

ORIGINAL

Decision No. 91538 APR 2 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of CALIFORNIA WATER SERVICE COMPANY,  
a corporation, for an order  
authorizing it to increase rates  
charged for water service in the  
Los Altos-Suburban District.

Application No. 58782  
(Filed April 5, 1979)

McCutchen, Doyle, Brown & Enersen, by  
A. Crawford Greene, Attorney at Law, and  
Donald L. Houck, for applicant.  
Donald F. McLean, Jr., Attorney at Law, for  
City of San Carlos, protestant.  
Elinore C. Morgan, Attorney at Law, 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 Los Altos-Suburban District. The proposed annual step rates through the year 1982 would increase annual revenues by \$633,400 (23 percent) in 1980, and by additional amounts of \$76,300 (2 percent) in 1981 and \$73,400 (2 percent) in 1982.

Pursuant to the "Regulatory Lag Plan" adopted by Commission Resolution No. M-4705, dated April 24, 1979, an informal public meeting was held by the Commission staff in Los Altos on September 13, 1979. Notice of the meeting had been published in

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accordance with the staff's instructions. Additional notice was provided by a press release printed by the local newspapers.

Three customers attended the meeting.

Public hearings were held on a consolidated record with proceedings<sup>1/</sup> involving four other districts of applicant before Administrative Law Judge Banks in Los Angeles on October 16 and 17, 1979, and in San Francisco on October 18, 19, 29, 30, 31 and November 1 and 2, 1979. Copies of the application 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 the Commission's Rules of Practice and Procedure. No customers appeared at the hearing reserved for public witnesses in San Francisco. The application was submitted as of November 2, 1979, subject to receipt of briefs from any of the parties by November 16, 1979. Briefs were filed by applicant and the staff on that date and by the City of San Carlos (San Carlos) on November 28, 1979.

In support of the requests for rate relief in the five districts, applicant presented testimony of its vice president - chief financial officer and treasurer, its vice president in charge of regulatory matters, and its regulatory advisor.

The Commission staff presentation in these proceedings was made through a research analyst and seven engineers. The

<sup>1/</sup> The consolidated proceedings are Applications Nos. 58781, 58782, 58783, 58800, and 58826 involving, respectively, applicant's Livermore, Los Altos-Suburban, San Carlos, East Los Angeles and Palos Verdes Districts.

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staff showing included a summary of statements by customers in this district who attended the public meeting in Los Altos.

San Carlos introduced evidence through its city manager and a consultant economist.

Service Area

Applicant owns and operates water systems in 20 districts in California. Its Los Altos-Suburban District includes much of the incorporated city of Los Altos, fringe sections of the cities of Cupertino, Los Altos Hills, Mountain View, and Sunnyvale and unincorporated portions of Santa Clara County adjacent to those communities. Some of the terrain is relatively flat but the service area also includes hills with elevations ranging from approximately 115 to 950 feet above sea level. The population within the area served is estimated at 62,000.

Water for the Los Altos-Suburban District is obtained from three sources: two supplies of imported water plus local ground water. There are three metered connections from Santa Clara Valley Water District (SCVWD) and two from San Jose Water Works (SJWW). Those are supplemented by water from thirty local wells, twenty-nine of which are Company-owned and one of which is leased. Water from all sources is delivered to the distribution system by a combination of direct delivery to the system and delivery into storage tanks with subsequent boosting. Fifteen separate pressure zones are required to serve the area, due to the topography. The principal electrically powered booster stations are equipped

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with connections which permit the use of portable gasoline-powered booster pumps, one of which is permanently stationed in the district, with others being available at other districts on relatively short notice.

The transmission and distribution system includes about 265 miles of mains, ranging in size up to 24 inches, and approximately 13.4 million gallons of storage capacity. There are about 15,600 metered services, 150 private fire protection services, and 1,390 public fire hydrants.

#### Service

There were only three informal complaints to the Commission from this district between July 1, 1978 and June 30, 1979. The staff investigation showed that, other than in those three instances, customer complaints received at applicant's district office were quickly resolved to the customers' satisfaction. The absence of any customer service complaints at the public meeting and 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 and public fire hydrant service.

Applicant proposes to increase its rates for general metered service. The following Table I presents a comparison of applicant's present and proposed general metered service rates along with those authorized herein.

LOS ALTOS-SUBURBAN DISTRICT  
COMPARISON OF MONTHLY RATES

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	Present* Rates	Proposed Rates†			Authorized Rates		
		1980	1981	1982	1980	1981	1982
<b>Service Charge:</b>							
For 5/8 x 3/4-inch meter .....	\$ 3.13	\$ 3.40	\$ 3.48	\$ 3.55	\$ 3.13	\$ 3.13	\$ 3.13
For 3/4-inch meter .....	3.44	6.00	6.25	6.50	4.10	4.25	4.40
For 1-inch meter .....	4.66	8.20	8.50	8.90	5.50	5.75	6.00
For 1-1/2-inch meter .....	6.44	11.50	12.00	12.50	7.60	7.90	8.20
For 2-inch meter .....	8.27	15.00	16.00	17.00	9.80	10.25	10.60
For 3-inch meter .....	15.39	27.00	28.00	30.00	18.00	19.00	20.00
For 4-inch meter .....	20.47	37.00	39.00	40.00	24.00	25.00	26.00
For 6-inch meter .....	31.66	62.00	65.00	67.00	38.00	40.00	41.00
For 8-inch meter .....	50.98	92.00	95.00	99.00	60.00	62.00	64.00
For 10-inch meter .....	61.15	113.00	118.00	123.00	73.00	76.00	79.00
<b>Quantity Rates:</b>							
For the first 300 cu.ft., per 100 cu.ft. ....	0.421	0.457	0.467	0.476	0.421	0.421	0.421
For the next 200 cu.ft., per 100 cu.ft. ....	.447	.600	.613	.624	.528	.542	.555
For the next 29,500 cu.ft., per 100 cu.ft. ....	.468	.600	.613	.624	.528	.542	.555
For all over 30,000 cu.ft., per 100 cu.ft. ....	.468	.499	.503	.512	.497	.514	.523

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

\* From Tariff Sheet 2305-W, effective July 1, 1979.

† Set forth in applicant's Exhibit 4-A, Page 12-4.

In this district, an average commercial (business and residential) customer will use about 30,000 cubic feet of water per year, or 25 Ccf (hundreds of cubic feet) per month. The corresponding use for an average industrial service in this district is 800,000 cubic feet of water per year, or 670 Ccf per month. The following Table II presents a comparison of monthly charges for an average commercial customer with a 5/8 x 3/4-inch meter under present rates, applicant's proposed rates and the rates authorized herein. The table also presents similar comparisons for an average industrial service with a 4-inch meter.

TABLE II  
Comparison of Monthly Charges

<u>Item</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<u>Average Commercial Customer</u>			
Present Rates, Monthly Charge	\$ 14.65	\$ 14.65	\$ 14.65
Rates Proposed by Applicant:			
Monthly Charge	17.97	18.37	18.71
Increase Over Present Rates:			
Amount	3.32	3.72	4.06
Percent	22.7%	25.4%	27.7%
Authorized Rates:			
Monthly Charge	16.01	16.31	16.60
Increase Over Present Rates:			
Amount	1.36	1.66	1.95
Percent	9.3%	11.3%	13.3%
<u>Average Industrial Service</u>			
Present Rates:			
Monthly Charge	\$ 333.85	\$ 333.85	\$ 333.85
Rates Proposed by Applicant:			
Monthly Charge	401.20	408.57	416.20
Increase Over Present Rates:			
Amount	67.35	74.72	82.35
Percent	20.2%	22.4%	24.7%
Authorized Rates:			
Monthly Charge	365.97	377.35	385.61
Increase Over Present Rates:			
Amount	32.12	43.50	51.76
Percent	9.6%	13.0%	15.5%

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Results of Operation

Witnesses for applicant and the Commission staff have analyzed and estimated applicant's operational results. Summarized in the following Table III, based upon Pages 1 and 2 of Exhibit 11, the final reconciliation exhibit, are the estimated results of operation for the test years 1980 and 1981, under present rates and under the step rates proposed by applicant for those years.

Applicant's original estimates were completed in March of 1979. Between then and the completion date of the staff's exhibit, several changes took place in rates for such things as purchased power and ad valorem taxes, some of which have been reflected in offset changes in applicant's rates. Also, additional data became available as to actual numbers of customers, 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 and adopted as reasonable those portions of staff estimate on which there were no issues and also some portions where the impact of the potential issue was felt to be insignificant. Applicant did not entirely agree with some of the staff's adjustments and estimates of expense and rate base items but, for the purpose of expediting the proceeding, did not take issue to those particular items.

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The one issue to be resolved with respect to summary of earnings relates to the staff's adjustment for pump efficiencies and is shown on Table III. Although the effect of this issue on rate of return is insignificant in this district, it is shown as an issue for consistency of treatment with two other districts where applicant deems the staff's similar adjustment to be inappropriate and where the impact is greater.



TABLE III  
(Page 1 of 2)  
RECONCILIATION OF APPLICANT'S AND STAFF'S SUMMARY OF EARNINGS  
LOS ALTOS-SUBURBAN DISTRICT, TEST YEAR 1980

(Dollars in Thousands)

<u>Item</u>	<u>Applicant's Adjusted Estimates</u> (a)	<u>Effect of Issue</u> (b)	<u>Staff's Adjusted Estimates</u> (c)
<u>Present Rates</u>			
Operating Revenues	\$3,106.1	\$ -	\$3,106.1
Operating Expenses:			
Purchased Water	543.2	-	543.2
Groundwater Charge	272.1	-	272.1
Purchased Power **	277.8	(1.9)	275.9
Payroll - District	323.5	-	323.5
Other Oper. & Maint.	185.8	-	185.8
Other A. & G. & Misc.	12.3	-	12.3
Ad Valorem Taxes - District	121.8	-	121.8
Payroll Taxes - District	22.2	-	22.2
Depreciation	258.9	-	258.9
Ad Valorem Taxes - G.O.	1.4	-	1.4
Payroll Taxes - G.O.	5.9	-	5.9
Other Prorates - G.O.	216.9	-	216.9
Balancing Account Adjustment	17.7	-	17.7
Subtotal*	2,259.5	(1.9)	2,257.6
Uncollectibles	3.3	-	3.3
Local Franch. Tax	39.6	-	39.6
Income Taxes Before ITC	183.6	1.0	184.6
Investment Tax Credit	(42.9)	-	(42.9)
Total Operating Expenses	2,443.1	(0.9)	2,442.2
Net Operating Revenues	663.0	0.9	663.9
Rate Base	7,828.3	-	7,828.3
Rate of Return	8.47%	0.01%	8.48%
<u>Proposed Rates</u>			
Operating Revenues	\$3,838.3	-	\$3,838.3
Operating Expenses:			
Subtotal*	2,259.5	\$(1.9)	2,257.6
Uncollectibles	4.1	-	4.1
Local Franch. Tax	49.0	-	49.0
Income taxes Before ITC	553.1	1.0	554.1
Investment Tax Credit	(42.9)	-	(42.9)
Total Operative Expenses	2,822.8	(0.9)	2,821.9
Net Operating Revenues	1,015.5	0.9	1,016.4
Rate Base	7,828.3	-	7,828.3
Rate of Return	12.97%	0.01%	12.98%

(a) Applicant's adjusted estimates from Exhibit 11, Page 1, Column (d).

(b) Staff's pump efficiency adjustments not concurred in by applicant.

(c) Staff's adjusted estimates from Exhibit 11, Page 1, Column (f).

\* Subtotal of expenses exclusive of uncollectibles, local franchise taxes, and income tax items.

\*\* Purchased power is calculated at May 15, 1979 rates.

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TABLE III  
(Page 2 of 2)  
RECONCILIATION OF APPLICANT'S AND STAFF'S SUMMARY OF EARNINGS  
LOS ALTOS-SUBURBAN DISTRICT, TEST YEAR 1981

(Dollars in Thousands)

<u>Item</u>	<u>Applicant's Adjusted Estimates</u> (a)	<u>Effect of Issue</u> (b)	<u>Staff's Adjusted Estimates</u> (c)
<b>Present Rates</b>			
Operating Revenues	\$ 3,138.3	\$ -	\$ 3,138.3
Operating Expenses:			
Purchased Water	547.9	-	547.9
Groundwater Charge	275.3	-	275.3
Purchased Power **	278.5	(1.7)	276.8
Payroll - District	346.1	-	346.1
Other Oper. & Maint.	195.2	-	195.2
Other A. & G. & Misc.	12.5	-	12.5
Ad Valorem Taxes - District	131.3	-	131.3
Payroll Taxes - District	25.4	-	25.4
Depreciation	266.2	-	266.2
Ad Valorem Taxes - G.O.	1.5	-	1.5
Payroll Taxes - G.O.	6.8	-	6.8
Other Prorates - G.O.	231.4	-	231.4
Balancing Account Adjustment	17.7	-	17.7
Subtotal*	2,335.8	(1.7)	2,334.1
Uncollectibles	3.3	-	3.3
Local Franch. Tax	40.0	-	40.0
Income Taxes Before ITC	149.4	0.9	150.3
Investment Tax Credit	(38.3)	-	(38.3)
Total Operating Expenses	2,490.2	(0.8)	2,489.4
Net Operating Revenues	648.1	0.8	648.9
Rate Base	7,914.6	-	7,914.6
Rate of Return	8.19%	0.01%	8.20%
<b>Proposed Rates</b>			
Operating Revenues	\$ 3,963.3	-	\$ 3,963.3
Operating Expenses:			
Subtotal*	2,335.8	\$ (1.7)	2,334.1
Uncollectibles	4.2	-	4.2
Local Franch. Tax	50.6	-	50.6
Income taxes Before ITC	565.8	0.9	566.7
Investment Tax Credit	(38.3)	-	(38.3)
Total Operative Expenses	2,918.1	(0.8)	2,917.3
Net Operating Revenues	1,045.2	0.8	1,046.0
Rate Base	7,914.6	-	7,914.6
Rate of Return	13.21%	0.01%	13.22%

(a) Applicant's adjusted estimates from Exhibit 11, Page 2, Column (d).

(b) Staff pump efficiency adjustments not concurred in by applicant.

(c) Staff's adjusted estimates from Exhibit 11, Page 2, Column (f).

\* Subtotal of expenses exclusive of uncollectibles, local franchise taxes, and income tax items.

\*\* Purchased power is calculated at May 15, 1979 rates.

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Future Sales Levels

During the 1977 severe drought in California, applicant's customers reduced their water consumption significantly. Applicant feels that some of the extreme drought-inspired measures taken by customers cannot reasonably be expected to continue fully after the drought. These include such things as hauling heavy buckets of used wash water from the laundry to the bathroom for flushing purposes, and letting lawns and gardens die. Other than during a drought, using clean water for sanitary purposes and environmental beautification would not be considered nonbeneficial use.

Applicant expects that other drought-inspired actions will have a more permanent effect on conservation. These include such things as the installation of water closet displacement bottles and shower head restrictors provided by applicant, the conversion of conventional lawns and gardens to native shrubs or rock gardens, and the installation of water-recirculating systems by industrial customers. Applicant states that it will continue to remind customers to avoid nonbeneficial use which should help keep actual waste of water to a minimum.

Estimating the amount of future residual conservation by all classes of users this soon after the end of the drought is not an exact science. After more post-drought experience, the trend of usage can be more readily estimated but at the time applicant's estimates were being prepared, consumption data were available only through December, 1978. By the time the staff's estimates were

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being prepared, data for another six or seven months were available. The later information led the staff to conclude that applicant's estimates of consumption levels for the near future were significantly low. Applicant reviewed the staff's use of the later available data and concluded that the staff estimates of future consumption are reasonable.

#### Balancing Accounts Adjustment

Applicant maintains balancing accounts for each of its districts, pursuant to Section 792.5 of the Public Utilities Code. Those accounts compare offsettable changes in expenses due to changes in unit costs for water production, composite ad valorem tax rates and other items, with the corresponding revenue changes resulting from offset changes in applicant's rates authorized by the Commission. Section 792.5 provides, in part, that "the Commission shall take into account by appropriate adjustment or other action any positive or negative balance remaining in any such reserve account at the time of any subsequent rate adjustment."

For this district, the offset revenues have been less than the offsettable net increase in expenses. The staff recommends that the accumulated \$53,101 under-collection as of June 30, 1979 be removed from the balancing accounts and amortized for ratemaking purposes during 1980, 1981 and 1982. Applicant does not object to this procedure, inasmuch as the 1980 rates authorized in this proceeding will become effective essentially concurrently with the beginning of the amortization period. The amortization is shown as a separate item in Table III. The rates authorized in this proceeding include an increase on all sales of \$0.0034 per Ccf for 1980 and \$0.0031 per Ccf for 1981 and 1982, to achieve this

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amortization. These unit charges are based upon the staff's sales estimates.

Pump Efficiencies

In Decision No. 91537 relating to Application No. 58781, applicant's Livermore District rate proceeding, we discussed the issue of pump efficiencies. In the Los Altos-Suburban District, applicant takes issue with the staff's ratemaking adjustment primarily because the cost to customers of the required premature overhaul or replacement of pumps would far exceed the savings for the reasons stated in Decision No. 91537 in the cost of electric power. We do not concur in the staff adjustment.

Depreciation

Applicant did not take exception to the depreciation rates used by the staff in these proceedings. Those rates should be used by the applicant until such time as applicant submits a new detailed study and a change authorized.

Rate of Return

In the Livermore District decision, supra, we discussed at some length the basis for our recommended findings that rates of return of 10.28, 10.46, and 10.58 percent on rate base and a uniform 13.2 percent on common equity are reasonable for applicant's operations for the period from 1980 through 1982. The same discussion, and consideration of quality of service, applies to applicant's Los Altos-Suburban District and need not be repeated in this decision.

Trend in Rate of Return

The Livermore District decision, supra, also discussed the allowance that must be made beyond the 1981 test year for the reduction in rate of return on rate base that would otherwise result primarily from continuing changes in expenses and rate base. Absent any unusual conditions either in the 1980 or 1981 test-year estimates or in the 1982 projected year, the operational attrition allowance should be the amount indicated between the adopted test years 1980 and 1981, as recommended by the staff.

In the Los Altos-Suburban District adopted results, there are no significant unusual conditions which must be recognized in the attrition allowance. The indicated operational attrition between 1980 and 1981, when applying present rates to both test years, is 0.28 percent. The 1982 rates authorized herein reflect that attrition and the financial attrition of 0.12 percent discussed in the Livermore District decision, supra.

Adopted Summary of Earnings

The following Table IV is derived from Column (a) of Table III and shows the adopted summary of earnings at present rates and at the rates authorized herein.

Table IV will provide a basis for applicant's preparation and the staff's review of future advice letter requests for rate increases or decreases to offset changes not reflected either in the test years 1980 and 1981 or in the operational attrition in

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rate of return on rate base adopted as the basis for the rates authorized herein. The purchased water rates and pump tax rates used are the SCVWD rates which became effective July 1, 1979 and the SJWW rates which became effective November 20, 1978. The leased well water rate is pursuant to the lease which became effective April 1, 1978. The purchased power rate utilized is the composite PG&E rate of 4.385 and 4.347 cents per kWh for 1980 and 1981, respectively, which became effective May 15, 1979. The composite effect of the assumed rates for purchased water, pump taxes, well lease, and purchased power is an average cost of \$0.2071 and \$0.2067 per Ccf of water sold, respectively, in 1980 and 1981. The district ad valorem tax rate is the assumed rate of 1.168 percent of estimated "market value" used for assessment purposes, which is the rate estimated to be applicable to the fiscal year 1978-79 and is equivalent to 1.285, 1.332, and 1.386 percent of beginning-of-year net plant plus materials and supplies for the fiscal years 1979-80, 1980-81, and 1981-82, respectively. The corresponding equivalent rate for prorated general office ad valorem taxes is 1.237 percent of "market value" and 1.163, 1.221, and 1.285 percent for the three fiscal years. The local franchise tax rate is the 1979 rate of 1.276 percent of gross revenues. The income tax rates are the 9.6 percent state and 46 percent (with intermediate steps) federal rates.

ADOPTED SUMMARY OF EARNINGS  
LOS ALTOS-SUBURBAN DISTRICT, TEST YEARS 1980-1981  
(Dollars in Thousands)

<u>Present Rates</u>	<u>1980</u>	<u>1981</u>
Operating Revenues	\$ 3,106.1	\$ 3,138.3
Operating Expenses:		
Purchased Water	543.2	547.9
Groundwater Charge	272.1	275.3
Purchased Power	277.8	278.5
Payroll - District	323.5	346.1
Other Oper. & Maint.	185.8	195.2
Other A & G & Misc.	12.3	12.5
Ad Valorem Tax - Dist.	121.8	131.3
Payroll Taxes - Dist.	22.2	25.4
Depreciation	258.9	266.2
Ad Valorem Tax - G.O.	1.4	1.5
Payroll Taxes - G.O.	5.9	6.8
Other Prorates - G.O.	216.9	231.4
Balancing Account Adjust.	17.7	17.7
Subtotal*	2,259.5	2,335.8
Uncollectibles	3.3	3.3
Local Franchise Tax	39.6	40.0
Inc. Taxes Before ITC	183.6	149.4
Invest. Tax Credit	(42.9)	(38.3)
Total Oper. Exp.	2,443.1	2,490.2
Net Operating Revenues	663.0	648.1
Rate Base	7,828.3	7,914.6
Rate of Return	8.47%	8.19%
 <u>Authorized Rates</u>		
Operating Revenues	\$ 3,400.4	\$ 3,511.8
Operating Expenses:		
Subtotal*	2,259.5	2,335.8
Uncollectibles	3.6	3.7
Local Franchise Tax	43.4	44.8
Income Taxes Before ITC	332.1	337.9
Investment Tax Credit	(42.9)	(38.3)
Total Oper. Exp.	2,595.7	2,683.9
Net Operating Revenues	804.7	827.9
Rate Base	7,828.3	7,914.6
Rate of Return	10.28%	10.46%
 Average Services	15,669	15,822
 Sales - KCc'f	5,277.2	5,330.4

\* Subtotal of expenses exclusive of uncollectibles, local franchise taxes, and income tax items.

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Rate Spread

The Livermore District decision, supra, discussed the equitable distribution of the revenue requirement among the various components of the rate structure. We concluded that an appropriate rate structure should include a "lifeline" concept with a three-block quantity rate consisting of a 300 cf lifeline block priced at the lowest quantity rate, a 29,700 cf second block priced at the highest quantity rate, and a tail block for all usage in excess of 30,000 cf per month priced at a rate between that charged for the first two blocks. Further, we concluded that increases in the monthly service charge rate for other than the 5/8 x 3/4 inch meter should be limited to a maximum of twice the increase authorized herein or about 19 percent in 1980, and 4 percent for the 1981 and 1982 step increases. A rate schedule should be specified for 1980, with incremental increases specified for 1981 and 1982 in the rate appendixes of the decision. Those same conclusions apply to the Los Altos-Suburban District.

Wage and Price Standards

By Resolution No. M-4704 dated January 30, 1979, the Commission ordered all utilities and regulated entities requesting general rate increases to submit an exhibit to accompany their applications to show whether the requested increase complies with the Voluntary Wage and Price Standards issued by the Council on Wage and Price Stability. Applicant's Exhibit 9 shows that (1) wage increases granted by applicant and (2) the requested rate increases, together with step increases in other districts, are within the established guidelines.

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Findings of Fact

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 1980 and 1981 and an annual fixed-rate decline of 0.28 percent in rate of return into 1982 due to operational attrition reasonably indicate the results of applicant's operations for the near future.

4. Rates of return of 10.28, 10.46, and 10.53 percent, respectively, on applicant's rate base for 1980, 1981, and 1982 are reasonable. The related return on common equity each year is 13.2 percent. This will require an increase of \$294,300 or 9.5 percent, in annual revenues for 1980; a further increase of \$76,700 or 2.2 percent, for 1981; and a further increase of \$65,800, or 1.9 percent, for 1982.

5. The type of rate spread hereinbefore discussed is reasonable.

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 offset increases authorized in Appendix B 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 September 30, 1980 and/or September 30, 1981 exceeds the lower of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the most recent rate decision or (b) 10.28 percent for 1980 and 10.46 percent for 1981.

Conclusions of Law

1. The application should be granted to the extent provided by the following order.
2. Because of the immediate need for the increased revenue the effective date of this order should be the date hereof.

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 Los Altos-Suburban District the revised rate schedule attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.
2. On or after November 15, 1980, applicant is authorized to file an advice letter with appropriate work papers requesting the step rate increases 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 Los Altos-Suburban

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District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the twelve months ended September 30, 1980, exceeds the lower of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the then most recent rate decision or (b) 10.28 percent. Such filing shall comply with General Order No. 96-A. The requested step rates shall be reviewed and, if appropriate, approved by the staff prior to becoming effective. The effective date of the revised schedule shall be no sooner than January 1, 1981, or thirty days after the filing of the step rates, whichever comes later. The revised schedule shall apply to service rendered on and after the effective date thereof.

3. On or after November 15, 1981, applicant is authorized to file an advice letter with appropriate work papers requesting the step rate increases 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 Los Altos-Suburban District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the twelve months ended September 30, 1981, exceeds the lower of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the then most recent rate decision or (b) 10.46 percent. Such filing shall comply with General Order

A. 58782 ks \*\*

No. 96-A. The requested step rates shall be reviewed and, if appropriate, approved by the staff prior to becoming effective. The effective date of the revised schedule shall be no sooner than January 1, 1982, or thirty days after the filing of the step rates, whichever comes later. The revised schedule shall apply only to service rendered on and after the effective date thereof.

4. This proceeding will be held open in order to determine whether the rate designs for ~~1980~~<sup>1981</sup> and 1982 adopted herein are appropriate or should be further modified in order to promote conservation. *del*

The effective date of this order is the date hereof.

Dated APR 2 1980, at San Francisco, California.

*John E. Bryan*  
\_\_\_\_\_  
President

*Thomas L. Stinson*  
\_\_\_\_\_  
*Richard D. Swalle*  
\_\_\_\_\_

*Samuel S. ...*  
\_\_\_\_\_  
Commissioners

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. LS-1

Los Altos-Suburban Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Los Altos and vicinity, Santa Clara County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charge:		
For 5/8 x 3/4-inch meter .....	\$ 3.13	
For 3/4-inch meter .....	4.10	(I)
For 1-inch meter .....	5.50	
For 1 1/2-inch meter .....	7.60	
For 2-inch meter .....	9.80	
For 3-inch meter .....	18.00	
For 4-inch meter .....	24.00	
For 6-inch meter .....	38.00	
For 8-inch meter .....	60.00	
For 10-inch meter .....	73.00	(I)
Quantity Rates:		
For the first 300 cu.-ft., per 100 cu.-ft. ....	0.421	
For the next 29,700 cu.-ft., per 100 cu.-ft. ....	.528	(I)(I)
For all over 30,000 cu.-ft., per 100 cu.-ft. ....	.497	(I)(T)

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

## APPENDIX B

Los Altos-Suburban Tariff Area

## AUTHORIZED INCREASE IN RATES

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rates which would otherwise be in effect on that date.

	Rates to be Effective	
	<u>1-1-81</u>	<u>1-1-82</u>
<b>Service Charge:</b>		
For 5/8 x 3/4-inch meter	\$ -	\$ -
For 3/4-inch meter	.15	.15
For 1-inch meter	.25	.25
For 1 1/2-inch meter	.30	.30
For 2-inch meter	.45	.35
For 3-inch meter	1.00	1.00
For 4-inch meter	1.00	1.00
For 6-inch meter	2.00	1.00
For 8-inch meter	2.00	2.00
For 10-inch meter	3.00	3.00
<b>Quantity Rates:</b>		
For first 300 cu.-ft. per 100 cu.-ft.	-	-
Next 29,700 cu.-ft. per 100 cu.-ft.	.014	.013
Over 30,000 cu.-ft. per 100 cu.-ft.	.017	.009