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Decision No. 91539 APR 2 1980

ORIGINAL

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
San Carlos District.

Application No. 58783
(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 San Carlos District. The proposed annual step rates through the year 1982 would increase annual revenues by \$393,400 (28 percent) in 1980, and by additional amounts of \$90,600 (5 percent) in 1981, and \$89,000 (5 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 San Carlos on September 7, 1979. Notice of the meeting had been published in accordance with the staff's instructions. Additional notice was

provided by a press release printed by the local newspapers. Nineteen customers, including the mayor of the City of San Carlos (San Carlos) attended the meeting. The Commission also received a letter from the San Carlos Chamber of Commerce and one member of the public opposing any rate increases.

Public hearings were held on a consolidated record with proceedings^{1/} involving four other districts of applicant before Administrative Law Judge Banks in Los Angeles on October 16, 1979, and in San Francisco on October 18, 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 26, 1979. Briefs were filed by applicant and the staff on that date and by 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.

^{1/} The consolidated proceedings are Applications No. 58781, 58782, 58783, 58800, and 58826 involving, respectively, applicant's Livermore, Los Altos-Suburban, San Carlos, East Los Angeles and Palos Verdes Districts.

The Commission staff presentation in these proceedings was made through a research analyst and seven engineers. The staff showing included a summary of statements by customers in this district who attended the public meeting in San Carlos. San Carlos introduced evidence through its city manager and a consultant economist.

Service Area and Water System

Applicant owns and operates water systems in 20 districts in California. Its San Carlos District includes the incorporated city of San Carlos and unincorporated portions of San Mateo County adjacent to that community. Some of the terrain is relatively flat but the service area also includes hills with elevations ranging from approximately 25 to 905 feet above sea level. The population within the area served is estimated at 35,000.

Water for the San Carlos District is obtained through four metered connections from the San Francisco Water Department (SFWD). An emergency reversible connection is maintained with the adjacent system of Belmont County Water District. The water is delivered to the distribution system by a combination of direct delivery to the system and delivery into storage tanks with subsequent boosting. Several separate pressure zones are required to serve the area, due to the topography. The principal electrically powered booster stations are equipped with connections which permit the use of portable gasoline-powered booster pumps, two of which are permanently stationed in nearby districts, with others being available at other districts on relatively short notice.

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The transmission and distribution system includes about 100 miles of mains, ranging in size up to 21 inches, and approximately 5.8 million gallons of storage capacity. There are about 9,000 metered services, 100 private fire protection services, and 680 public fire hydrants.

Service

There were only six informal complaints to the Commission from this district from July 1, 1978 to June 30, 1979. The one formal complaint (C.10623) concerning this district during that period involved the applicability of applicant's main extension rule. The staff investigation showed that, other than in those seven instances, customer complaints received at applicant's district office were quickly resolved. 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.

T O E I
SAN CARLOS DISTRICT
COMPARISON OF MONTHLY RATES

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	Present* Rates	Proposed Rates#			Authorized Rates		
		1980	1981	1982	1980	1981	1982
Service Charge:							
For 5/8 x 3/4-inch meter	\$ 2.65	\$ 3.40	\$ 3.55	\$ 3.70	\$ 3.03	\$ 3.14	\$ 3.24
For 3/4-inch meter	3.76	6.50	7.00	7.50	4.85	5.20	5.50
For 1-inch meter	5.13	8.90	9.50	10.20	6.60	7.10	7.60
For 1-1/2-inch meter	7.18	12.50	13.50	14.30	9.25	9.90	10.50
For 2-inch meter	9.23	17.00	18.00	19.00	12.00	13.00	14.00
For 3-inch meter	17.10	30.00	32.00	34.00	22.00	23.00	24.00
For 4-inch meter	23.26	40.00	43.00	45.00	30.00	32.00	34.00
For 6-inch meter	38.65	67.00	72.00	75.00	50.00	53.00	56.00
For 8-inch meter	57.46	99.00	107.00	113.00	74.00	79.00	84.00
For 10-inch meter	71.14	123.00	132.00	140.00	92.00	99.00	105.00
Quantity Rates:							
For the first 300 cu.ft., per 100 cu.ft.	0.480	0.600	0.644	0.675	0.550	0.570	0.587
For the next 200 cu.ft., per 100 cu.ft. ....	.480	.906	.949	.994	.836	.863	.884
For the next 29,500 cu.ft., per 100 cu.ft. ....	.752	.906	.949	.994	.836	.863	.884
For all over 30,000 cu.ft., per 100 cu.ft. ....	.752	.844	.874	.899	.759	.787	.810

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 2316-W, effective July 1, 1979.

Set forth in applicant's Exhibit 5-A, Page 12-4.

In this district, an average commercial (business and residential) customer will use about 16,900 cubic feet of water per year, or 14 Ccf (hundreds of cubic feet) per month. The corresponding use for an average industrial service in this district is 230,000 cubic feet of water per year, or 190 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 2-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	\$ 11.82	\$ 11.82	\$ 11.82
Rates Proposed by Applicant:			
Monthly Charge	15.17	15.92	16.66
Increase Over Present Rates:			
Amount	3.35	4.10	4.84
Percent	28.3%	34.7%	40.9%
Authorized Rates:			
Monthly Charge	13.88	14.34	14.78
Increase Over Present Rates:			
Amount	2.06	2.52	2.91
Percent	17.4%	21.3%	24.5%
<u>Average Industrial Service</u>			
Present Rates:			
Monthly Charge	\$150.75	\$150.75	\$150.75
Rates Proposed by Applicant:			
Monthly Charge	188.22	197.40	206.90
Increase Over Present Rates:			
Amount	37.47	46.65	56.15
Percent	24.9%	30.9%	37.2%
Authorized Rates:			
Monthly Charge	169.98	176.09	181.07
Increase Over Present Rates:			
Amount	19.23	25.34	30.32
Percent	12.8%	16.8%	20.1%

Fire Hydrant Agreements

Section VIII.4., "Fire Hydrant Agreement", of General Order No. 103 provides for agreements between the water utility and fire protection agencies which permit the agencies to be relieved of hydrant service charges under specific circumstances. Recent legislation adds Section 2713, effective January 1, 1980, to the Public Utilities Code, and provides, in part, for free public fire hydrant service.

The utility was informed by the fire protection agencies that an agreement to pay for public fire protection ceased after December 31, 1979. The adopted rates, therefore, include fire protection revenue loss of \$12,200 per year in this district. The Commission by Resolution No. L-213, dated December 18, 1979 authorized water utilities to recover such fire protection revenue losses with a surcharge applied to service charges. As provided in Resolution No. L-213 the surcharge should be clearly and separately stated on the applicant's billing as a "Fire Protection Surcharge", or, in the alternative, the utility shall provide during calendar year 1980 a recurring billing insert explaining the extent to which the increase in the customers billing is the result of the enactment of Assembly Bill No. 1653.

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 12, 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.

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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 the staff's independent estimates for reasonableness and adopted those portions on which there were no issues and also some portions where the impact of the potential issue was 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, accepted the staff estimates. That leaves no issues to be resolved with respect to summary of earnings. The staff estimates are shown on Table III.

TABLE III

STAFF'S SUMMARY OF EARNINGS
SAN CARLOS DISTRICT, TEST YEARS 1980 AND 1981

(Dollars in Thousands)

<u>Item</u>	<u>Staff's Adjusted Estimates</u> [#]	
	<u>1980</u>	<u>1981</u>
<u>Present Rates</u>		
Operating Revenues	\$1,592.3	\$ 1,612.7
Operating Expenses:		
Purchased Water	579.2	586.4
Purchased Power	46.5	47.5
Payroll - District	141.6	151.5
Other Oper. & Maint..	103.3	109.1
Other A. & G. & Misc.	10.0	10.4
Ad Valorem Taxes - District	59.8	64.8
Payroll Taxes - District	9.7	11.1
Depreciation	134.7	140.5
Ad Valorem Taxes - G.O.	0.8	0.8
Payroll Taxes - G.O.	3.2	3.6
Other Prorates - G.O.	116.3	124.2
Balancing Account Adjust.	(5.9)	(5.9)
Subtotal *	1,199.2	1,244.0
Uncollectibles	1.4	1.5
Local Franchise Tax	23.9	24.2
Income Taxes Before ITC	49.4	26.5
Investment Tax Credit	(32.2)	(25.3)
Total Operating Expenses	1,241.7	1,270.9
Net Operating Revenues	350.6	341.8
Rate Base	4,496.8	4,664.9
Rate of Return	7.80%	7.33%
<u>Proposed Rates</u>		
Operating Revenues	\$ 2,043.7	\$ 2,172.3
Operating Expenses:		
Subtotal *	1,199.2	1,244.0
Uncollectibles	1.8	2.0
Local Franchise Tax	30.6	32.5
Income Taxes Before ITC	276.8	308.4
Investment Tax Credit	(32.2)	(25.3)
Total Operating Expenses	1,476.2	1,561.6
Net Operating Revenues	567.5	610.7
Rate Base	4,496.8	4,664.9
Rate of Return	12.62%	13.09%

[#] Staff's adjusted estimates from Exhibit 12, Pages 1 and 2, Column (c).

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

(red figure)

Future Sales Levels

During the 1977 severe drought in California, applicant's customers reduced their water consumption significantly. Applicant expects 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. Also, applicant's continual reminders to customers to avoid nonbeneficial use 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 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 has reviewed the staff's use of the later data and has concluded that the staff's higher estimates of future consumption are reasonable.

San Carlos City Manager C. R. Allen presented in Exhibit 30 an analysis of water sales, residual conservation and water revenue requirements for the San Carlos District. The analysis adopted the staff's estimates of commercial sales while estimating a somewhat higher level of industrial sales, and a slightly smaller level of public authority sales. In his projecting lower industrial sales, Mr. Allen emphasized the planned expansion of electronic circuit plating plants in San Carlos as well as current construction of new industrial facilities.

Both applicant and the staff estimated declining trends in industrial sales. The staff's estimates, which were adopted by applicant at the beginning of the proceedings, totaled 237,000 and 233,300 Ccf for the test years 1980 and 1981, respectively. San Carlos' estimate of industrial sales of 245,000 Ccf in each test year is slightly above the recorded sales for 1978. San Carlos argues that it believes it is reasonable to assume that the 1978 total industrial water use represents the full response of industrial water users in the form of water-conserving plant and equipment adjustments and, therefore, no further decline in sales can be expected.

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Applicant argues that as costs rise, the economic benefits to be gained from reduced water consumption will make further conservation expenditures economically feasible for industrial users. While Mr. Allen's projections may prove to be accurate in the long term, what we are concerned with is the short term, and there is no evidence to conclude that in the near term sales will approach pre-drought levels. As testified to by applicant's witness Houck, industrial sales for the first nine months of 1979 were 2 percent below the sales level for the same period in 1978. The staff's estimate of sales, including industrial sales, for both test years is reasonable and will be adopted.

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 more than the offsettable net increase in expenses. The staff recommends that

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the accumulated \$17,605 overcollection 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, 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 a decrease on all sales of \$0.0031 per Ccf for 1980 and \$0.0032 per Ccf for 1981 and 1982, to achieve this amortization. These unit charges are based upon the staff's sales estimates.

Pump Efficiencies

In Decision No. 91537 dated APR 2 1981, relating to Application No. 58781, applicant's Livermore District rate proceeding, we discussed the issue of pump efficiencies. In the San Carlos District, applicant agrees with this ratemaking adjustment because the overhaul or replacement of one of the less efficient pumps would in all probability be cost-effective. Applicant has made preliminary studies of the required work, and thus may actually realize operating cost savings in the future in the general magnitude of the staff adjustment.

Depreciation Rates

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

Rate of Return

In the Livermore District decision, noted above, we discussed at some length the bases 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 San Carlos District and need not be repeated in this decision.

Trend in Rate of Return

The Livermore District decision also discussed the allowance that must be made beyond the 1980 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. The operational attrition allowance should be the amount indicated between the test years 1980 and 1981 at present rates.

The indicated operational attrition between 1980 and 1981, when applying present rates herein to both test years, is 0.47 percent. The 1982 rates authorized that attrition and the financial attrition of 0.12 percent discussed in the Livermore District decision.

Adopted Summary of Earnings

The following Table IV is derived from 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 rate of return on rate base adopted as the basis for the rates authorized herein. The purchased water rates used are the SFWD schedules which became effective July 1, 1979. The purchased power rate utilized is the composite Pacific Gas and Electric Company's rate of 4.823 cents per kWh which became effective May 15, 1979. The composite effect of the assumed rates for purchased water and power is an average cost of \$0.3469 and \$0.3467 per Ccf of water sold, respectively, in 1980 and 1981. The district ad valorem tax rate is the assumed rate of 1.042 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 1.065, 1.106, and 1.148 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.

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The local franchise tax rate is the 1979 rate of 1.498 percent of gross revenues. The income tax rates are the 9.6 percent state and 46 percent (with intermediate steps) federal rates.

TABLE IV

ADOPTED SUMMARY OF EARNINGS
SAN CARLOS DISTRICT, TEST YEARS 1980 AND 1981

(Dollars in Thousands)

<u>Item</u>	<u>1980</u>	<u>1981</u>
<u>Present Rates</u>		
Operating Revenues	\$1,592.3	\$1,612.7
Operating Expenses:		
Purchased Water	579.2	585.4
Purchased Power	46.5	47.5
Payroll - District	141.6	151.5
Other Oper. & Maint.	103.3	109.1
Other Administrative & General & Misc.	10.0	10.4
Ad Valorem Taxes - District	59.8	64.8
Payroll Taxes - District	9.7	11.1
Depreciation	134.7	140.5
Ad Valorem Taxes - G.O.	0.8	0.8
Payroll Taxes - G.O.	3.2	3.6
Other Prorates - G.O.	116.3	124.2
Balancing Account Adjustment	(5.9)	(5.9)
Subtotal*	1,199.2	1,244.0
Uncollectibles	1.4	1.5
Local Franchise Tax	23.9	24.2
Income Taxes Before ITC	49.4	26.5
Investment Tax Credit	(32.2)	(25.3)
Total Operating Expenses	1,241.7	1,270.9
Net Operating Revenues	350.6	341.8
Rate Base	4,496.8	4,664.9
Rate of Return	7.80%	7.33%
<u>Authorized Rates</u>		
Operating Revenues	\$1,824.8	\$1,916.8
Operating Expenses:		
Subtotal *	1,199.2	1,244.0
Uncollectibles	1.6	1.8
Local Franchise Tax	27.4	28.8
Income Taxes Before ITC	166.5	179.6
Investment Tax Credit	(32.2)	(25.3)
Total Operating Expenses	1,362.5	1,428.9
Net Operating Revenues	462.3	487.9
Rate Base	4,496.8	4,664.9
Rate of Return	10.28%	10.46%
Average Services	9,057	9,135
Sales - KCcf	1,803.6	1,828.3

* 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 cu.ft. lifeline block priced at the lowest quantity rate, a 29,700 cu.ft. second block priced at the highest quantity rate, and a tail block for all usage in excess of 30,000 cu.ft. per month priced at a rate between that charged for the first two blocks. Further, we concluded that increases in the monthly service charge rates 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 29 percent in 1980, and 7 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 San Carlos District.

Other Items

The discussion of applicant's conservation program in the Livermore District decision, supra, applies also to the San Carlos District.

Miscellaneous other points were raised in statements made by members of the public at the meeting on September 7, 1979, including the concept that granting of compensatory rate increases by the Commission would "completely remove any risk of investment."

In Decision No. 89528, dated October 17, 1978 in Application No. 57328, applicant's last Stockton District proceeding we stated:

"In regard to the 'guaranteed return' on a utility stockholder's investment, the Commission is legally required to establish rates which give the utility a reasonable opportunity to earn a return equal to that enjoyed by other investors in projects with comparable risks and opportunities. Our ratemaking procedure does not guarantee a return. Rather, we fix rates based on estimates of revenues and expenses in the near term future. If the estimates we adopt are too optimistic or if unforeseen events such as a drought occur, a utility will temporarily earn less, possibly significantly less than a fair return. Applicant claims that the drought and related conservation measures caused it to absorb a revenue shortfall of over half a million dollars (over six months net return at present rates) before the drought surcharge was instituted.

"While it is not unknown for utilities, either because of unduly pessimistic estimates or by extra efficiencies, to achieve higher earnings than intended, such situations are usually only temporary with the benefits being quickly eroded by inflation."

Also, the step-rate procedure adopted by the Commission does not guarantee applicant's earnings. If the actual earnings are somewhat higher than estimated for the test years, applicant must forego all or part of the step increase tentatively authorized for the subsequent year. However, if the actual earnings are somewhat lower than estimated, applicant cannot increase its step rates above those tentatively authorized. Applicant has agreed that this "one-way street" is an appropriate risk for it to bear.

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.

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 0.47 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 10.58 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 \$232,500, or 14.6 percent, in annual revenues for 1980; a further increase of \$68,400,

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or 3.7 percent, for 1981; and a further increase of \$57,300, or 3.0 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 rate-making 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 additional revenue the effective date of the order should be the date thereof.

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 San Carlos 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 San Carlos 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 San Carlos 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

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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 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~~¹⁹⁸¹ and 1982 adopted herein are appropriate or should be further modified in order to promote conservation. 164

The effective date of this order is the date hereof.

Dated APR 2 1980, at San Francisco, California.

John E. Bayron
President
Thomas L. Sturgeon
Richard D. Howell
Lawrence J. ...
Commissioners

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

Schedule No. SC-1

San Carlos Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

San Carlos and vicinity, San Mateo County.

RATES

Service Charge:	Per Meter Per Month	Fire Protection Revenue Loss Surcharge	(N)
For 5/8 x 3/4-inch meter	\$ 2.94 (I)	\$ 0.09 (N)	|
For 3/4-inch meter	4.70	.15	|
For 1-inch meter	6.40	.20	|
For 1 1/2-inch meter	9.00	.25	|
For 2-inch meter	11.65	.35	|
For 3-inch meter	21.35	.65	|
For 4-inch meter	29.10	.90	|
For 6-inch meter	48.50	1.50	|
For 8-inch meter	71.80	2.20	|
For 10-inch meter	89.30 (I)	2.70 (N)	|

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft.	0.550 (I)	|	(T)
For the next 29,700 cu.ft., per 100 cu.ft. ....	.836	|	|
For all over 30,000 cu.ft., per 100 cu.ft. ....	.759 (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.

SPECIAL CONDITIONS:

1. Fire protection revenue loss surcharge collection by the utility is subject to refund pending review by the Public Utilities Commission.
2. Fire protection revenue loss surcharge to be clearly and separately stated on utility's billing as a "fire protection surcharge" or fully explained in a billing insert with each calendar year 1980 customer bill.

(N)
|
(N)

San Carlos 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>
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 0.11	\$ 0.10
For 3/4-inch meter	.35	.30
For 1-inch meter	.50	.50
For 1 1/2-inch meter	.65	.60
For 2-inch meter	1.00	1.00
For 3-inch meter	1.00	1.00
For 4-inch meter	2.00	2.00
For 6-inch meter	3.00	3.00
For 8-inch meter	5.00	5.00
For 10-inch meter	7.00	6.00
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	0.020	0.017
For the next 29,700 cu.ft., per 100 cu.ft.	0.027	0.021
For all over 30,000 cu.ft., per 100 cu.ft.	0.028	0.023