs are not a function of water use they are assigned, at least in part, to the service charge which is independent of the use of water). Further, SoCal states that at the end of 1975, 95 percent or 168,599 out of its 177,626 customers were metered.^{2/}

SoCal also reiterated its position in Case No. 10046,^{3/} i.e., that the flat charge for water service to single-family residences in the Sacramento area is a historical practice; that it knows of no water utility that meters single-family dwellings in areas contiguous to its Arden-Cordova District; that water is in good supply and cheap relative to other areas of the State; and that, however, even in flat rate systems the Commission has encouraged water utilities to meter the nonsingle-family dwelling or customers whose use would tend to be above that of a single-family dwelling.

Hearing was held at Sacramento on October 2, 1978 before Administrative Law Judge Banks. Testimony was received from three complainants, the real estate salesperson responsible for the sale of

^{2/} It should be pointed out that almost all of SoCal's unmetered customers are in its two Sacramento districts where water is abundant and cheap. ✓

^{3/} Case No. 10046, Geno A. Betti vs. Southern California Water Co. was filed February 13, 1976 and Decision No. 80128 was issued July 19, 1976. The issues raised therein are identical to those under consideration here.

most of the duplexes owned by the complainants, and by SoCal's executive vice president.

At the hearing complainant Taylor testified that although he did not live in any of the duplexes he owned, he was of the opinion that metering of duplexes while offering flat rate service to single-family residences, whether they have more than one dwelling on the premises, and classifying duplex service as commercial, was discriminatory and unjustified. Complainant Betti restated the allegation contained in his complaint, Case No. 10046, and emphasized that the difference between SoCal's flat monthly rates for single-family dwellings of \$4.50 plus \$1.25 for each additional dwelling on one lot and Mr. Betti's average bill of \$15 per month, or \$7.50 for each unit, is discriminatory in that significantly different rates are being charged for approximately the same average monthly residential usage. Complainant Lamorisse stated that he agreed with Mr. Taylor and Mr. Betti that such practice results in considerably higher bills for duplexes even though consumption is oftentimes less.

The Commission staff did not present a witness, but a staff engineer stated that a report prepared for this proceeding recommending that all single-family residences be metered as a means of equalizing the financial burden on all customers would not be introduced because Decision No. 88692 dated April 11, 1978 in Case No. 10114^{L/} held that no existing flat rate service can be metered without a hearing and a finding that it is cost justified. The staff agreed with and supports SoCal's position.

Mr. William V. Caveney testified for SoCal. Mr. Caveney defended SoCal's metering policy by enlarging on the allegation contained in the answer. He stated that SoCal recognized that a difference in billing could result with the existence of both a flat rate and a metered rate within the same area and that because of this possibility he determined that the bulk of any tax saving in the Arden-Cordova area resulting from the passage of Article XIII-A of the California Constitution (Proposition 13) should be passed along to the metered customers.

^{L/} Investigation on the Commission's own motion into the operations, practices, service, equipment, facilities, rules, regulations, and contracts relating to water conservation in existing and new residential, commercial, industrial, public authority, and agricultural classes of service. Programs for metering existing flat rate services come under the prohibition rather than independent individual meter connections. The program for metering to which the staff engineer referred is subject to the prohibition.

Mr. Caveney stated that SoCal had filed a tariff reflecting the estimated tax reductions and that the rates in the new tariff were designed to "...pack the dollars of tax rate reduction into the lowest block, the first 50 Ccf per month, where most of the duplex usage falls."

In Case No. 10046, complainant Geno Betti alleged that SoCal's practice of metering service to duplexes while furnishing flat rate service to single-family residences is unjustified, inequitable, and discriminatory.

In Decision No. 86128 we denied the relief requested by Betti. In that decision we discussed the differences in the average monthly usage of SoCal's various customer classes and found that the average usage for single-family dwellings was, at 28 Ccf per month, significantly lower than the respective amounts of 70,225 and 635 Ccf per month for SoCal's metered commercial (including duplexes), industrial, and public authority groups. We also found that complainant Betti's average monthly usage for his duplex was 58 Ccf or 29 Ccf for each unit and that flat rate service is \$4.50 a month for single-family dwellings and \$6.25 for two dwellings on one property (not a duplex), while average monthly bills for a duplex for approximately the same average monthly usage is \$15. Finally, we found that there were some 400 commercial customers in SoCal's Arden-Cordova District of which only 80 are duplexes and that the average monthly use of all commercial customers is 70 Ccf per customer.

In Decision No. 88466 dated February 7, 1978 in Case No. 10114, we issued a Second Interim Opinion that required inter alia that Class A and Class B water utilities not provide flat rate service to new service connections in certain categories of service. That order further provided that Class A and Class B water utilities adhere to a timetable of conversion of flat rate service to metered service, although provision was made for deviation from the timetable for "physical or other reasons". Finally, that order required Class A and Class B water utilities to "file...the results of studies of the probable cost effectiveness of metering customers with lots between 6,001 and 10,000 sq.ft. (.14-.23 acre) and with lots of 6,000 sq.ft. (.14 acre) or less."

In Decision No. 88692 dated April 11, 1978 in Case No. 10114, we determined that metering requirements and provisions contained in Decision No. 88466 do not afford the Commission an opportunity to fully consider the impact of metering on individual water utilities and their customers, nor adequately provide for public input into individual water utility proposed metering programs; that consideration of metering programs in individual rate proceedings will allow the Commission to consider the proper scope of metering when all facets of the utility's operations are before it and, finally, that consideration of metering programs in individual rate proceedings will permit increased public participation into metering program decisions. We then rescinded Ordering Paragraphs 5 through 8 of Decision No. 88466 and, breaking down various classes of customers, ordered that each Class A and Class B water utility include, as part of any new general rate application, an analysis of (1) the costs and benefits of metering new service to various classes of customers and (2) the costs and benefits of converting various classes of existing flat rate service to metered service.

Section 453 of the Public Utilities Code provides that public utilities shall not "...maintain any unreasonable difference as to rates, charges or service...as between localities or as between classes of service." With the exception of duplexes, there is sufficient differential in average monthly usage between SoCal's various customer classes and SoCal's single dwelling customers to support a determination to provide single-family dwelling flat rate service and other customers metered service. However, as noted above, the monthly usage for an individual duplex unit is equal to or less than the monthly usage of a single-family residence. Further, the flat rate charge for the single-family unit, plus a nominal amount for each dwelling taking service from the same connection, is about half that for the duplex metered service.

From the circumstances and evidence herein, we conclude that SoCal's metering of duplexes on the premise that they are in the commercial class while providing flat rate service to single-family residences is an unreasonable difference of rates as to classes of service and results in discrimination. Accordingly, to eliminate this discrimination, we will order SoCal to provide flat rate service to duplexes in its Arden-Cordova District, each unit to be billed at the single-family residential flat rate pending a determination of the cost and benefits of converting existing residential flat rate service to metered service.

Findings

1. Findings 1 through 8 in Decision No. 86128 are still applicable to complainants herein.

2. SoCal's flat rate water service in its Arden-Cordova District is limited to single-family residences. The utility's filed tariff schedule for flat rate service provides that if either the customer or the utility elects, a meter shall be installed and service provided under the schedule for general metered service.

3. SoCal's metering of duplexes is not a reasonable classification of water users and results in discrimination.

4. Water use information to assist in the determination of the benefits, through water conservation, of converting existing residential flat rate service to metered service, could be readily secured by retaining existing meters in place.

O R D E R

IT IS ORDERED that:

1. Southern California Water Company shall no longer classify duplexes in its Arden-Cordova District as commercial customers.

2. Pending an analysis of the cost and benefits of converting various classes of existing flat rate service to metered service as a part of its next general rate case, Southern California Water Company shall bill twice the single-family flat rate service for each duplex in its Arden-Cordova District.

3. Existing meters will be retained in place, and read periodically, for comparison with previous usage under metered rates. The information so secured shall be provided to this Commission on a semi-annual basis.

4. Southern California Water Company shall notify affected customers that they are to be provided water service on the basis of the filed flat rate service schedule, but that at their election they have the option to elect retention of the metered service.

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

Dated at San Francisco, California, this 14th day of FEBRUARY, 1979.

Commissioner Leonard M. Grimes, Jr., being necessarily absent, did not participate.

John E. Cayo
President
Person L. Sturgeon

Clair T. Desick

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioners