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ORIGINAL

Decision No. 92489 DEC 2 - 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority, among other things, to increase its rates and charges for water service provided by the Jackson Water System. (Water)	Application No. 58630 (Filed January 25, 1979)

Malcolm H. Furbush, Robert Ohlbach, and Joseph S. Englert, Jr., Attorneys at Law, for Pacific Gas and Electric Company, applicant
Jeanne M. Bauby, Attorney at Law, for California Farm Bureau Federation; Marsh, Mastagni & Marsh, by Maureen C. Whelan, Attorney at Law, for International Brotherhood of Electrical Workers, Local Union 1245; and Michael H. Chisholm, Attorney at Law, for the City of Sutter Creek, interested parties.
Grant E. Tanner, Attorney at Law, and Arthur Mangold, for the Commission staff.

I N D E X

O P I N I O N

Summary of Decision

This decision grants Pacific Gas and Electric Company (PG&E) the first increase in water rates since 1952 for its Jackson Water System (Jackson System). It authorizes an increase in rates to yield additional revenues of $547,600, a return on rate base of 9 percent, and a return of 11.49 percent on common equity. The increase is authorized to be implemented in three steps. The decision also finds that it would not be reasonable at this time to order metering of domestic flat rate service in Amador City, Sutter Creek, and Sutter Hill.

This is an application by PG&E seeking an increase in rates and charges for its Jackson System. Because of interrelated subject matter the application was consolidated for hearing with the following other PG&E applications for increases in water rates: A.58628 (Western Canal Water System), A.58629 (Willits Water System), A.58632 (Placer Water System), A. 58631 (Tuolumne Water System) and A.58633 (Angels Water System). Separate decisions will be issued on each application.

A duly noticed public hearing was held in this matter before Administrative Law Judge (ALJ) Donald B. Jarvis in Sutter Creek on August 21, 1979. Further hearing was held in San Francisco on September 11, 12, 13, 14, 24, 25, 26, 27, 28 and October 22, 23, and 24, 1979. The proceeding was submitted subject to the filing of briefs which were received by November 20, 1979.

Description of System

PG&E's Jackson System consists of a series of canals and reservoirs and three treated water distribution systems serving rural areas adjacent to the canals and the communities of Sutter Creek, Sutter Hill, Amador City, and Ione, all located in Amador County. In 1978 the system served 1,796 customers with water diverted from the North Fork of the Mokelumne River, through the PG&E's North Fork Hydroelectric Project, which is under license by the Federal Energy Regulatory Commission. Water supplied to customers from the canals is untreated. Treated water is supplied from the town distribution systems in Sutter Creek, Sutter Hill, Amador City, and Ione.

Material Issues

The material issues presented in this proceeding are: (1) Is PG&E entitled to an increase in rates? (2) If PG&E is entitled to a rate increase, what is the appropriate amount? (3) Should any increase be implemented in one step or several? (4) What is the appropriate rate design for any increase which may be granted? (5) Should the Commission disallow for ratemaking purposes the discount which PG&E provides its employees? (6) Should the Commission in determining expenses use the wages paid by PG&E under the statewide collective bargaining agreement which it has with the International Brotherhood of Electrical Workers? (7) Should the order provide for the installation of meters in the Jackson System? (8) What is the appropriate rate treatment for the water which powers the water wheel at the Knight Foundry?

Present and Proposed Rates

The present general rates of the Jackson System were authorized by Decision No. 46990 dated April 14, 1952 in Application No. 32722. The rates became effective on September 1, 1952.

The rates currently charged were made effective September 1, 1978 by Advice Letter No. 162-W. Advice Letter No. 162-W was filed July 28, 1978 pursuant to Ordering Paragraph 5 of this Commission's Order Instituting Investigation (OII) No. 19. The primary purpose of OII No. 19 was to reduce rates by passing on to customers the ad valorem tax savings resulting from the addition of Article XIII-A to the Constitution of the State of California (Jarvis-Gann

Initiative, Proposition 13). The mechanism employed is an addition of a Tax Change Adjustment Clause (TCAC) to the Preliminary Statement for PG&E Tariff Schedules applicable to water service in the Jackson System. The TCAC specifies that the rates given on the tariff sheet for each rate schedule are to be reduced by 8.6 percent. Jackson System current flat rates and Ditch System rates are as follows:

Domestic Flat Rates
Treated Water

Rates	Per Connection Per Month
For single-family dwellings to include garden irrigation up to 7,000 sq.ft.	
Six months, May through October	$4.50
Six months, November through April	3.25
For garden irrigation in excess of 7,000 sq.ft. during the months May through October, per 100 sq.ft.	.05
For each additional apartment or family unit served through one service connection	1.50
For small house usage without garden or other water requirements	2.50

General Flat Rates
Untreated Water

Rates	Per Connection Per Month
For each separate premise, including garden irrigation up to 10,000 sq.ft.	
Six months, May through October	$6.00
Six months, November through April	3.50
For garden irrigation in excess of 10,000 sq.ft. during the months May through October, per 100 sq.ft.	.03
For swimming pools during the months May through October	5.00
For premises on which not more than 1,000 sq.ft. is occupied or irrigated	2.00

General Metered Service
Treated Water

Applicability and Territory

This schedule is applicable to service of treated water to any and all customers within the town system shown on the Ione Water Service Area Map and to service of treated water for all except domestic customers within the town systems of Amador City, Sutter Creek, and Sutter Hill, as shown on the service area maps of said systems included in the tariff sheets.

Rate:

Monthly Quantity Charge:

First 600 cu.ft. or less	$1.85
Next 1,400 cu.ft., per 100 cu.ft.	.25
Next 3,500 cu.ft., per 100 cu.ft.	.20
Next 9,500 cu.ft., per 100 cu.ft.	.15
Over 15,000 cu.ft., per 100 cu.ft.	.12

Monthly Minimum Charge:

For 5/8-inch meter	1.85
For 3/4-inch meter	2.25
For 1-inch meter	3.50
For 1-1/2-inch meter	6.00
For 2-inch meter	9.50
For 3-inch meter	18.00
For 4-inch meter	30.00

The Monthly Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the quantity rate.

PG&E introduced evidence which indicates that at present rates it had the following actual and estimated rate of return from the Jackson System:

	Year 1977 Recorded	Year 1977 Adjusted	Year 1978 Estimated	Year 1979 Estimated	Year 1980 Estimated
At Present Rates	(9.30)%	(8.69)%	(9.79)%	(8.57)%	(8.67)%

(Red Figure)

PG&E seeks herein authority to raise Jackson System rates to generate additional revenues of $740,900, or 598 percent, which it contends will allow it to earn a return of 9.84 percent on rate base. Because of the magnitude of the proposed increase, PG&E proposes to implement it in two steps at a one-year interval as follows:

Domestic Flat Rates
Treated Water

Rates	Step 1 Per Connection Per Month	Step 2 Per Connection Per Month
For single-family dwellings to include garden irrigation up to 7,000 sq.ft.		
Six months, May through October	$13.50	$31.50
Six months, November through April	9.75	22.75
For garden irrigation in excess of 7,000 sq.ft. during the months May through October, per 100 sq.ft.	.15	.35
For each additional apartment or family unit served through one service connection	4.50	10.50
For small house usage without garden or other water requirements	7.50	17.50

General Irrigation Service
(Formerly General Flat Rates - Untreated Water)

Rates	Step 1	Step 2
A. Irrigation season, 6-month period, April 15 to October 15, inclusive:	Per Month	Per Month
Service Charge:		
First ½ miner's inch of contract capacity, or less	$ 5.00	$10.00
Additional capacity, per ½ miner's inch	2.50	5.00
Charge for Turn on, Turn off, or Regulation Change:		
First 6 turn ons, turn offs, or regulation changes	No Charge	No Charge
Over 6 turn ons, turn offs, or regulation changes	$ 7.50	$15.00
Quantity Rates:	Per Connection Per Month	Per Connection Per Month
First 23 miner's inch-days, per miner's inch-day	$ 1.70	$ 3.50
Next 57 miner's inch-days, per miner's inch-day	1.45	3.00
Over 80 miner's inch-days, per miner's inch-day	1.20	2.50
B. Nonirrigation season, 6-month period, October 16 to April 14, inclusive:		
Quantity Rate:	Per Miner's Inch-Day	Per Miner's Inch-Day
For all water delivered	$ 1.45	$ 3.00
Minimum Charge:		
For each delivery	$11.00	$22.50

Special Conditions

1. The Utility may require a 48-hour notice from the customer for changes in the rate of water delivery.

2. This schedule is available only upon application and agreement in form 62-4791 of Letter Agreement on file with the California Public Utilities Commission. For seasonal use customers this schedule is available only on an annual basis.

3. If water service under this schedule is intended for domestic purposes, the service connection to Utility's facilities shall not be completed until the customer provides documentation that suitable treatment facilities have been installed and approved by appropriate local governing authorities.

4. Service under this schedule is not available to two or more individuals using a common service line. (See resale schedule.)

5. Pumping directly from the ditch will not be allowed under this tariff. Pumping or boosting of pressure shall be done from a sump, cistern, or storage receptacle which is served by the Utility's ditch at a uniform and continuous rate of flow.

General Metered Service - Treated Water

Applicability

Applicable to all treated water service on a metered basis.

Territory*

The communities of Amador City, Ione, Sutter Creek, (including vicinity of Sutter Hill) as shown on the service area maps of said systems.

Rate	Step 1 Per Meter Per Month	Step 2 Per Meter Per Month
Service Charge:		
For 5/8-inch meter	$ 3.40	$ 7.00
For 3/4-inch meter	5.00	10.50
For 1-inch meter	8.50	17.50
For 1-1/2-inch meter	17.00	35.00
For 2-inch meter	27.00	56.00
For 3-inch meter	51.00	105.00
For 4-inch meter	85.00	175.00
Quantity Rates:		
First 300 cu.ft., per 100 cu.ft.	$ 0.24	$ 0.50
Over 300 cu.ft., per 100 cu.ft.	0.56	1.21

Minimum Charge:

The Service Charge.

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

* The treated water service in Ione is metered. This proposal is intended to apply to that service and if the Commission orders metering, other areas presently receiving treated water at flat rates.

Under PG&E's proposal the average monthly bill for the average flat rate, treated water customer[1/] would increase from $4.10 to $10.84 at Step 1 and $23.02 at Step 2.

PG&E also contends that the Commission should order the elimination of flat rate service and the installation of meters for the Jackson System. PG&E argues that without metering it will be necessary to increase treatment plant capacity, which is alleged not to be cost-effective.

Position of the Commission Staff

The Commission staff (staff) takes the position that a return on rate base of 9.84 percent is appropriate for the Jackson System. It produced different estimates than PG&E on revenues and expenses. It contends that the additional revenues requested by PG&E would produce a return on rate base of 20.22 percent. The staff recommends an increase in revenues of $483,600 which according to the staff would yield a return on rate base of 9.84 percent and amount to a 367.5 percent increase in revenue.

Some of the reasons for the differing estimates are: (1) The staff contends that PG&E employee discounts should not be considered for ratemaking purposes. (2) The staff contends that the wages paid by PG&E pursuant to its union contract under union work rules should not be directly applied for ratemaking purposes, and (3) The staff made different adjustments in the amounts used for uncollectibles, interest charges, pensions and benefits capitalized, allocations, depreciation, and other expenses.

The staff takes the position that while it does not disfavor metering, the Commission should not enter the requested order in this proceeding. The staff also argues that unless metering is ordered,

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1/ Based on consumption of 1,500 cu.ft. per month.

the capital expenditures therefor should not be included in the test year rate base.

Position of the City of Sutter Creek (Sutter Creek)

Sutter Creek contends that while some increase in rates may be justified, the ones proposed by PG&E and the staff are excessive. Sutter Creek argues that any increase should be implemented over a period of years. Sutter Creek takes the position that the alleged need for metering is due to PG&E's failure to enlarge its treatment facilities over the years. Finally, Sutter Creek contends that the effect of increased rates and/or metering would result in making more water available for the generation of hydroelectric power and that it is inequitable to raise water rates in order to benefit electric users.

Position of Jackson System Customers

Sixteen members of the public gave sworn statements at the hearing in Sutter Creek. Some witnesses testified that the proposed increase would jeopardize the economic existence of Sutter Creek. They stated that Sutter Creek was dependent on tourism and that one of the attractions of the old Mother Lode town is its lawns and gardens. They contended that metering would destroy the character of the town because the ensuing rates would make it financially impossible to maintain the lawns and gardens. Several witnesses indicated that there was no need for metering because the people in the area conserved water by 48 percent during the 1977 drought. Various witnesses stated that even if metering is not approved, the requested rates were too high. One witness said there were many elderly persons in Sutter Creek.

Two members of the public were from the city of Ione. The chairman of the city's ad hoc water committee stated that there is a loss of water in the ditch distribution system before it reaches the treatment plant. He also indicated that he believed that a rate increase should be conditioned on improvements to the system, including the addition of extra water treatment facilities which would enlarge the capacity of the system and permit additional development in Ione. The other person from Ione was a developer of residential housing who has a complaint against PG&E pending before the Commission.[2/] He also testified about the loss of ditch water and the lack of water treatment capacity which inhibits further development in Ione. He stated that some increase in rates was justified but it should be conditioned on improvements to the system in Ione.

Position of International Brotherhood of Electrical Workers

The International Brotherhood of Electrical Workers, Local Union No. 1245 (IBEW) appeared in this proceeding. The IBEW contends that the Commission should not adopt the staff recommendation to eliminate consideration of the employee discounts for ratemaking purposes. The IBEW argues that this recommendation is contrary to Commission Decision No. 89653 and a prohibited interference with the collective bargaining process. It argues that the recommendation would interfere with the vested benefits of retirees. The IBEW also contends that disallowance for ratemaking purposes of the wage rates and work practices provided for in its collective bargaining agreement with PG&E would be contrary to public policy and not in the best interest of PG&E's customers.

Discussion

As indicated, PG&E has not been authorized to increase the rates for its Jackson System since 1952.

2/ Case No. 10733 which was consolidated for hearing with Case No. 10748.

> "The theory on which the state exercises control over a public utility is that the property so used is thereby dedicated to a public use. The dedication is qualified, however, in that the owner retains the right to receive a reasonable compensation for use of such property and for the service performed in the operation and maintenance thereof." (Lyon & Hoag v Railroad Commission (1920) 183 C 145, 147; Federal Power Commission v Hope Natural Gas Co. (1944) 320 US 591.)

The record clearly indicates that some increase is warranted. It is necessary to consider the magnitude thereof. In this consideration the Commission will use 1980 as the test year.

A. Metering

The question of metering only applies to the treated water domestic flat rate service provided in Amador City, Sutter Creek and Sutter Hill.[3/] The treated water service in Ione is on a metered system.

PG&E contends that before it can install meters in the treated water, flat rate areas it is necessary for the Commission to make appropriate findings pursuant to Section 781 of the Public Utilities Code. PG&E also argues that if metering is authorized, the capital costs should be included in rate base in this proceeding.

The staff took no position on the question of whether meters should be installed. The staff does contend that unless the Commission mandates metering, the findings required by Section 781 need not be made. The staff argues that, in its opinion, PG&E has the authority to voluntarily embark on a program of installing meters. The staff did not include any money for meters in its estimated rate base. It asserted that if meters are installed, the capital

3/ Commercial treated water service is presently metered in these areas.

costs could be included in rate base by an advice letter filing.[4/]

As indicated, Sutter Creek and affected customers strongly oppose metering.

Whether or not Section 781 applies, it is necessary to give some consideration to metering in this proceeding. The question of metering is entwined with the future development and rates of the system. Even if no definitive action is taken herein, the direction of exploration of future alternatives should be charted.

Section 781 provides that:

> "781. The commission shall not require any water corporation which furnishes water for residential use through five or more service connections or which serves an average of 25 or more persons per day for at least 60 days per year, nor any residential customer of such corporation to install any watermeter at any water service connection between the water system of the corporation and the customer if on January 1, 1979, such service connection was unmetered except after a public hearing held within the service area of the corporation at which hearing all of the following findings have been made:
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> "(a) Metering will be cost effective within the service area of the corporation.
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> "(b) Metering will result in a significant reduction in water consumption within the service area of the corporation.
>
> "(c) The costs of metering will not impose an unreasonable financial burden on customers within the service area of the corporation unless it is found to be necessary to assure continuation of an adequate water supply within the service area of the corporation."

PG&E takes the position that by enacting Section 781 "the Legislature wanted these findings of fact made regardless of whether

4/ This procedure would postpone until the next rate case granting a return on these capital costs, unless the advice letter also sought a rate increase.

the Commission mandated the metering or the utility as a discretionary matter decided on its own volition to meter." (RT 916.) There is no merit in this contention. To interpret Section 781 in the manner advocated by PG&E, it would be necessary to interpret the word "require" to mean "allow" or "permit". This would be contrary to the basic rules of statutory construction.

> "We begin with the fundamental rule that a court 'should ascertain the intent of the Legislature so as to effectuate the purpose of the law.' (Select Base Materials v. Board of Equal. (1959) 51 Cal.2d 640, 645 [335 P.2d 672].) (4) In determining such intent '[t]he court turns first to the words themselves for the answer.' (People v. Knowles (1950) 35 Cal. 2d 175, 182, [217 P.2d 1], cert. den. 340 U.S. 879 [95 L.Ed. 639, 71 S.Ct. 117].) (5) We are required to give effect to statutes 'according to the usual, ordinary import of the language employed in framing them.' [Citations omitted]" (Moger v Workmen's Comp. Appeals Bd. (1973) 10 C 3d 222, 230.)

The word "require" means "to demand of (any one) to do something". (The Shorter Oxford English Dictionary (1973) p. 1803.) It is not in conflict with any other word in Section 781 and needs no construing or harmonizing. The Commission concludes that the findings provided for in Section 781 need be made only when it mandates metering.

In considering the question of metering, an understanding of the composition of the applicable portions of the Jackson System is appropriate.[5/]

The water supplied by the Jackson Water System comes from the North Fork Mokelumne River. Water is diverted at Tiger Creek Afterbay Dam, transported through the Electra tunnel and discharged into Lake Tabeaud, which are all part of PG&E's Mokelumne River Hydroelectric Project FERC 137. The Amador Canal, which is the main supply conduit for the system, begins at Lake Tabeaud where water is

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5/ The description also has relevance to the matters raised by the Ione customers, hereinafter considered.

pumped from the lake by four electric pumps. The Amador Canal is 24 miles long and consists mostly of open ditch with a rated capacity of 30 cu.ft. per second (cfs). At a point of about 17 miles from Lake Tabeaud, the canal feeds the 52 acre-feet New York Reservoir, which acts as a regulating and standby reservoir for the remainder of the system. The Amador Canal ends at Tanner Reservoir near Sutter Creek, which has a capacity of 12 acre-feet and acts as a regulating and raw water supply reservoir for the town systems of Sutter Creek, Sutter Hill, and Amador City and the lower portion of the Amador City Canal below Amador City Reservoir.

The Amador City Canal begins at the end of the Amador Canal and bypasses Tanner Reservoir. Its total length is 3.8 miles and has a rated capacity of 12 cfs. The Amador City Canal is divided into two separate reaches. The upper reach extends from Tanner Reservoir to the end of the siphon pipe crossing Sutter Creek, about 1.5 miles. This portion of the canal is supplied directly from the Amador Canal and, in turn, acts as a source of supply for the Ione Canal. The lower portion of the Amador City Canal extends from Amador City Reservoir, south of the town of Amador City, to the point where it crosses Quartz Mountain Road near Drytown. This portion of the canal is about 2 miles in length and is supplied by water drawn from the Amador City Reservoir, which also serves the Amador City Town System.

The Ione Canal supplies water for the Ione Town System and irrigation and industrial users between Sutter Creek and Ione. The canal is supplied from the bottom of the Amador City Canal siphon pipe. A portion of the water taken from the siphon at high pressure to supply the Ione Canal is first used by a foundry in Sutter Creek to power hydraulic machinery prior to being discharged into the Ione Canal. The upper portion of the Ione Canal is in pipe as it passes through the town of Sutter Creek. The canal is 14.6 miles long and consists of ditch, pipe, and flume and has a rated capacity of 4 cfs. A 26 AF regulating reservoir is located at the end of the open ditch portion of the canal near Ione.

The Sutter Creek, Sutter Hill, and Amador City Systems receive water treated at Tanner treatment plant located at Tanner Reservoir. At Tanner treatment plant, Amador Canal water receives chlorination, coagulation, and pressure filtration treatment and pH correction to control corrosion in the distribution system. The rated capacity of the treatment plant is 2.9 million gallons per day (MGD) (2,000 gpm). From the plant, treated water is pumped to a 2 MG storage reservoir adjacent to the plant which floats on the distribution system. Water for the distribution system in Amador City is piped through a 10-inch pipeline from Sutter Creek to a 107,000-gallon treated water reservoir near Amador City which floats on the town distribution system.

The Ione Treatment Plant is supplied water through a pipeline from the Ione Canal Reservoir. Water from the reservoir receives chlorination, coagulation, sedimentation, and rapid-sand filtration treatment and pH correction for corrosion control at Ione Treatment Plant. The Ione Treatment Plant has a rated capacity of .65 MGD (450 gpm). Water from the plant flows by gravity to a 780,000-gallon treated water reservoir adjacent to the treatment plant which floats on the town distribution system.

PG&E presented evidence which indicates that the capacity of the Tanner Treatment Plant is 2.9 MGD. On one occasion in 1976, the amount of water processed through the plant was 2,823,800 gallons. PG&E argues that in order to meet the demands of the system it is necessary to increase treatment plant capacity, increase storage capacity, or decrease consumption.

PG&E introduced an exhibit which indicates that the cost of increased treated water storage would be $725,000, the cost of expanding the Tanner Treatment Plant would be $282,000, and the cost of metering flat rate service would be $229,800. PG&E argues that metering is the cost-effective way to meet the situation. It is stated that metering is in the best interest of the customers because metering will have the least amount of capital expenses to be included in the rate base.

The consulting engineer who testified on behalf of PG&E and prepared the cost-effectiveness exhibit estimated that metering would produce a 60 percent conservation factor. (RT 970, Exhibit 43-J, Table A 3.) In his opinion the use of water in the areas would be 40 percent of what it was before metering.

The testimony of a PG&E rate engineer explaining the metering proposal includes the following:

> "Since a service charge is proposed to be used, a uniform quantity rate was developed with the exception of the first 300 cubic feet of water per month. Three hundred cubic feet of water equals approximately 75 gallons of water per day. This amount of water will provide for only the basic needs of the normal home, it is not intended to include such uses as the automatic dishwasher, a ten minute hot shower, watering the yard, and washing the car." (Exhibit 20-J, p. 2-9)

The Commission finds that metering should not be imposed at this time for the reasons which follow. The rates authorized herein substantially increase the amounts to be paid by Jackson System customers due to the long interval since the last rate increase. To couple this increase with metering which would, through economic forces, cause severe curtailment in the average customer's use of water would have a devastating impact on the areas in question. Customers would be paying substantially more money for much less water.

The Commission is not unmindful of the long-range water supply problems raised in this record. However, there is sufficient time to develop an appropriate solution without precipitous action herein. The 1976 peak day is the basis for PG&E's concern about possible short-term problems. However, the record indicates that the customers of the Jackson System had one of the best conservation responses in the State during the 1977 drought. The Commission is confident that if a short-term problem arises, these customers will provide a similar response.

The long-range solution should not be made solely on a cost-analysis basis. An attempt should be made by PG&E to consult with the communities involved to determine whether metering, additional water treatment facilities, additional storage, or combinations thereof will best meet the needs of the system. For example, the difference in cost between metering and adding additional treatment facilities is $52,200. Other than cost-effectiveness there is no analysis of the long-range effects of both proposals on the customers and communities involved.

In looking at long-range solutions, one final point needs to be considered. The consulting engineer who testified on behalf of PG&E stated that if metering were put into effect, "more hydroelectric power will be generated obviating the need to generate power using fossil fuels." (RT 933.) Sutter Creek contends that to the extent that conservation in the Jackson System creates lower cost electricity, the customers should share in that benefit.[6/] The Commission is of the opinion that this contention deserves exploration in connection with any subsequent metering proposal.

If the Jackson System customers were an industrial enterprise which created additional electrical power through cogeneration, they would be entitled to share in the economic

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6/ This contention is entirely different from one raised by parties in some of the consolidated proceedings that general revenues from hydroelectric generation of PG&E's electric department should be considered in setting water rates.

benefits. (Decision No. 91109 in OII No. 26, entered on December 19, 1979.) It would seem that forbearance in using water so that the amount conserved can be used for the generation of electrical power ought to have some economic incentive for those making the sacrifice.

In sum, metering will not be ordered in this proceeding. PG&E should address the question of long-term water supply in a manner consistent with this decision.

B. Matters Relating to Ione

The matters raised by the members of the public from Ione relate to a desire to have an increased water supply which will allow further development in that community. Portions of this problem are before the Commission in Cases Nos. 10733 and 10748.

The Ione portion of the system is fed by the Ione Canal which is primarily an open ditch from Sutter Creek to Ione. The water is treated for domestic use in Ione. One of the public witnesses testified that there is a 600 to 750 acre-feet per year water loss in the ditch. He stated that the loss could be due to ditch loss (evaporation, seepage, etc.) or theft. He contended that if the ditch were piped, the extra water would be available for use in Ione and the extra revenue would help reduce rates. The witness also stated that costs for piping the ditch should be borne by the entire system.

The question of piping the Ione Canal cannot be addressed in this proceeding. There is simply no evidence in the record dealing with the feasibility and costs of such a project.[7/] Since the Jackson System presently yields a negative rate of return, it would not be reasonable to delay submission of this proceeding to study the question of piping the Ione Canal. This matter must be decided on the data relating to the system as it exists.

7/ There is a statement by counsel for PG&E, which is not evidence, that in 1967 it was estimated that it would cost one million dollars to pipe the Canal. (RT 372.)

C. The Knight Foundry

PG&E delivers water for nonconsumptive use under pressure through an 8-inch main to the Knight Foundry in Sutter Creek. The water powers a water wheel which operates machine shop equipment, e.g., saws and lathes. The water is returned to a 12-inch pipe which transports the water to the applicant's Ione canal. By Decision No. 47861, dated October 28, 1962 in Application No. 33751, the Commission authorized PG&E to carry out the terms and conditions of an agreement between PG&E and the foundry under which the service is provided. The agreement in part provides that PG&E will provide a continuous flow of up to 105 cubic feet per minute for which the foundry will pay $60 per month. The proposed rate is $240 per month. The staff recommended that the rate authorized in this proceeding reflect the cost of providing this service relative to that of other town system customers.

The water used by the foundry is not consumed.8/ The untreated water is taken from the Ione Canal and returned to it. It is not fair or equitable to assess regular charges for the use of that water. The ensuing order will provide for a rate based on cost of service.

D. Employee Discounts

For many years prior to the advent of a collective bargaining agreement with IBEW, PG&E gave its employees a 25 percent discount for utility service which it furnished. The discount applied to retired employees. The first collective bargaining agreement between PG&E and IBEW provided for maintaining all employee benefits then in existence. The present agreement provides that PG&E shall not "(1) abrogate or reduce the scope of any present plan or rule beneficial to employees... or (2) reduce the wage rate

8/ Drinking water is from the treated water Sutter Creek portion of the system on the regular domestic schedule.

of any employee covered hereby, or change the condition of employment of any such employee to his disadvantage." (Exhibit 65, § 107.1.)

In Applications Nos. 55509 and 55510 which were applications by PG&E to increase electric and gas rates, various parties urged the abolition of the PG&E employee discount. The staff took the position that the discount should be maintained for then current retirees and phased out over a 2- to 4-year period. In Decision No. 89315 entered on September 6, 1978, a divided Commission ordered the phasing out of the employee discount with continuation permitted to those persons retired as of a specific date. Various petitions for a rehearing were filed. Thereafter, on November 9, 1978, a divided Commission, in Decision No. 89653, modified Decision No. 89315 to provide for retention of the employee discount and denied rehearing.

The pertinent portions of Decision No. 89653 are as follows:

> "The Commission is of the opinion that elimination of employee discount rates is inappropriate at this time since recent federal legislation prohibits taxation of these benefits.1/ Employee discount rates apparently will continue to be a tax free fringe benefit, and any additional cost that elimination of the discount rates might create should not be placed on PG&E's customers absent a convincing showing that such additional cost will not in fact occur and that the discount rates are a disincentive to energy conservation.
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> "1/ On October 7, 1978, President Carter signed H.R. 12841, which prohibits the issuance of regulations that would include employee fringe benefits in gross income." (Slip Decision p.1.)

* * *

"IT IS FURTHER ORDERED that Ordering Paragraphs 9, 10, 11, and 12 on page 33, Findings 2, 5, and 6 on page 25, and Conclusions 1 and 2 on page 26 are deleted from Decision No. 89315.

"IT IS FURTHER ORDERED that the following findings and conclusions are inserted in Decision No. 89315 as follows:

"On page 14a, Finding 1a:

> '1a. CVR is an effective conservation measure and in view of PG&E's demonstrated reluctance to implement CVR, it is reasonable to require PG&E to revise its tariffs so that the maximum energy savings of CVR will be achieved.'

"On page 25, Findings 2, 5 and 6:

> '2. PG&E's employee discount rates have not been shown to be a disincentive to energy conservation.
>
> '5. Employee discount rates will continue to be a tax free fringe benefit since recent federal legislation prohibits the issuance of regulations that would include employee fringe benefits in gross income.
>
> '6. Eliminating employee discount rates would ultimately result in increased cost of service.

"On page 26, Conclusion 1:

> '1. Based on the evidence in this record it cannot be concluded that employee discount rates should be discontinued.'" (Slip Decision p. 2.)

In this proceeding the staff does not directly attack the employee discount. It argues that the discount should not be allowed for ratemaking purposes herein. The rationale for the staff's position is that not all employees who receive the discount are used or useful in the water utility operation and that including the equivalent number of full-time employees actually engaged in water operations would have a negligible effect on revenue estimates.

IBEW contends that the discounts are part of the collective bargaining agreement with PG&E and refusal to consider them for ratemaking purposes is an impermissible intrusion into the collective bargaining process which is preempted under federal law.[9/] IBEW argues that the staff position is contrary to Labor Code Section 923, which provides in part as follows:

> "In the interpretation and application of this chapter, the public policy of this State is declared as follows:
>
> > "Negotiation of terms and conditions of labor should result from voluntary agreement between employer and employees. Governmental authority has permitted and encouraged employers to organize in the corporate and other forms of capital control. . . Therefore it is necessary that the individual workman have full freedom of association, self-organization, and designation of representatives of his own choosing, to negotiate the terms and conditions of his employment."

Finally, IBEW contends that the Commission should follow that holding in Decision No. 89653. It asserts that if the discounts are eliminated, greater revenues for PG&E will be required to pay for the substitute, taxable benefits to which the employees would be entitled.

PG&E argues that employee discounts are part of its collective bargaining agreement and should be allowed in this proceeding. It contends that if the discounts are disallowed, the staff presentation fails to provide for additional revenue necessary to compensate for the disallowed benefit or the source of such revenue.

PG&E grants its employees and retired employees 25 percent discount for every service it provides to residents of the area in

9/ PG&E is engaged in interstate commerce and is an employer within the meaning of the National Labor Relations Act, 29 USC § 151, et seq.

which the employee resides. If water, gas, and electric service are provided to residents in the area in which the employee resides, he or she will receive discounts on each of these services. If none of the services is provided to residents in the area in which the employee resides, he or she will receive no discounts.

The following is a summary of the number and classification of PG&E employees who receive a water discount in the Jackson System:

Electric Department Jackson

Employee No.	
1	Yes
2	No
3	Yes
4	No
5	Yes
6	No
7	No
8	Yes
9	Yes
10	No
11	Yes
12	No
13	No
14	No
15	No
16	No
17	No
18	No
19	No
20	No
21	Yes
22	No
23	No
24	No
25	Yes
26	No
27	No
28	No
29	No
30	No
31	No
32	Yes
33	No

Water Department Jackson

Employee No.	
34	No
35	No
36	No
37	No
38	No
39	Yes
40	Yes
41	No

Gas Department Jackson

Employee No.	
42	No
43	No
44	No
45	No

Clerical Department Jackson

Employee No.	
46	No
47	No
48	Yes
49	No
50	No
51	No
52	No
53	No
54	Yes
55	No
56	No
57	No
58	No
59	Yes

In addition twelve retirees or General Construction employees in the area receive discounts.

The impact on revenues of the staff's proposed reduction is as follows:

	Revenue Reduction Due To Employee Discount		
	Present Rates	Proposed Rates	Number of Employee Customers
Jackson System	$200	$2,371	26

The Commission is of the opinion that the employee discount should be allowed for ratemaking purposes in this proceeding.

E. Union Wage Rates and Working Practices

As later considered, the staff in presenting its operating and maintenance (O&M) estimates for the test year made certain adjustments to the estimates presented by PG&E. Among the adjustments was one for O&M payroll. There was testimony in the consolidated hearing about wage rates and union work practices.

In the Jackson System piped, treated water is distributed in Sutter Creek, Sutter Hill, Amador City, and Ione. In the remainder of the system untreated water is supplied from canals (ditch system or ditches). A staff assistant engineer testified that his estimate for the annual expense of ditch maintenance for all of PG&E's ditch systems was $1,000 per mile, which included $500 per mile for repairs and $500 per mile for cleaning. He based his estimate on four factors:

(1) Observation of a ditch-cleaning crew on a field trip. (2) Information provided by PG&E that a ditch-cleaning crew consisted of eight persons, whom he believed to be casual laborers. (3) Information received by telephone from an employment agency in Auburn and the Placer County Water Agency which indicated that ditch-cleaning labor could be obtained at wages between $3.50 and $5.50 per hour.[10/] (4) In his opinion, an eight-man crew should be able to clean an average of one mile of ditch per day. Part of the staff engineer's estimate was based on wage rates for highway weed-cleaning crews and construction laborers. He also testified that the union work rules should not be fully recognized for the purposes of the consolidated proceedings.

PG&E and IBEW presented testimony differing from that of the staff on the question of ditch maintenance expenses.

An IBEW shop steward who is a PG&E subforeman and was formerly a ditch patrolman gave the following testimony: Water system ditches are narrower than hydro-ones and therefore cannot be cleaned with the use of mechanical equipment. Ditch-cleaning is not comparable to chopping weeds at the side of the road. Ditch-cleaning is backbreaking work in mud all day. The ditch cleaner works in hip boots with a shovel or a hazel hoe. Except for a lunch break, the work is constant. The subforeman testified that he has observed ditch-cleaning workers quit after half a day on the job and many quit after two or three days because of the rigorous nature of the work. He testified that in his opinion an eight-man crew would clean an average of one-half mile of ditch per day. He also testified that in maintaining ditches PG&E personnel

10/ This information which was developed in the geographical area of PG&E's Placer Water System was used for the estimates in all the PG&E Ditch Systems.

gunite them, cement them, build flumes, remove trees and rocks, repair leaks, construct headgates, fix meters and regulator pits, and put in new services, sometimes blasting as required.

Evidence adduced by PG&E and IBEW indicates that if PG&E were to contract out the ditch-cleaning operation, IBEW contends that it must pay the prevailing union wage rate for laborers.[11/] The evidence indicates that under the Laborer's Union Master Agreement, the prevailing rate for the labor in question, including overhead, would be $14.10 per hour. However, PG&E does not contract out this work.

Ditch-cleaning is performed by eight-man crews who are employees of PG&E. Under the collective bargaining agreement between PG&E and IBEW all persons performing the same job receive the same salaries, whether they are permanent employees or casual ones. Many of the persons hired to do ditch-cleaning are casual employees who do not become permanent ones.[12/] Sometimes they continue on to become employees in the construction department. PG&E pays ditch-cleaners $6.98 per hour under the collective bargaining agreement. The foreman and truck driver receive higher wages because of their job classifications, although the entire crew works at cleaning the ditches.

The staff produced no evidence which would indicate that the collective bargaining agreement between PG&E and IBEW was not arrived at fairly or that the wages and working conditions provided for therein are unreasonable. (Labor Code § 923.) The basis upon which the staff engineer estimated ditch maintenance costs is weak.

11/ The IBEW contends that its position is similar to that required under Section 1771 of the Labor Code for public works projects.

12/ Six months employment is required to achieve permanent employee status.

He did not use the collective bargaining wage rates. His comparison of ditch-cleaning with highway weed removal does not stand up under the weight of the evidence. His estimate, based upon observations on a field trip, of how much ditch-cleaning an eight-man crew would average, is not as persuasive as the testimony of those who have actually done the work and described what it entails.

The wages paid PG&E employees and the union work rules are part of the collective bargaining agreement heretofore discussed. As indicated, the collective bargaining agreement is consonant with federal and state policy. Assuming the Commission has jurisdiction to disregard the agreement for ratemaking purposes, a strong showing of unreasonableness should be required before it does so. The staff made no such showing in this proceeding.

As has been mentioned, no evidence was produced which would indicate that the collective bargaining agreement between PG&E and IBEW was not arrived at fairly or that wages and working conditions provided therein are unreasonable. The United States Supreme Court has repeatedly held that the principle of voluntary uncoerced agreement is the cornerstone of federal labor law; and that California and this Commission have always recognized the foregoing principle as evidenced by the following:

> "Again, there is great public interest in the relations between labor and management, for wages invariably affect rates, and disputes over them or other matters are bound to affect services. Accordingly, there has been considerable state and federal legislation to diminish economic warfare between labor and management. In the absence of statutory authorization, however, it would hardly be contended that the commission has power to formulate the labor policies of utilities, to fix wages or to arbitrate labor disputes." (Pacific Telephone & Telegraph Co. v Public Utilities Commission (1950) 34 Cal 2d 822 at 829).

However, productivity, union work rules and numbers of employees were all issues in this proceeding.

We have no desire to place our finger on either end of the delicate balance in labor-management negotiations. However, we have a fundamental responsibility, under Public Utilities Code Sections 701, 728, and 761, to ensure that ratepayers receive adequate service at just and reasonable rates. Accordingly, we hereby put PG&E on notice that it must improve its productivity and efficiency. The Commission will not view as sacrosanct in its ratemaking process every element of a collective bargaining agreement when such affects rates and service to the detriment of ratepayers, who, we note, are not represented at the collective bargaining table and have only this Commission to protect them. The Commission will not shy away from examining the deleterious effect on service and rates of inefficient utility management. We reserve the right to order such changes - or disallow such costs - as we find necessary.

F. Water Consumption and Operating Revenues

PG&E and the staff introduced evidence of different estimates of water consumption and operating revenues for the test year. The differences are summarized as follows:

Water Consumption and Operating Revenues

Item	Staff	Utility	Utility Exceeds Staff
Total Operating Revenue - 1980			
Present Rates	$131,600	$123,800	$ (7,800)
Proposed Rates	955,200	864,700	(90,500)

(Red Figure)

The staff agreed with the PG&E estimate of customers, except for portions of the residential flat rate category. The staff's estimate for this category is based on recorded data for 1978. PG&E's figures are based on an estimated growth rate. The staff estimate which is based on recorded data is more reasonable than that of PG&E and should be adopted.

PG&E included in its estimate an arbitrary 10 percent decrease in consumption for residual conservation resulting from the 1976-77 drought. The staff did not make such an adjustment. The staff made independent estimates of consumption utilizing a multiple regression analysis for normalization with the independent variables being time, temperature, and precipitation. This differed from PG&E's approach which for most subclasses of service was a regression analysis using only time as an independent variable. The record clearly indicates that there is no longer any significant residual conservation from the drought. The staff estimate of consumption which is based on more extensive estimates than PG&E's and does not include an amount for residual conservation is more reasonable than PG&E's and should be adopted.

The staff estimate of revenues for the test year also differs from that of PG&E because the staff did not exclude the amount of the employee discount. The Commission has found that the employee discount should be used in estimating revenues in this proceeding. Therefore, the staff estimate will be modified to reflect the discount.

After considering the entire record the Commission finds that a reasonable estimate of revenues for the test year is $679,000

G. Operating Expenses

1. Operation and Maintenance Expenses

(a) Purchased Power

PG&E included its estimate for purchased power expenses in the category of "town other" expenses. PG&E provided data on the sizes, efficiencies, and power consumption of individual motors on 5 of 9 pumps.[13/] The staff estimated power purchase expense based on the lowest power requirement during the last five years which was assumed to indicate peak pump efficiencies. The requirement was multiplied by the staff's estimate of treated water production. The staff estimate is more reasonable than PG&E's because it is based on the efficient use of pumps and other estimates heretofore found to be reasonable, and should be adopted.

(b) Purchased Chemicals

Prior to 1978 in the Jackson System chemical costs had been mistakenly included in the "other" accounts of the town system: 1978 chemical costs were properly separated out. Since PG&E was not able to separate out these pre-1978 chemical costs, the staff was not able to make any purchased chemicals estimates. To keep the data consistent, the staff added the 1978 recorded chemical costs into the "town other" expenses. Therefore, both staff and applicant have no estimates for 1980 purchased chemicals. Chemical costs will be included in "town other" estimates.

(c) Payroll

The staff agrees with PG&E's estimate of payroll for customer accounts and this will not be discussed.

13/ Case No. 10114 relates to water conservation and is still pending before the Commission. In Decision No. 88466, the second interim decision in that case, the Commission required in Ordering Paragraph 4 that: "Reports on pump efficiencies and pump overhaul status shall be presented as evidence during rate proceedings." PG&E is a respondent in Case No. 10114.

There is a considerable difference between the PG&E and staff estimates for the remaining payroll expenses.

PG&E is primarily a gas and electric utility. Its accounting procedures and computer data programs are not set up in the format usually utilized by water utilities. PG&E's payroll estimates are based on amounts actually allocated to the Jackson System in its accounting system and projected for the test year. These allocations are derived in the following manner: The salaries of employees who work full-time for the Jackson System are credited to payroll. As indicated, some PG&E personnel work for various departments. In these instances the person's field supervisor determines the percentage of time worked in each department. The dollar value of the percentage is placed in the payroll item for the appropriate department. The percentage allocations made by the field supervisor are not audited.

The ordinary methodology of the staff in estimating payroll expenses is to examine the recorded data for the water system in question. In this proceeding the staff made various data requests to which PG&E did not timely respond. When it did respond, PG&E found it necessary to twice correct its initial response. Certain information requested by the staff could not be provided.[14]

When the staff became dissatisfied with PG&E's responses to the data requests it developed its own methodology for estimating payroll expense. A staff witness made a comparative analysis of customer expenses for 34 California water systems. The staff exhibit contains a graph which shows that the O&M payroll cost per customer in the 34 systems selected for comparison ranges

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14/ PG&E contends that to have provided the information would have required visual search of records where over 15,000 entries a day are made, which, it asserts, is unreasonable.

from $18 to $52. PG&E's estimated cost per customer exceeds this range in each of its domestic systems. In the case of the Jackson System, according to the staff it is $130 per customer for the domestic system and $2,727 per mile of ditch. The witness, based on his investigation, recommended that an amount of $52 per customer for O&M payroll would be reasonable for the domestic customers and $1,000 per mile of ditch. The staff used these amounts in its estimate.

In rebuttal, PG&E introduced an exhibit which purports to show that the O&M payroll estimate is a lesser amount per customer than stated by the staff. Under PG&E's figures the amount of O&M payroll per customer, before subtractions, is $98.03. PG&E contends that utilities with water treatment plants have greater labor costs than those using well water or purchased water. It contends that water treatment labor should be subtracted from the staff's comparison. PG&E also contends that its labor costs, which are based on the collective bargaining contract, are higher than those of nonunion utilities and this increment should be subtracted in the comparison. With these adjustments, PG&E contends that its payroll O&M for the Jackson System is $41.85.

The Commission is of the opinion and finds that the methodology used by PG&E to determine payroll O&M is generally more reasonable than that used by the staff with a 20 percent adjustment for the domestic system and a 30 percent adjustment for the ditch system.

PG&E is entitled to have included as expenses for ratemaking purposes the amount it will reasonably spend for O&M payroll during the test year. As the applicant, it has the burden of proof to present evidence on this issue. (Evidence Code §§ 500, 550; Shivell v Hurd (1954) 129 CA 2d 320, 324;

Ellenberger v City of Oakland (1943) 59 CA 2d 337.) However, it is for the Commission to make the determination as to what are reasonable O&M payroll expenses. (Federal Power Commission v Hope Natural Gas Co., supra; City of Visalia (1969) 69 CPUC 311, 319.) The record clearly indicates that PG&E has produced evidence upon which findings can be made.

PG&E based its estimates for O&M payroll on recorded data of payroll allocated by its accounting procedures to the Jackson System in past years. The use of recorded data as the basis for test year estimates is time-honored and appropriate. The difficulty with PG&E's figures is that the underlying data was not provided upon which examination into the following areas of inquiry could be made: (1) Whether PG&E's field supervisors made proper time allocations for the percentage of salaries charged to the Jackson System, and (2) whether PG&E used its personnel most efficiently in operating the Jackson System.

The staff methodology for estimating O&M payroll is flawed. As indicated, PG&E is entitled to reasonable expenses for operating and maintaining its Jackson System, regardless of what reasonable expenses may exist in other systems. The staff methodology of deriving a per-customer cost for O&M payroll for other systems is only a device for testing reasonableness.

The staff witness initially selected comparisons which differed materially from the PG&E water systems. Some of the examples were from large water systems with over 5,000 customers. Thereafter, he added 11 additional examples, which were more comparable to the PG&E water systems, to his reports, but he did not redo his original estimates. Pertinent testimony of the staff witness is as follows:

"THE WITNESS: My first rough estimate did not include systems, for want of a better term, that are PG&E-like.

"I did not think that that was fair to PG&E.

"So, I included half a dozen, possibly more systems, that were as close as I could come to duplicating PG&E's water treatment system.

"Q Now, when you added these systems, did you also redo the results of your original graph which you have before you to include those 11 additional systems to be compared, and did you revise your numbers based upon any additional data?

"A No.

"ALJ JARVIS: Excuse me.

"If the original systems were not PG&E-like, which I would assume would not be comparable, why did you keep them in?

"THE WITNESS: I wanted a wide variety.

"I wanted to examine all different kinds of water systems." (RT 690-91.)

Some of the systems used in the staff comparison had no water treatment and the staff witness made no attempt to determine the degree of water treatment existing in others. None of the systems used in the comparison paid PG&E wage rates. The witness was not familiar with whether the systems used in the comparison had union work rules similar to PG&E's. As previously noted, the staff estimate on ditch-cleaning is flawed. (Pages 30-31, supra.)

Rate comparisons are of little probative value unless the factors compared are similar. (Delta Warehouse Co. (1950) 49 CPUC 702, 705.) In view of this deficiency in the staff methodology, it will not be adopted.

While the Commission will adopt PG&E's methodology, adjustments must be made. As indicated, the time allocations of the field supervisors have not been audited and the record indicates a possible margin of error in these allocations. It also indicates labor may not always be effectively utilized in the Jackson System. The Commission finds that the magnitude of these deficiencies does not exceed 20 percent for the domestic system and PG&E's payroll estimate will be reduced by that amount. An additional adjustment will be made for the ditch system. In addition to the factors just enumerated, the record indicates the close proximity and interrelationship of electric department canals in the Jackson System. The margin of error in these allocations is thus increased. The Commission finds that the magnitude of deficiency does not exceed 30 percent for the ditch system and PG&E's payroll estimate will be reduced by that amount.

(d) Other Expenses and Uncollectibles

PG&E included purchased power in its estimates under the item of "town other". The staff made a separate estimate which was previously adopted. Since the PG&E ditch expenses as modified have been adopted, the PG&E "ditch other" expenses will also be adopted. The other difference occurs in the estimate for uncollectibles. PG&E and the staff used 0.001534 as the rate for uncollectibles. The difference in the amount results from the staff's using a higher estimate of revenues. Since we have found the staff's revenue estimate to be generally more reasonable, we find that the staff's estimate of uncollectibles is more reasonable and should be adopted. The estimated O&M expenses are as follows:

PG&E Jackson Water System
Operation & Maintenance Expenses
Test Year 1980

Item	Staff	Utility	Adopted
	(Thousands of Dollars)		
At Present Rates			
Purchased Power	$ 19.1	$ 0.0	$ 19.1
Purchased Chemicals	0.0	0.0	0.0
Town Payroll	82.7	176.9	141.5
Ditch Payroll	52.2	107.3	75.1
Town Other	69.8	99.6	69.8
Ditch Other	24.3	25.3	24.3
Uncollectibles	0.2	0.2	0.2
Total O&M Expenses	248.3	409.3	330.0
At Proposed Rates			
Uncollectibles	1.5	1.3	1.5
Total O&M Expenses	249.6	410.4	331.3

2. Administrative and General Expenses (Direct)

PG&E and the staff are in agreement with respect to estimated direct Administrative and General (A&G) Expenses. The estimate is reasonable and is as follows:

PG&E Jackson Water System
Administrative And General Expenses
Test Year 1980

Item	Staff	Utility	Adopted
	(Thousands of Dollars)		
Regulatory Commission Ex.	$0.4	$0.4	$0.4
Franchise & Business Tax	1.0	1.0	1.0
Total A&G Expense	$1.4	$1.4	$1.4

3. General Office Prorated Expenses

(a) There is a difference between the PG&E and staff estimates of indirect A&G expenses. To determine indirect A&G

expenses, it is necessary to determine the total and allocate an appropriate amount to the water department. The amount allocated to the water department is further allocated to each of the districts. These allocations are based on the "four-factor" ratios. PG&E's allocation to the water department is 0.35 percent, of which 18.62 percent is allocated to the Jackson System. The corresponding staff ratios are 0.26 percent and 17.69 percent. The Commission will adopt the staff's O&M allocated and the four-factor ratios as more reasonable because they are more comprehensive.

However, we do not agree with the figure the staff used in determining the total amount of A&G expenses to be allocated. At the time of these consolidated hearings, the issue of PG&E's total A&G expenses was before the Commission in Applications Nos. 58545 and 58546. The Commission takes official notice that in Decision No. 91107 entered on December 19, 1979 in the referred-to applications it adopted PG&E's final revised A&G estimate of $126,405,000 (less $62,000 for correction of an error in advertising expense)[15/] for test year 1980 in the electric department, and $59,036,000[16/] for test year 1980 in the gas department. Therefore, we find that the correct total amount of A&G expenses to be allocated is $185,379,000. Since the total amount of A&G expenses that the staff used is $161,798,000, we find that the staff's estimates for allocated A&G expenses should be increased by 14.57 percent. For the Jackson System, this results in an allocated A&G expense of $69,200.

(b) For prorated ad valorem taxes, the Commission finds that the staff's estimates, which are based on more recent and actual data are reasonable and should be adopted.

A summary of the General Office Prorated Expenses is as follows:

15/ Page 25 of D.91107, A.58545 and A.58546.

16/ Page 46 of D.91107, A.58545 and A.58546.

PG&E Jackson Water System
General Office Prorated Expense
Test Year 1980

Item	Staff	Utility	Adopted
	(Thousands of Dollars)		
O&M Allocated	$ 5.4	$ 5.7	$ 5.4
A&G Indirect	65.0	119.5	74.5
Ad Valorem Taxes	1.6	3.6	1.6
Total Prorated Expense	72.0	128.8	81.5

4. Taxes Other Than Income

PG&E and the staff presented differing estimates of ad valorem and payroll taxes. PG&E used the five years' assessed value from 1972-73 to 1976-77 to develop a compound growth rate of 6 percent per year. The 6 percent compound growth rate was used to project the 1978-79, 1979-80, and 1980-81 assessed value. PG&E applied an estimated $5.20 property tax rate to its estimated assessed valuation for 1980 ad valorem taxes. The staff used the latest property tax rate of $4.475 per $100 assessed market value (post-Article XIII-A) in its estimates. The ratio of 1978-79 assessed market value to beginning-of-year 1978 plant is 0.2268. Staff used this ratio, its estimated 1980 beginning-of-year plant, and the $4.475 tax rate for its estimate of ad valorem taxes. The 1978-79 tax bills information (post-Article XIII-A) was available to staff at the time its estimates were made while PG&E made a judgment estimate of a $5.20 tax rate. PG&E and the staff used 1980 rates for FICA, FUI and SUI payroll taxes estimates.

The Commission finds that the staff estimate on ad valorem taxes, which is based on more recent and actual data, is reasonable and should be adopted.

The staff's estimate of payroll taxes is less than PG&E's because the staff estimated lower payroll expenses, an estimate heretofore rejected. In the circumstances the Commission finds that the PG&E estimate should be modified and adopted.

A summary of the estimates is as follows:

PG&E Jackson Water System
Taxes Other Than Income
Test Year 1980

Item	Staff	Utility	Adopted
Ad Valorem Taxes	$34,300	$46,900	$34,300
Payroll Taxes	13,300	25,200	17,640
Total	47,600	72,100	51,940

5. Income Taxes

PG&E and the staff used a flow-through basis for tax computations. A comparison of the estimates is as follows:

PG&E Jackson Water System
Taxes Based On Income
Year 1980 Estimated At Present And At Utility Proposed Rates

Item	Staff		Utility		
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	Adopted Rates
California Corporation Franchise Tax	$ (35,600)	$ 38,400	$ (62,800)	$3,800	$ 5,300
Federal Income Tax	(180,400)	163,800	(314,100)	(4,300)	8,300
Total Income Tax	(216,000)	202,200	(376,900)	(500)	$13,600

(Red Figure)

The income tax estimates are based, in part, on estimated operating revenues and O&M expenses. In view of the adjustments heretofore made, the Commission finds the amounts of $5,300 for California Corporation Franchise Tax and $8,300 for Federal Income Tax to be reasonable.

H. Utility Plant

PG&E and the staff presented different estimates of the Jackson System's utility plant, as follows:

PG&E Jackson Water System
Utility Plant
Test Year 1980

Item	Staff	Utility	Adopted
Utility Plant	$3,818,400	$4,197,000	$3,832,000

As with general office prorated expenses, common utility plant is allocated by the four-factor formula. As was previously indicated, the allocation factor is between those estimated by staff and PG&E. We will adopt $3,832,000 as reasonable.

The remaining differences occur because PG&E included the cost of meters for the requested metering and covers for the Tanner and Ione Reservoirs. The staff also gave different treatment to jobs under $50,000. The Commission has previously ruled that metering will not be ordered in this proceeding. It does not appear that the proposed covers for the reservoirs will be constructed during the test year. The Commission finds that the staff estimates in these areas are reasonable and should be adopted.

I. Depreciation Expense and Reserve

PG&E and the staff presented differing estimates of depreciation expense and reserve, as follows:

PG&E Jackson Water System
Depreciation Expense and Reserve
Test Year 1980

Item	Staff	Utility	Adopted
Depreciation Expense	$ 51,100	$ 58,600	$ 51,400
Depreciation Reserve	2,140,900	2,187,700	2,145,500

There are some minor differences between PG&E and the staff with respect to net salvage percentages. The Commission finds the staff estimates of net salvage percentages to be more reasonable than those of PG&E and that they should be adopted. The primary differences between the PG&E and staff estimates of depreciation expense and weighted average depreciation reserve are due to different figures used for the common utility plant allocation and estimated plant additions. Having modified the estimate for common utility plant, the Commission finds that the staff estimate, similarly modified, is more reasonable than PG&E's and should be adopted.

J. Rate Base

PG&E's estimated total weighted average rate base for the test year 1980 is $1,964,600 The staff's is $1,638,600 The Commission has considered the differences in discussing utility plant. The Commission finds that the staff estimate should be adjusted for the aforesaid modifications for common utility plant. As adjusted, the staff's estimate is reasonable and should be adopted. A summary is as follows:

PG&E Jackson Water System
Average Depreciated Rate Base
Test Year 1980

Item	Staff	Utility	Adopted
	(Thousands of Dollars)		
Weighted Avg. Water Plant			
Total Weighted Avg. Plant	$3,818.4	$4,196.9	$3,832.0
Working Capital			
Materials & Supplies	8.0	8.0	8.0
Working Cash Allowance	22.2	32.0	22.2
Total Working Capital	30.2	40.0	30.2
Adjustments			
Advances	(55.0)	(55.0)	(55.0)
Deferred Inv. Tax Credit	(14.2)	(29.6)	(14.2)
Total Adjustments	(69.2)	(84.6)	(69.2)
Subtotal Before Deduct.	3,799.4	4,152.3	3,793.0
Deductions			
Depreciation Reserves	2,140.8	2,187.7	2,145.5
Avg. Depreciated Rate Base	1,638.6	1,964.6	1,647.5

(Red Figure)

K. Rate of Return

The question of what constitutes a reasonable rate of return is one to be determined by the Commission. (City of Visalia (1969) 69 CPUC 311, 319; PT&T Co. (1954) 53 CPUC 275, 284.)

> "Among the factors which the Commission has enumerated in recent decisions on other utilities as influencing the rate of return which also might affect the level of rates or of a particular rate are: investment in plant, cost of money, dividend-price and earnings-price ratios, territory, growth factor, comparative rate levels, diversification of revenues, public relations, management, financial policies, reasonable construction requirements, prevailing interest rates and other economic conditions, the trend of rate of

> return, past financing success, future outlook for the utility, outstanding securities and those proposed to be issued. Additional factors to be considered are adequacy of the service, rate history, customers acceptance and usage developed under existing rates, value of the service and cost to serve. No one of the above factors is solely determinative of what may constitute reasonableness of earnings, rates, or rate of return." (PT&T Co., supra at p. 309.)

Cost of money is not decisive on the issue of rate of return. (So. Cos. Gas Co. (1960) 58 CPUC 27, 44; California Water & Tel Co. (1952) 52 CPUC 180, 190.)

Because of its unitary capital financing, it was permissible for PG&E in presenting its case to utilize the most recent previous Commission electric and gas decision which found a rate of return based on PG&E's cost of capital for the test year 1978.

Decision No. 89316 gave extensive consideration to return on equity (which is companywide) in determining the rate of return for PG&E's gas and electric departments. (Slip decision at pp. 15-18.) It authorized PG&E a return on equity of 12.83 percent and a 9.5 percent return on rate base. (D.89316, Finding No. 4.) In the circumstances, PG&E could, in presenting its case herein, utilize the findings in Decision No. 89316, although the Commission is not bound by them in this proceeding in determining, on the merits, the appropriate rate of return.

The Commission has adopted the sum of $47,200 as the estimated weighted average additions to the Jackson System plant-in-service for the test year 1980. The estimated end-of-year plant is $3,879,200. The amount of capital required for the Jackson System is small in relation to the remainder of PG&E's operations. So is the amount of existing debt attributable to the Jackson System which needs to be serviced. The Commission deems return on equity, as distinguished from servicing debt, as an important consideration in setting the Jackson System's rate of return. In this connection, the Commission notes that it has previously held that water utilities are a less risky investment than industrial companies and are not necessarily comparable to gas and electric utilities. (Citizens Utilities Co. of Cal. (1972) 73 CPUC 81, 90; Larkfield Water Co. (1972) 73 CPUC 258, 268-69; Washington Water & Light Co. (1972) 73 CPUC 284, 295-96.) The Commission, having weighed all the factors, finds that a rate of return on rate base of 9 percent is reasonable for the Jackson System.

In reaching the determination of a reasonable rate of return the Commission has kept the following in mind:

> "We have in the past stressed the significance of the rate of return based on rate base. A closer analysis indicates that this figure is basically derived from the cost of capital required by the utility. Since the cost of debt and preferred stock is fixed and non-judgmental, the cost of equity capital (the return on equity) is the determination we are required to make which requires the most subjective and judgmental evaluation. From this, we arithmetically determine the rate of return on rate base. Thus, it is clear that the return on equity is the major determinant of the just and reasonable rates we are required to produce." (PG&E Interim Rate Increase (1977) 83 CPUC 293 at 298.)

As indicated, PG&E and the staff based their presentations concerning return on common equity on Decision No. 89316 which authorized PG&E a 12.83 percent return on equity. Having analyzed the evidence the Commission finds that a return on equity of 11.49 percent is reasonable for the Jackson System for the following reasons:

1. The amount of existing debt and equity capital attributable to the Jackson System as compared to PG&E's overall capital requirements is small.
2. Water utilities are less risky investments than gas and electric utilities.
3. The long period between requested rate increases for the Jackson System and the steady decline in the return on equity in the intervening years indicate that PG&E does not expect as great a return on equity from the Jackson System's operations as from its gas and electric operations.

The following capital structure and cost of debt underlie the rate of return adopted as reasonable in Decision No. 89316. We have substituted in that calculation a return on equity of 11.49 percent, which we find reasonable in this proceeding for the Jackson System. The above capital and related debt cost and the adopted return on equity produce a rate of return of 9.0 percent.

PG&E Jackson Water System
Total Company Capital Ratios and Costs
(1977)

Capital Components	Capital Ratios	Cost Factors	Weighted Cost
Long-Term Debt	47.26%	7.36%	3.48%
Preferred Stock	13.66	7.54	1.03
Common Equity	39.08	11.49	4.49
Total	100.00%		9.00

L. Rate Design

The staff proposed changes in rate design for all of PG&E's domestic water systems, including the Jackson System. Under the staff proposal revenues as determined by the Commission would be spread among rate schedules on the basis of cost of service; the rate of return on rate base for each schedule would be kept constant and the Commission policy of subsidizing the revenue requirements for Public Fire Protection Schedule F-1 would be continued.[17/]

PG&E did not oppose the staff proposal. It expressed concern that strict adherence to cost of service criteria could lead to aberrations in town and ditch systems where a ditch customer could pay more for untreated water than a town customer would pay for treated water.

The staff proposal would change PG&E's present minimum-charge type of schedule to a service charge-quantity charge one.[18/] The Commission is of the opinion that this change is desirable. It promotes conservation. In addition, a minimum charge schedule which has a service charge increment is based on average consumption. A consumer who uses less than the average quantity subsidizes larger users. A service charge-quantity charge schedule fairly allocates basic costs among all users and provides for payment based on use.

In PG&E Decision No. 84902 (1975) 78 CPUC 638, 726-727, and 737, several ratemaking factors are listed for consideration when designing a particular rate spread and/or rate structure. The Commission stated that:

> "Over the years a generally accepted set of attributes of a good rate structure has evolved; these are:
>
> Production of the revenue requirement.
> Simplicity and ease of understanding.
> Stability of revenue.
> Fair apportionment of cost of service.
> Discouragement of wasteful use.
> Encouragement of efficient operation of system.

17/ The question of fire protection costs is separately considered later in this opinion.

18/ PG&E's proposed new tariffs provide for service charge-quantity charge schedules consisting of a two-block rate structure (0-300 cu.ft. and over 300 cu.ft.) with inverted rates.

> "In the attempt to design rates possessing these attributes, various factors are usually considered. These are:
>
> Cost of service.
> Historical rate structure.
> Competitive conditions.
> Value of service, including 'What the traffic will bear.'
> Adequacy of service.
> Customer acceptance."

The Commission also stated at page 737:

> "Earlier we listed the generally accepted attributes of a good rate structure. These criteria are as valid now as they have ever been, but, ...their application requires a major overhaul in the traditional 'declining block' rate structure. . . . Today, the overriding task for this Commission, the utilities, and the public is conservation."

The Commission finds that the rate design proposed by the staff is reasonable and should be adopted. The Commission does not necessarily accept the entire rationale urged by the staff in presenting the rate design. This rate design will not result in ditch customers paying higher rates than town ones.

M. Step Rates

PG&E seeks authority to put the requested rate increases into effect in two annual steps. The staff proposed that for all of PG&E's domestic water systems the increases be placed into effect over a period of years in steps not to exceed 65 percent of the increase in any one year. Under the staff proposal the steps would range, depending on the system, from two to six years. In the case of the Jackson System the staff proposal would result in a period of six years before the rates authorized herein would become completely effective. The proposed step rates do not include a factor for attrition.

Step increases are warranted in this proceeding because of the magnitude of the increases authorized, which is due primarily to the inaction of PG&E. It waited twenty-six years from its last increase in rates to file this application. PG&E devoted its regulatory efforts during these years to pursuing gas and electric applications which yielded revenues of a substantially larger magnitude for the company.

In PG&E Co. (Tuolumne Water System) (1957) 55 CPUC 556, the Commission considered a similar problem and stated at pages 564-565:

> "Applicant has continued, through all the recent years of inflationary price increases, to serve the area on basic rates found justified in 1922. The economy has adjusted itself to those rates, and cannot escape a serious shock from their sudden doubling. Even conceding that the rates applied for are fully justified by present costs, and that the residents of the area have enjoyed bargain rates for many years, and that applicant might properly have been granted rate increases, in a series of applications over the years, that would have raised its rates to or above the level it now seeks, applicant is still not free from blame in the course it has followed. A utility, in return for the privileges it enjoys, has an obligation to serve the public welfare. It is culpable, if it encourages its customers to invest their money and build their economy on the expectation of low water rates, adhered to over a period of a full generation, and then suddenly demands a drastic increase in those rates. While this Commission cannot, on the record in these proceedings, deny the applicant the revenue for which it has proved its need, we shall, in the order that follows, require it to provide some cushion to assist its customers to adjust themselves to the increased rates which we must authorize. We shall do this by specifying that the final rates we shall approve shall go into effect in three steps over a 2-year period. We find such treatment,

although unusual, to be fair and reasonable under the circumstances disclosed in this record."

The controversy herein is not whether to have step increases, but the number thereof. The staff formula is not reasonable because it provides for too long a period of time and contemplates pyramiding of granted but unrealized rate increases. PG&E's proposed time is too short. Considering the magnitude of the increase and all the other factors present in the record the Commission finds that the increases authorized herein shall go into effect in three annual steps.

N. Fire Protection

Public Utilities Code Section 2713 which was enacted in 1979 and became effective on January 1, 1980 provides in part that:

> "(a) No water corporation subject to the jurisdiction and control of the commission and the provisions of Part 1 (commencing with Section 201) of this division shall make any charge upon any entity providing fire protection service to others for furnishing water for such fire protection purposes or for any costs of operation, installation, capital, maintenance, repair, alteration, or replacement of facilities related to furnishing water for such fire protection purposes within the service area of such water corporation, except pursuant to a written agreement with such entity providing fire protection services. A water corporation shall furnish water for fire protection purposes to the extent of its means and as a condition of a certificate of public convenience and necessity, in case of fire or other great necessity, within the boundaries of the territory served by it for use within such territory."

There is no evidence in the record of any agreement between PG&E and any entity providing fire protection services in the Jackson System. In the circumstances, the rates hereinafter authorized will include an increment for fire protection.

O. <u>Service Matters</u>

The testimony presented at the hearings indicates that there are no general service problems which require adjudication in this proceeding.

P. <u>Special Conditions</u>

PG&E sought authority in the consolidated proceedings to include in its tariffs, including the one for the Jackson System, certain special conditions. The staff took the position that they should not be considered in these proceedings. An abortive attempt was made between PG&E and the staff to arrive at a stipulation about the special conditions. (RT 725, Letters of November 6 and 21, 1979.) There is little or no evidence in the record dealing with the proposed special conditions. As a group, they will not be considered herein. Unless the Commission has made a specific finding relating to a special condition, it expressly does not intend to pass upon it in this proceeding. PG&E may file appropriate advice letters or appropriate formal proceedings to secure an adjudication on the proposed special conditions.

No other points require discussion. The Commission makes the following findings and conclusions.

<u>Findings of Fact</u>

1. The Jackson System will have gross operating revenues of $131,400 and a return on rate base of minus 7.36 percent at presently authorized rates for the test year 1980, which is unreasonably low. PG&E is in need of additional revenues from the Jackson System.

2. PG&E operates a statewide system for the generation of electrical power. It also operates six local water systems which are not interconnected. The Jackson System is one of these water systems.

3. PG&E presently provides treated water domestic flat rate service in Amador City, Sutter Creek, and Sutter Hill. Treated water service in Ione is on a metered system.

4. It would not be reasonable to require metering of the flat rate service in Amador City, Sutter Creek, and Sutter Hill at this time.

5. There is no evidence in this record dealing with the feasibility and costs of piping the Ione Canal.

6. PG&E delivers water for nonconsumptive use under pressure through an 8-inch main to the Knight Foundry in Sutter Creek. The water powers a water wheel which operates machine shop equipment, e.g., saws and lathes. The water is returned to a 12-inch pipe which transports the water to the applicant's Ione canal. By Decision No. 47861 dated October 28, 1962 in Application No. 33751, the Commission authorized PG&E to carry out the terms and conditions of an agreement between PG&E and the foundry under which the service is provided. The agreement in part provides that PG&E will provide a continuous flow of up to 105 cubic feet per minute for which the foundry will pay $60 per month. Since the foundry does not consume the water, it is reasonable to provide herein for a special rate based on cost of service.

7. For many years prior to the advent of a collective bargaining agreement with IBEW, PG&E gave its employees a 25 percent discount for utility service which it provided. The discount applied to retired employees. The first collective bargaining agreement between PG&E and IBEW provided for maintaining all employee benefits then in existence. The present agreement provides that PG&E shall not "(1) abrogate or reduce the scope of any present plan or rule beneficial to employees... or (2) reduce the wage rate of any

employee covered hereby, or change the conditions of employment of any such employee to his disadvantage."

8. In Decision No. 89653 entered on November 9, 1978, the Commission found that it was inappropriate to eliminate the PG&E employee discount. Decision No. 89653 and related decisions found that if the PG&E employee discount were eliminated PG&E would be required to obtain additional revenues through increased rates to compensate its employees for each dollar of discount. It was found that $1.79 of revenue would be required for each dollar of discount in the light of the tax-free status of the benefit.

9. The impact on revenues of the PG&E employee discount in the Jackson System is slight.

10. Many PG&E employees, at different times, perform functions for its various departments (gas, electric, water, steam).

11. PG&E's employee discounts are part of a total compensation package which was arrived at through collective bargaining between PG&E and IBEW.

12. Failure to include the PG&E employee discounts for ratemaking purposes would result in a diminution of PG&E's authorized rate of return.

13. It is reasonable to include the PG&E employee discounts for ratemaking purposes in this proceeding.

14. The job of chopping weeds at the side of a roadway is not substantially comparable for O&M payroll analysis purposes to that of cleaning a water ditch or canal.

15. There is no showing in this proceeding that the union wage rates and work rules embodied in the collective bargaining agreement between PG&E and IBEW are unreasonable.

16. It is reasonable to include the union wages and work rules for ratemaking purposes in this proceeding.

17. The sum of $679,000 is a reasonable estimate of the total operating revenues for the test year 1980 at authorized rates.

18. The staff estimate of $19,100 for purchased power is more reasonable than PG&E's, because it is based on the efficient use of pumps and other estimates heretofore found reasonable.

19. PG&E's methodology in determining O&M payroll which is based on recorded data, is, with a percent modification, more reasonable than the staff's. A reasonable amount for O&M payroll for the test year 1980 is $141,500 for the town system and $75,100 for the ditch system.

20. The following total O&M expenses for the test year 1980 are reasonable.

Item	Adopted (Thousands of Dollars)
At Present Rates	
Purchased Power	$ 19.1
Purchased Chemicals	0.0
Town Payroll	141.5
Ditch Payroll	75.1
Town Other	69.8
Ditch Other	24.3
Uncollectibles	0.2
Total O&M Expenses	330.0
At Proposed Rates	
Uncollectibles	1.5
Total O&M Expenses	331.3

21. The sum of $81,500 for general office prorated expense for the test year 1980 is reasonable.

22. The sum of $1,400 is a reasonable estimate for the total direct A&G expenses for the test year 1980.

23. The staff estimate of $34,300 on ad valorem taxes is more reasonable than PG&E's because it is based on more recent and actual data.

24. The sum of $17,640 for estimated payroll taxes for the test year 1980 is reasonable.

25. The estimate of $13,600 for total income taxes for the test year 1980 is reasonable.

26. The sum of $3,832,000 is reasonable for utility plant for the test year 1980.

27. The staff estimates for depreciation expense and for depreciation reserve as modified are more reasonable than those of PG&E because they are based on more reliable data. The following are reasonable for the test year 1980:

Depreciation Expense	$51,400
Depreciation Reserve	$2,145,500

28. The sum of $1,647,500 is a reasonable estimate for average depreciated rate base for the test year 1980.

29. A return on rate base of 9 percent is reasonable for the Jackson System.

30. 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. The increases are in compliance with the Federal Wage and Price Guidelines issued by the Council on Wage and Price Stability.

31. The total amount of the increase in annual revenue authorized by this decision is $547,600; the rate of return on rate base is 9 percent; the return on common equity is 11.49 percent.

32. It is reasonable to include in the tariff schedules filed to implement this decision a service charge-minimum charge format.

33. It is not reasonable to adjudicate generally the terms of the special conditions in PG&E's tariff in this proceeding.

34. Because of the inaction of PG&E in seeking rate relief for a period of twenty-eight years, it is reasonable to provide that the increased rates authorized by this decision should be put into effect in three annual steps.

Conclusions of Law

1. The findings provided for in Section 781 of the Public Utilities Code need be made only when the Commission requires the installation of meters.

2. The Commission should not require the installation of meters at this time in the domestic treated water flat rate service areas in Amador City, Sutter Creek, and Sutter Hill.

3. No order should be made herein with respect to piping the Ione Canal.

4. A special rate based on cost of service should be authorized for the Knight Foundry.

5. The following results of operations should be adopted for the test year 1980 and utilized in establishing the rates authorized herein:

Item	Adopted (Thousands of Dollars)
Operating Revenues	
Sales Revenue	
Total Operating Revenues	$ 679.0
Operating Expenses	
Operation & Maintenance	330.8
Administrative & General	1.4
General Office Prorated	81.5
Subtotal	413.7
Depreciation Expense	51.4
Taxes Other Than Income	51.9
State Corp. Franchise Tax	5.3
Federal Income Tax	8.3
Total Operating Expense	530.6
Net Operating Revenues Adjusted	148.4
Rate Base	1,647.5
Rate of Return	9.0%

6. The rates authorized herein should be put into effect in three annual steps and be in the format found reasonable in this decision.

7. PG&E should be authorized to file for the Jackson System the revised water rates set forth in Appendix A which are designed to yield $547,600 in additional revenues based on the adopted results of operations for the test year 1980.

8. In the light of Public Utilities Code Section 2713, amounts chargeable for public fire protection should be allocated among other rate schedules.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Pacific Gas and Electric Company (PG&E) is authorized to file for its Jackson Water System the revised rate schedules attached to this order as

Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be five days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date of the revised schedules.

2. Within forty-five days after the effective date of this order, PG&E shall file a revised tariff service area map, appropriate general rules, and sample copies of printed forms that are normally used in connection with customers' services. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff sheets shall be five days after the date of filing.

3. PG&E shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103-Series. Within ninety days after the effective date of this order, PG&E shall file with the Commission two copies of this map.

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

Dated DEC 2 - 1980, at San Francisco, California.

John E. Bryson
President

Richard D. Gravelle

Leonard M. Grimes, Jr.
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

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

Pacific Gas and Electric Company

Schedule No. J-1

Jackson Tariff Area

GENERAL METERED SERVICE - TREATED WATER

APPLICABILITY

Applicable to all treated water service on a metered basis.

TERRITORY

Within the territory served from the Company's Jackson Water System.

RATES

	Per Meter Per Month			
	Before Nov. 1, 1981	Nov. 1, 1981 to Oct. 31, 1982	After Oct. 31, 1982	(N)
Service Charge:				
For 5/8 x 3/4-inch meter	$ 2.90	$ 4.70	$ 6.50	(I)
For 3/4-inch meter	3.50	5.60	7.80	
For 1-inch meter	4.65	7.50	10.40	
For 1½-inch meter	5.80	9.40	13.00	
For 2-inch meter	9.00	14.00	20.00	
For 3-inch meter	17.50	28.00	39.00	
For 4-inch meter	27.00	43.00	60.00	
For 6-inch meter	38.00	61.00	85.00	
For 8-inch meter	54.00	87.00	120.00	
Quantity Rates:				
First 300 cu.ft., per 100 cu.ft.	.30	.48	.67	
For all over 300 cu.ft., per 100 cu.ft.	.44	.71	.96	(I) (N)

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

Pacific Gas and Electric Company

Schedule No. J-2

Jackson Tariff Area

FLAT RATE SERVICE - TREATED WATER

APPLICABILITY

Applicable to treated water for domestic service on a flat rate basis.

TERRITORY

The communities of Amador City, Sutter Creek (including Sutter Hill), and the vicinity.

RATES

For a single-family residential unit, including premises having the following areas:	Before Nov. 1, 1981	Nov. 1, 1981 to Oct. 31, 1982	After Oct. 31, 1982	
	Per Service Connection Per Month			
7,000 sq.ft., or less	$10.10	$16.60	$23.20	(I)
7,001 to 16,000 sq.ft.	12.50	19.00	25.50	
16,001 to 25,000 sq.ft.	14.00	20.50	27.00	
For each additional single-family residential unit on the same premises and served from the same service connection	7.00	14.00	21.00	(I)

SPECIAL CONDITIONS

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

2. All service not covered by the above classification shall be furnished only on a metered basis.

Pacific Gas and Electric Company

Schedule No. J-9L

Jackson Tariff Area

LIMITED INDUSTRIAL SERVICE - UNTREATED WATER

APPLICABILITY

Applicable only to Knight Foundry in Sutter Creek.

TERRITORY

In the community of Sutter Creek.

RATES

	Per Service Connection Per Month		
	Before Nov. 1, 1981	Nov. 1, 1981 to Oct. 31, 1982	After Oct. 31, 1982
For each connection	$100	$130	$175

Pacific Gas and Electric Company

Schedule No. J-11

Jackson Tariff Area

GENERAL METERED SERVICE - UNTREATED WATER

APPLICABILITY

Applicable to untreated water service furnished from the ditch system.

TERRITORY

Within the territory served from the Company's Jackson Water System.

RATES

Per Meter Per Month

	Before Nov. 1, 1981	Nov. 1, 1981 to Oct. 31, 1982	After Oct. 31, 1982	(N)
Service Charge:				
For 5/8 x 3/4-inch meter	$ 2.30	$ 3.50	$ 4.55	(I)
For 3/4-inch meter	2.80	4.25	5.50	
For 1-inch meter	3.70	5.60	7.30	
For 1½-inch meter	4.60	7.00	9.00	
For 2-inch meter	7.00	11.00	14.00	
For 3-inch meter	14.00	21.00	27.00	
For 4-inch meter	21.00	32.00	42.00	
For 6-inch meter	30.00	46.00	60.00	
For 8-inch meter	43.00	65.00	84.00	
For 10-inch meter	51.00	77.00	100.00	
For 12-inch meter	64.00	97.00	125.00	
Quantity Rates:				
First 3,000 cu.ft., per 100 cu.ft.	.04	.07	.10	
Next 7,000 cu.ft., per 100 cu.ft.	.08	.12	.17	
Over 10,000 cu.ft., per 100 cu.ft.	.06	.09	.12	(I) (N)

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

Pacific Gas and Electric Company

Schedule No. J-12

Jackson Tariff Area

FLAT RATE SERVICE - UNTREATED WATER

APPLICABILITY

Applicable to untreated water for domestic service on a flat rate basis.

TERRITORY

The communities of Amador City, Sutter Creek (including Sutter Hill), and the vicinity.

RATES

	Per Service Connection Per Month			
For a single-family residential unit, including premises having the following areas:	Before Nov. 1, 1981	Nov. 1, 1981 to Oct. 31, 1982	After Oct. 31, 1982	
7,000 sq.ft., or less	$ 6.00	$10.00	$14.00	(I)
7,001 to 16,000 sq.ft.	8.00	12.00	16.00	
16,001 to 25,000 sq.ft.	10.00	14.00	18.00	
For each additional single-family residential unit on the same premises and served from the same service connection	4.00	7.00	10.00	(I)

SPECIAL CONDITIONS

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

2. All service not covered by the above classification shall be furnished only on a metered basis.

Pacific Gas and Electric Company

Schedule No. JR-1

Jackson Tariff Area

RESALE SERVICE - UNTREATED WATER

APPLICABILITY

Applicable to untreated water furnished for resale for domestic or agricultural purposes.

TERRITORY

Within the territory served from the Company's Jackson Water System.

RATES

	Per Month			
Service Charge:	Before Nov. 1, 1981	Nov. 1, 1981 to Oct. 31, 1982	After Oct. 31, 1982	
For each service connection	$7.00	$10.00	$12.00	(I)
Quantity Rates:				
First 20 miner's inch-days, per miner's inch-day	.90	1.20	1.50	
Next 80 miner's inch-days, per miner's inch-day	.80	1.10	1.40	
Next 900 miner's inch-days, per miner's inch-day	.75	1.05	1.30	
Over 1000 miner's inch-days, per miner's inch-day	.70	1.00	1.25	(I)
Minimum Charge:				
The Service Charge, but not less than * per month (accumulative annually) per miner's inch of contract capacity. ...	6.00*	8.20*	10.50*	(I)

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

Pacific Gas and Electric Company

Schedule No. JF-2

Jackson Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

The communities of Amador City, Sutter Creek (Sutter Hill), and the vicinity.

RATES

	Per Service Connection Per Month			
	Before Nov. 1, 1981	Nov. 1, 1981 to Oct. 31, 1982	After Oct. 31, 1982	
For each 4-inch connection	$ 7.00	$ 9.00	$11.00	(I)
For each 6-inch connection	10.00	12.00	14.00	|
For each 8-inch connection	14.00	17.00	21.00	|
For each 10-inch connection	33.00	41.00	50.00	(I)