

ORIGINAL

Decision No. 92186 SEP 3 - 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of CRYSTAL FALLS WATER CO., a)
corporation, for authorization)
to increase rates charged for)
furnishing water service.)

Application No. 59181
(Filed October 4, 1979)

Neil Burckart, for Crystal Falls Water
Company, applicant.
Paul G. Larson, for Crystal Falls
Homeowner's Association, protestant,
and for himself, interested party.
R. F. Walter, for Mono Vista Water
System, interested party.
Cleo D. Allen, for the Commission staff.

O P I N I O N

This application, filed pursuant to Section 454 of the Public Utilities Code,^{1/} seeks an increase in rates for Crystal Falls Water Company's (applicant) public utility water systems, located near Sonora in Tuolumne County. The increases are allegedly needed to cover increased expenses and to yield a satisfactory return on investment.

Present residential rates provide for an annual minimum charge; applicant proposes to change to a monthly service charge rate structure. It also seeks to modify the charges for service to two mutual water companies which rely on applicant as their source of supply.

^{1/} All statute citations are to the Public Utilities Code, unless otherwise specified.

This change in rates to the mutuels would mean an increase much larger than that proposed for domestic customers.

The present rates have been in effect since October 1977. The new rates would increase the monthly charge for the average metered household by 29.4 percent or \$3.33 per month.

The application compared present and proposed rates as follows:

METER RATES

		<u>Per Meter per Month</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>
First	800 cu.ft. or less	\$ 5.25	-
Next	2,200 cu.ft., per 100 cu.ft.48	-
Next	7,000 cu.ft., per 100 cu.ft.39	-
Over	10,000 cu.ft., per 100 cu.ft.30	-
First	300 cu.ft., per 100 cu.ft.	-	\$.63
Over	300 cu.ft., per 100 cu.ft.	-	.79

Sonora Meadows Rates

First	24,000 cu.ft. or less	85.00	-
Over	24,000 cu.ft., per 100 cu.ft.34	-

Mono Vista Rates

First	7,280 cu.ft. or less	32.50	-
Next	2,720 cu.ft., per 100 cu.ft.39	-
Over	10,000 cu.ft., per 100 cu.ft.30	-

		<u>Annual Minimum Charge</u>	<u>Monthly Service Charge</u>
For	5/8 x 3/4 inch meter	\$ 63.00	\$ 6.00
For	3/4 inch meter	99.00	6.60
For	1 inch meter	175.00	9.00
For	1-1/2 inch meter	310.00	12.00
For	2 inch meter	390.00	16.00
For	3 inch meter	-	30.00
For	4 inch meter	-	41.00

FLAT RATES

	<u>Annual Charge</u>	<u>Annual Charge</u>
Per Service Connection	\$116.00	\$156.00

Public Hearing

A hearing was held and the matter submitted before Administrative Law Judge Gilman on March 10, 1980 in San Francisco.

Applicant's manager explained the proposal which he estimated would have produced a rate of return of 10.5 percent on rate base if it had been in effect during 1979. He argued that anything less than 10.5 percent would not result in a fair return on investment, which consists entirely of equity.

An engineer testified for the Commission staff. His analysis showed that the existing rates, if applied to expenses typical of the 1979-1980 period, would produce a small loss. On the other hand, he contended that the proposed rates would have produced a rate of return of 22.5 percent in 1979. The staff asserted that a rate of return of 10.25 percent would be fair for a small water company which has no long-term debt.

Applicant and the staff presented revenue and expense data under present and proposed rates based on a 1979 test year (partially estimated).

An engineer for Mono Vista Water System testified, criticizing the type of rate spread now commonly adopted by the Commission under which the first 300 cubic feet is charged a comparatively low rate with higher quantity rates for deliveries of greater quantities.

Two consumers from the Crystal Falls Homeowners' Association made statements and asked questions. They indicated that consumers generally are disturbed by applicant's continued inability to meet water quality standards.

The principal issues raised by the testimony are discussed in detail below. A related proceeding, Crystal Falls Homeowners' Ass'n v Crystal Falls Water Co. and PG&E, Case No. 10649, is also submitted and under consideration at this time.^{2/}

^{2/} Case No. 10649 is a customer complaint against Pacific Gas and Electric Company (PG&E) and applicant concerning service and water quality.

Background

In Tuolumne County, much of the available water has been appropriated by PG&E and its predecessors and flows in PG&E's ditch system. PG&E, however, will not supply domestic potable water outside of cities; it will only supply wholesale untreated water at the berm of its ditch. Consequently, in order to deliver water to residents of new subdivisions in the area, it has been necessary to organize a number of small water utilities which distribute and treat PG&E's supplied ditch water. Applicant is one such utility.

Applicant was granted a certificate by Decision No. 72987 in Application No. 49236 (1967) to construct a public utility water system to serve a planned subdivision known as the Crystal Falls Ranch Subdivision Units 1 and 2. Subsequently, in Decision No. 75866 in Application No. 50480 (1969) applicant was authorized to acquire a water system owned and operated by the Willow Springs Ranch Mutual Water Company. That system was serving 88 customers in the Willow Springs Ranch Subdivision, which includes 497 lots. In addition, applicant also sells treated water at wholesale rates to the Sonora Meadows Mutual Water Company and to Mono Vista Water System. These mutual companies have 260 and 40 customers, respectively.

Applicant's plant is physically divided into two separate and distinct units which are managed as a single business. State Highway 108 divides the Crystal Falls system on the south from the Willow Springs system to the north.

Applicant supplements the untreated ditch water supplied by PG&E with three other sources of supply. The first of these is the normal flow of Sullivan Creek; the second is overflow from the Twain Harte Lakes which will be impounded in an earthen reservoir.^{3/} The third is a recently dug well. The well water is high in manganese.

^{3/} The staff report in Case No. 10649 casts doubt on the availability of water supply from lake and stream sources.

Applicant is no longer managed and operated on an absentee basis. Now there are full-time employees and a manager operating out of a local office.

Development of Estimated Revenues

Fire Hydrant Revenue

Applicant concedes that it has never attempted to collect any fire hydrant revenue even though it has a number of hydrants and a tariff on file. Its excuse is that the fire district has refused to sign a contract.

For service prior to January 1, 1980 the lack of an agreement to pay is irrelevant. Typically, public utility tariffs function to create unilateral contracts; anyone using the service must pay the rate established by law.

Section 2713 now dictates a different result for hydrant service in 1980 and future years. Absent a contract, a water utility no longer has a statutory right to be paid for such service.

For past service, applicant's continued willingness to forego significant revenue, needed to maintain the system, constitutes an unlawful preference or advantage to the district. Unless applicant's owners had actually made up the lost revenue out of their own pockets, this failure is likewise a disadvantage to other customers (Section 453(a)). It should collect the revenue consistent with its tariffs.

For future service, applicant will be expected to make every effort to obtain a contract. It will also be required to conform to Commission policies as they evolve to deal with the new law.

Insofar as past service is concerned, publication of a utility tariff for fire hydrant service legally obligates benefiting districts to pay at that rate regardless of the existence of a contract. Failure to collect these revenues is not really a saving to the taxpaying public. It merely means that the public, as water customers, must bear the same cost in a different form. If householders pay such a cost as a tax, it is deductible. When it becomes a hidden part of utility bills, it is deductible only to businesses.

Adopted Test Year Revenue

A comparison between applicant's and staff's estimates of operating revenues under present and proposed rates for 1979 is as follows:

<u>Item</u>	<u>Operating Revenues</u>				<u>Applicant Exceeds Staff At Proposed Rates</u>
	<u>Applicant</u>		<u>Staff</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	
Metered Revenue	\$56,020	\$ 72,410	\$ 65,570	\$ 79,450	\$(7,040)
Unmetered Revenue	28,460	36,820	24,900	33,380	3,440
Service to Sonora Meadows	6,830	15,660	7,070	16,200	(540)
Service to Mono Vista	<u>2,040</u>	<u>4,730</u>	<u>2,690</u>	<u>6,050</u>	<u>(1,320)</u>
Total Operating Revenue	93,350	129,620	100,230	135,080	(5,460)

(Red Figure)

The Commission normally uses a future estimated test year, rather than a historical test year for ratemaking purposes. Applicant elected not to develop a future test year showing.

We believe that a future test year projection would support a larger revenue estimate under either set of rates because of customer growth. On the other hand, it would also support higher costs, particularly for purchased water and power. Rather than

attempt to reconstruct a future test year showing, we will adopt the staff's 1979 revenue estimates. Even though not representative of a future year, they are consistent with the 1979 expense we have adopted.^{4/}

Test Year Expenses

The table below compares the staff's and applicant's expense showings, based primarily on 1979 experience.

Operating Expense

<u>Item</u>	<u>1979 Estimated</u>		<u>Applicant Exceeds Staff</u>
	<u>Applicant</u>	<u>Staff</u>	
Purchased Water	\$ 4,770	\$ 5,690	\$ (920)
Purchased Power	8,470	8,060	410
Oper. & Maint. Employee Labor	21,770	30,960	(9,190)
Oper. & Maint. Materials	10,180	7,500	2,680
Oper. & Maint. Contract	3,110	2,300	810
Office Salaries	16,320	7,080	9,240
Management Salaries	7,250	7,250	-
Office Supplies and Expense	5,020	5,020	-
Insurance Expense	1,870	2,520	(650)
Employee Benefits	2,660	3,030	(370)
Regulatory Commission Expense	3,400	3,400	-
Outside Services	1,450	500	950
General Expense	500	500	-
Vehicle Expense	1,200	2,410	(1,210)
Office & Storage Space Rental	<u>3,840</u>	<u>3,000</u>	<u>840</u>
Total Expense	91,810	89,220	2,590

(Red Figure)

^{4/} Applicant's estimates were completed well before the hearing. It estimated that it would have 1,010 customers by the end of 1979. The staff, by trending two datum points, estimated that 1,042 customers was an appropriate average customer count for 1979. The staff's estimate is more indicative of test year conditions, although ideally the staff should have considered the issuance of building permits, applications for service, and subdivision plans.

It can be expected that applicant will experience greater expenses in the near future. However, it is appropriate to adopt the staff's estimates because they track with our adopted revenue estimates. The authorized rates are less than would result if more current data had been furnished, thus the underestimating tends to benefit customers, not applicant.

Income Tax

The staff's calculations of 1979 income taxes are summarized in the following table:

<u>Item</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenue	\$100,230	\$135,080
<u>Deductions</u>		
Operating Expenses	89,220	89,220
Taxes Other Than Income	7,640	7,640
Interest	<u>2,760</u>	<u>2,760</u>
Subtotal	99,620	99,620
Taxable Income before Dep.	610	35,460
Depreciation - State	3,340	3,340
State Taxable Income	-	32,120
State Income Tax	200	2,890
Taxable Income before Dep.	610	35,460
Depreciation - Federal	3,340	3,340
State Income Tax	200	2,890
Sum of Deductions	3,540	6,230
Federal Taxable Income	-	29,230
First \$25,000 at 17%	-	4,250
Balance of \$4,230 at 20%	-	850
Federal Income Tax	-	5,100
Total Income Tax	200	7,990

The staff recommended a net-to-gross multiplier of 1.324 which assumes a 17 percent federal tax rate on the first \$25,000 of taxable income and a 20 percent rate on taxable income in excess of \$25,000.

Applicant's tax calculation apparently used a methodology similar to staff's. It claimed that it would have paid \$6,720 in income taxes if its proposed rates had been in effect in 1979. The staff used a higher expense than applicant (\$7,990), as part of its calculation of the effect of proposed rates.

We cannot accept the staff figure as a realistic indication of what applicant would have paid if higher rates had been in effect during 1979.

If we use historical figures for other ratemaking elements, we must likewise adopt a tax allowance consistent with the hypothesis that the adopted return, rate base, and expenses were in effect last year. Applying the staff's multiplier to those figures we would calculate an income tax allowance of slightly more than \$4,000. This figure, of course, has no relationship to actual income taxes paid. Actual 1979 taxes were atypically low because applicant's 1979 revenues were depressed. Whenever we assume an increase in 1979 rates, we must also use a higher tax estimate. We believe an actual tax liability of about \$4,000 would have motivated applicant to claim investment tax credits and possibly use accelerated depreciation to increase deductions on its federal return. Using the investment tax credits resulting from its actual 1979 construction efforts, applicant probably could have halved the staff's estimated federal income tax. Rational tax reducing tactics might also have persuaded it to use accelerated depreciation producing an unknown additional amount of tax savings. There is no testimony to indicate precisely how much estimated taxes would be reduced if available investment tax credits and accelerated depreciation were used in developing estimated taxes under proposed rates. But we know applicant did not avail itself of accelerated depreciation or tax credits during the historical year 1979 or the test year.

There is another element to consider; if applicant had realized additional revenues in 1979 it would almost certainly not have postponed \$80,000 worth of budgeted construction. We have

no basis for determining whether additional construction would have been encouraged by the greater cash flow, hence we cannot calculate the amount of additional tax savings available from that source. Assuming that even half of the total construction budgeted for 1979 had been completed, applicant might have incurred no 1979 federal tax liability, and some carry-over credits may have been available for use in subsequent years.

In the face of these possibilities, we will reduce the staff's estimated federal income tax figure. We believe that \$3,000 is more realistic than any amount in the record, and we find that amount to be reasonable for the purposes of this proceeding.

Rate Base

Applicant claimed that it had used standard procedures for developing a working cash allowance; its estimate of this item was \$13,000. The staff, using the same standard (i.e., Standard Practice U-16), arrived at an estimate of \$10,370. The record does not permit us to precisely identify the reason for the difference between the two figures. We will, however, adopt the staff's estimate because the staff is more experienced in doing working cash studies.

The principal dispute between applicant and staff relating to rate base concerns the appropriate value for recent additions to plant. Applicant's claim was based on an estimate of \$97,000. Staff, however, using the recorded cost of actual 1979 installations, reduced this figure to \$18,845. We will adopt the staff's recommendation because it is more reliable for ratemaking. The appropriate net rate base figure is therefore \$119,320.^{5/}

^{5/} This difference also explains the difference between applicant's claim of \$4,710 in depreciation and the staff-allowed \$3,340; the latter figure is also adopted.

Rate of Return

The staff recommended a rate of return of 10.25 percent instead of the 10.5 percent requested by applicant. The staff-recommended figure is within the range currently allowed smaller water companies and will be adopted.

Applicant asked for special consideration in light of the fact that much of its plant has been recorded as contributed (of a total utility in-service plant of more than \$500,000, over \$300,000 was contributed).

The issues which would be involved in deciding this problem cannot be fairly considered without appropriate accounting testimony. This is especially true of applicant's claim that some or all of the contributed plant should properly be recorded as if acquired under main extension contracts.

For purposes of this proceeding, applicant has been allowed a rate of return (10.25 percent) which is close to the upper end of the normal range for water companies, and recognizes its unusual rate base.

Adopted Results of Operation

The table which follows summarizes the ratemaking analysis described above. We have found that applicant needs approximately \$15,000 more annual revenue; this is equivalent to slightly more than a 15 percent increase in gross revenues.

Item	Year 1978	Year 1979				Applicant Exceeds Staff at Proposed Rates	Adopted Rates
	Applicant Recorded At	Applicant Estimated		Staff Estimated			
	Present Rates	Present Rates	Proposed Rates	Present Rates	Proposed Rates		
Operating Revenue	\$88,625	\$ 93,350	\$129,620	\$100,230	\$135,080	\$ (5,460)	\$115,430
Operating Expense	66,095	91,810	91,810	89,220	89,220	2,590	89,220
Taxes Other Than Income	7,286	5,650	5,650	7,640	7,640	(1,990)	7,640
Depreciation	<u>2,984</u>	<u>4,710</u>	<u>4,710</u>	<u>3,340</u>	<u>3,340</u>	<u>1,370</u>	<u>3,340</u>
Subtotal	76,365	102,170	102,170	100,200	100,200	1,970	100,200
Taxes on Income	<u>200</u>	<u>200</u>	<u>6,720</u>	<u>200</u>	<u>7,990</u>	<u>(1,270)</u>	<u>3,000</u>
Total Operating Expense	76,565	102,370	108,890	100,400	108,190	700	103,200
Net Operating Income	12,060	(9,020)	20,730	(170)	26,890	(6,160)	12,230
Depreciated Rate Base	89,500	197,400	197,400	119,320	119,320	78,080	119,320
Rate of Return	13.5%	Loss	10.5%	Loss	22.5%	(12.0)%	10.25%
Average No. of Customers*	954	1,010	1,010	1,042	1,042	(32)	1,042

(Red Figure)

* This number includes the individual customers of both mutuals (i.e., 2).

Discrimination - Rates for
Service to Mutuals

Applicant claimed that the existing rate structure requires its domestic retail customers to subsidize service to the two mutuals. Applicant's presentation, therefore, assigned the bulk of the increase to those two customers. No one challenged applicant's assertions that the present rates are discriminatory or contended that such discrimination should not be eliminated.

Applicant's witness estimated what all the customers in each mutual would pay if applicant's proposed retail rates were applied to them individually. The annual total would be \$31,455 for Sonora Meadows Mutual Water Company and \$5,238 for Mono Vista Water System. He then reduced these figures by \$15,795 and \$508, respectively, asserting that these sums represent "amounts that they [the mutuals' customers] can be expected to pay for the upkeep and maintenance of their facilities." The difference between these two sets of figures represents his estimate of the revenue requirement for service to each mutual.

There is insufficient record support for either set of numbers; specifically it is not clear whether the mutuals' estimated expenses cover such items as depreciation and meter reading. Therefore, we will not adopt the increased rates for the two mutuals proposed by applicant. We find, however, that the existing contract rates are unreasonably discriminatory. We expect that applicant and each mutual will eventually agree upon a formula which adequately eliminates discrimination.

The resulting contract should be submitted for approval pursuant to Paragraph X of General Order No. 96.

For purposes of this proceeding we have imputed \$3,670 of the total revenue increase to the mutuals (resale). This amount represents our estimate of a nondiscriminatory allocation of expenses and the return requirement.

The table below indicates how the increase should be spread, assuming that \$3,670 is assigned to resale.

	<u>Present</u>	<u>Adopted</u>	<u>Increase</u>
<u>Revenues</u>			
Metered Revenues	\$ 65,570	\$ 74,000	\$ 8,430
Unmetered Revenues	24,900	28,000	3,100
<u>Resale</u>			
Sonora Meadows	7,070	10,170	3,100
Mono Vista	<u>2,690</u>	<u>3,260</u>	<u>570</u>
Total	100,230	115,430	15,200

If applicant is unable to achieve a satisfactory resolution of this issue by negotiation, it can file an advice letter, seeking any increase it chooses but clearly disclosing the allocation method used. Service of the advice letter must be made on both mutuals.

Domestic Rate Design

The staff presented no testimony on rate design other than a recommendation that a 300-cubic-foot lifeline quantity should be established.

A registered engineer, R. F. Walter, appeared on behalf of himself and Mono Vista Mutual Water System and testified that the staff's rate design was not rationally related to conservation goals and was ill-calculated to serve the objective needs of either consumer or utility. He claimed his opinions were based on substantial working experience with water utilities, including rate design.

He presented the results of his study of local water bills. Based on consumption figures and his personal knowledge of the family situation of the customers in question, he estimated that normal family and domestic use required 500 cubic feet of water per month. Any greater use would, except in extraordinary cases, be assumed to represent either waste or irrigation. He, therefore, asserted that the staff-recommended 300-cubic-foot lifeline quantity will not provide adequate water for the household needs of the average domestic user.

He testified that the staff's rate structure would have a punitive effect on large consumers. He testified that many local utility customers had already drilled wells and that the staff's rates would induce the proliferation of new wells as well as more use of existing wells. Instead of encouraging conservation, he predicted that the staff's design would place heavier burdens on local ground water supplies.

He predicted that the staff's rates would produce less, not more, revenue by encouraging more and more families to switch to private water supplies, at least for irrigation. He concluded that the end result could increase the burden for those who conserve voluntarily and those on fixed or limited income. Eventually, he claimed that the utility would be forced to assess most of its total fixed cost against the lowest rate block as more and more irrigation revenue is lost.

He recommended that the rate blocks for consumption over 500 cubic feet should be designed on a marginal cost basis. The levels should be calculated to send consumers a signal deterring the development of new wells and use of existing wells.

We will adopt the staff's rate spread and annual service charge design, as consistent with spreads adopted in other recent water rate cases. Also, Walter's conclusions are based on a relatively small sample of customers.

Notice

One of the consumer representatives claimed that the bill insert notice provided by applicant under Section 454(a) was inadequate and misleading. The notice stated that the average increase sought would be 29.3 percent or less than \$3.00 per month. This customer claimed, however, that the rate spread proposed in the application results in a much greater increase at his consumption level.

The notice satisfies the statutory requirement. Applicant, as indicated in the record, is not a vigorous proponent of the type of rate spread which causes very high increases for those with more than average consumption rates. Applicant merely selected a spread which was likely to cause the least controversy with the Commission staff. It is plain that applicant would be as pleased with a less usage-sensitive rate spread if assured the same level of revenues. However, under Section 454(a) a utility is obligated to inform customers of the impact of its proposal in the application in dollar and percentage terms. It has done that.

Water Quality and Service

The consumer representatives contended that even if a rate increase is found justified, it should nevertheless be postponed until applicant has remedied the turbidity and coloration

problems which occur seasonally. The record in this case indicates that the water quality problems are aesthetic and are not health-threatening. It also indicates that they are not caused by negligence or any other fault of applicant. It would therefore be difficult in this record to justify a stay which would injure applicant. It could cost applicant over \$1,000 for every month of delay. Furthermore, it appears that this problem is not one which could have been avoided or remedied except by the construction of very expensive treatment facilities, either by applicant or by its water supplier (PG&E). If the original plant or subsequent construction had included such treatment facilities, depreciation and earnings on several hundred thousands of dollars of extra capital could already be reflected in much higher rates. The rates we have authorized herein are fair and reasonable for the quality of water which the system is now capable of providing.

The consumers also mentioned certain supply outages which occurred in the past. We note that applicant claims to have remedied the cause of these outages by reengineering the interface between its system and the PG&E water supply. This claim was not challenged on the record.

A fuller discussion of applicant's service problems will be an essential part of the decision in Case No. 10649 currently being considered by the Commission.

Contracts

The staff recommended that applicant replace the contracts which now govern the relationship between it and each of the two

mutuals by adopting tariff items; presumably there would be a separate tariff item for each mutual. Staff asserts that "service of such a long duration" is not appropriately the subject of a contract. We disagree.

We regularly approve contracts under Paragraph X of General Order No. 96 for service of unlimited duration. Most of such contracts involve peculiar consumer requirements which would render it impossible or discriminatory for him to receive service under the generally applicable schedules. Paragraph X contracts are appropriate vehicles to govern service to one customer which is not likely to be applied for by any other customer.

As specified in the findings these mutuals have unique characteristics. It would thus not be discriminatory for applicant to negotiate with them or to serve them at rates not offered to the public at large. In such situations, Sections 489 and 532 provide a statutory basis for service at other than tariff rates.

Since we have already found that special circumstances exist, the only other issue which must be resolved in the Paragraph X filing is whether the agreed-upon rates are nondiscriminatory.

Findings of Fact

1. The staff-recommended revenues, expenses (with the exception of income taxes), and rate base should be adopted as reasonable; applicant's rates should be fixed to allow it a reasonable opportunity to earn a rate of return of 10.25 percent on rate base.
2. A 1979 income tax allowance of \$3,000 is reasonable.
3. Applicant's rates should be adjusted upward to allow it an additional \$15,200 gross revenues per year.
4. The contracts with mutuals under which applicant now provides water service to each mutual will discriminate against applicant's residential customers unless the mutual rates are raised substantially.

5. It is not possible on this record to establish rate levels for mutual service which will be just, reasonable, and nondiscriminatory.

6. We can impute \$11,530 of the additional required revenue to applicant's domestic customers and raise domestic rates.

7. Each of the two mutual customers is unlike applicant's other customers; each purchases for resale to individual customers; each has substantial equality of bargaining power in dealing with applicant.

8. Applicant is unlikely to have other customers situated similarly to the mutual customers. Applicant should be required to negotiate new nondiscriminatory and reasonable permanent rates with its two mutual customers.

9. Applicant's water is seasonally turbid and discolored. The rates adopted herein are just and reasonable for the quality of water applicant is now providing.

10. Applicant has taken reasonable steps to avoid future service outages.

11. Applicant has failed to collect fire hydrant charges.

12. Applicant's owners are not willing to absorb lost hydrant revenues.

13. The increases in rates and charges authorized by this decision are justified and are reasonable; and the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

Conclusions of Law

1. The bill insert notice satisfied the requirements of Section 454(a).

2. Applicant's mutual customers, since they are materially distinguishable from other classes of actual and prospective customers, may each lawfully receive public utility service under

individual contracts authorized by the procedure set forth in General Order No. 96, Paragraph X, pursuant to Sections 489 and 532.

3. Until January 1, 1980 a California water utility had an obligation to collect the charges stated in its tariff for hydrant service from any public entity providing fire protection by employing such hydrants. A water utility which waives hydrant revenues discriminates against its other customers unless its owners are willing to absorb the lost revenue and use a like amount of their own funds to maintain the system.

4. For hydrant service rendered subsequent to January 1, 1980, applicant should be expected to make every effort to obtain a contract.

5. The following order should be effective the date of signature because there is an immediate need for the authorized rate relief.

O R D E R

IT IS ORDERED that:

1. With respect to future hydrant service, Crystal Falls Water Company (applicant) shall keep itself informed of current Commission policy and shall attempt in good faith to persuade local fire protection agencies to sign agreements to the extent covered by Commission policy.

2. Applicant is authorized to file, on or after the effective date of this order, in accordance with General Order No. 96-A the rates set forth in Appendix A, which shall become effective five days after filing. The schedule shall apply only to service rendered on and after the effective date. Existing rates continue to apply to water company customers, subject to change by advice letter filing.

3. Applicant shall negotiate nondiscriminatory rates for service to mutuals and seek approval pursuant to General Order No. 96-A within ninety days of the effective date of this order. Until approval is granted, applicant shall continue to serve the mutuals under existing contracts.

The effective date of this order is the date hereof.

Dated SEP 3 - 1980, at San Francisco, California.

John E. Boyer President
William L. ...
Richard D. ...
Clair T. ...
Stanley ... Commissioners

APPENDIX A
Page 1 of 4

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Willow Springs, Crystal Falls Ranch and vicinity, located approximately two miles southwest of Twain Harte, Tuolumne County.

RATES

	<u>Per Meter</u> <u>Per Year</u>	
Annual Service Charge:		
For 5/8 x 3/4-inch meter	\$ 84.00	(I)
For 3/4-inch meter	93.00	
For 1-inch meter	126.00	
For 1 1/2-inch meter	168.00	
For 2-inch meter	228.00	(I)

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 300 cu.ft., per 100 cu.ft.	\$0.45	(I)
Over 300 cu.ft., per 100 cu.ft.51	(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 billing period.

APPENDIX A
Page 2 of 4

Schedule No. 1A

ANNUAL METERED SERVICE

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods. Meters will be read and quantity charges billed monthly, bimonthly, or quarterly in accordance with the utility's established billing periods except that meters may be read and quantity charges billed during the winter season at intervals greater than three months.

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

APPENDIX A
Page 3 of 4

Schedule No. 2 RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Willow Springs, Crystal Falls Ranch and vicinity, located approximately two miles southwest of Twain Harte, Tuolumne County.

RATES

	<u>Per Service Connection</u> <u>Per Year</u>	
For a single-family residential unit, including premises	\$129.00	(I)
For each additional single-family residential unit on the same premises and serviced from the same service connection	102.00	(I)

SPECIAL CONDITIONS

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

2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.

(Continued)

APPENDIX A
Page 4 of 4

Schedule No. 2 RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS--Contd.

3. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods.

4. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.