ORIGINAL

Decision 92988 MAY 5 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY, a corporation, for an order authorizing it to increase rates charged for water service in the Salinas District.	Application 59662 (Filed May 16, 1980)

McCutchen, Doyle, Brown and Enersen, by A. Crawford Greene, Attorney at Law, for applicant.
Robert Cagen, Attorney at Law, Dana Gardner, and Mehdi Radpour, for the Commission staff.

I N D E X

SUMMARY OF DECISION

By this application, the fifth of six in this consolidated rate proceeding, California Water Service Company (Cal-Water) sought annual step rate increases over the 1981-1983 period of $445,300 (22.5%), $115,400 (4.6%), and $98,100 (3.7%), respectively, for its Salinas District.

In that a final decision was delayed beyond the time limits provided in the Commission's Regulatory Lag Plan, the Commission, pending issuance of a final decision, by Decision (D.) 92716 on February 18, 1981 granted interim relief in the amount of $298,400 (13.71%).

In D.92604 (Bakersfield) applicable to all six districts, we found reasonable and authorized a rate of return of 10.89%, 11.08%, and 11.50%, respectively, on rate base for 1981, 1982, and 1983, with the related rate of return on common equity remaining constant at 13.7%. These returns (which include the February 1981 interim increase) require an increase in annual revenues for the Salinas District of $298,300 (13.7%) in 1981, a further increase of $112,700 (4.5%) in 1982, and a further increase of $140,600 (5.35%) in 1983.

The Commission further found that Cal-Water's capitalization structure and general financial considerations permit reliance upon long-term financing to meet external capital needs during the test period, needs approximating $43 million. The Commission accepted as reasonable Cal-Water's estimate of 13.1% as the anticipated cost of such debt.

We resolved District issues by adopting our own estimates for Industrial Sales (except in the case of Union Ice where we adopted staff's estimates) for both test years, and by adopting staff's estimates of Public Authority Sales. In a number of other instances where there were initial differences between Cal-Water and staff, Cal-Water, with our approval, adopted staff's proposed adjustments.

The existing 3-block rate structure was retained. The increases in rates and charges will be spread percentagewise equally between the commodity charge and the service charge.

FINAL OPINION

Statement of Facts

Cal-Water, a California corporation with gross operating revenues in 1979 of approximately $54,000,000 is owned by 7,700 shareholders. It has $231,000,000 invested in utility plant (including plant under construction). Employing 495 persons statewide, it is engaged in the business of supplying and distributing water for domestic and industrial purposes to 305,000 customers in communities within the State of California.

Operating through 20 local districts, Cal-Water maintains its principal place of business in the city of San Jose. From there it provides centralized billing, accounting, engineering, and water quality control functions to its respective local districts. A central meter repair facility is located in the city of Stockton. Cal-Water's operating districts are not integrated one with another, and except for allocation of general office common expenses and rate base to the respective districts, the revenues and expenses of each district are not affected by operations in the other districts. For ratemaking purposes, therefore, each district is considered a distinct, separate entity, and it is the responsibility of this Commission to fix reasonable rates to be applicable to each district (Section 728 of the Public Utilities Code). Rates are reasonable when they provide sufficient revenue to cover the total costs (such as operating expenses, depreciation charges, taxes, and return on investment) properly incurred in furnishing the required service.

Asserting a necessity to offset increases in its operating expenses, rate base, and cost of money, on May 16, 1980, Cal-Water filed separate applications for six of its districts, including the instant application for the Salinas District, seeking authority to increase its rates. In order to minimize the adverse effects of anticipated operational and financial attrition upon the company, Cal-Water proposed annual step increases over the next three years.

In the Salinas District these step increases would increase annual gross revenues over those in effect at the time this application was filed by $455,300 (23.0%) in 1981, by an additional amount of $115,400 (5.0%) in 1982, and by $98,100 (4.0%) in 1983.

Pursuant to provisions of the Commission's Regulatory Lag Plan (adopted by Commission Resolution M-4705 dated April 24, 1979), and following bill insert notices mailed to each customer of the utility in the district, an informal public meeting was called for Monday evening, July 7, 1980 in the board of supervisors' chambers in Salinas. No customers appeared. There was one communication received in opposition to the proposed increase. The sender did not identify himself.

In that the applications for all six districts contained common issues relating to corporate general office expenses, corporate financing, and the rate of return on common equity, the six applications were consolidated for hearing. After notice, public hearings were held in San Francisco on September 15, 16, 17, 19, and 22, 1980 before Administrative Law Judge John B. Weiss (ALJ). At the outset of the hearing on September 15, 1980, Cal-Water presented evidence of compliance with the requirements for notice, service, and publication as set forth in the Commission's Rules of Practice and Procedure relative to this class of application. During the hearings Cal-Water presented testimony and exhibits through its president, three vice presidents, and an assistant chief engineer. The staff of the Commission presented testimony and exhibits through a staff project engineer, a rate-of-return research analyst and three utility engineers. No public witnesses appeared. The matter was submitted at close of hearing September 22, 1980 with provision for an October 14, 1980 filing of concurrent closing briefs.

Discussion

Service Territory, System, and Service Quality

Cal-Water's Salinas District includes the City of Salinas and portions of the unincorporated area of Monterey County adjacent to the city limits. The population served is estimated at 61,200. The entire water supply, 3,255.5 million gallons in 1979, is obtained from 23 company-owned wells located throughout the service area. Wells vary in depth from 342 to 703 feet. All well pumps are automatically controlled and electrically operated, and all pump directly into the 165.5 miles of interconnected distribution mains. Storage is maintained by means of a 3.0 million-gallon surface storage tank. The terrain is generally flat although the northern end of the system at approximately 100 feet above sea level is about 60 feet higher than the rest of the area.

During 1979 Cal-Water logged 98 complaints from customers; two-thirds pertaining to low pressure. During the first four months of 1980 there were 25 additional complaints. According to our staff these complaints were investigated and resolved by the utility within a reasonable time after notification. From the number of complaints, and judging by the lack of response to this application, it would appear that service is generally satisfactory in this district.

Conservation

Cal-Water presented evidence of its continuing efforts to promote conservation. Responsibility has been delegated to all district managers to speak to school groups and to civic organizations on the subject. In addition, the District continues to maintain a conservation display in its office and offers free water-saving kits as well as informational brochures. Apart from bill inserts featuring conservation messages, the company provides billing information to enable customers to compare current usage with usage for a comparable previous year billing period. Nonetheless, it is

evident that in Salinas conservation is no longer being aggressively pursued. With the ending of the drought during the 1977-78 winter storms, sales levels in the District returned to pre-drought levels. The conservation exhibit introduced contained no reference of significance to the Salinas District, and the generalized testimony of Cal-Water's witness tends to indicate that more managerial direction and encouragement is needed to revitalize this important program. We urge management to do this.

In the interest of power conservation, the utility has instituted the pump-efficiency testing program directed by D.88466 dated February 7, 1978 in Case 10114. The reports submitted by the utility indicate that the District pumps are within or above the fair range established by that decision.

Present and Proposed Rates

The Salinas District in 1979 served an average of 14,604 residential and business services (commercial), 27 industrial services, and 134 public authority services by meters. In addition, there were 121 private and 1,315 public fire protection services on flat rates.

The last general rate increase for this District was authorized by D.89110 dated July 25, 1978 in Application (A.) 57330. Since then, one advice letter offset increase, two step-rate increases, and two advice letter decreases have been authorized. The rates used as "present rates" herein are those filed under Advice Letter 717 and authorized by Resolution W-2608 to be effective March 18, 1980.[1/]

1/ Since filing the application, Cal-Water filed Advice Letter 732 to adjust its rates to reflect changes in Purchased Power, Local Franchise, and Miscellaneous Costs. By Resolution W-2663 effective June 17, 1980 the utility was authorized to adjust its rates by $58,200, or 3.0%.

Cal-Water's present tariffs for this District consist primarily of schedules for general metered service and private flat-rate fire protection service. Cal-Water by the instant application proposes to increase its rates for general metered service.

A comparison of present (updated to reflect the June 17, 1980 offset increase - see footnote 1, page 7) and proposed monthly metered service rates follows:

TABLE A

Cal-Water Service Company - Salinas District

Comparison of Monthly Rates - Present and Proposed

General Metered Service	Present Rates	Proposed Rates 1981	1982	1983
Service Charge:				
For 5/8 x 3/4-inch meter	$ 3.57	$ 4.17	$ 4.36	$ 4.52
For 3/4-inch meter	5.40	7.00	7.50	7.75
For 1-inch meter	7.40	9.50	10.20	10.60
For 1½-inch meter	10.30	13.25	14.20	14.80
For 2-inch meter	14.00	17.00	18.00	19.00
For 3-inch meter	25.00	32.00	34.00	35.00
For 4-inch meter	33.00	43.00	46.00	48.00
For 6-inch meter	55.00	72.00	77.00	80.00
For 8-inch meter	82.00	107.00	114.00	119.00
For 10-inch meter	102.00	132.00	141.00	147.00
Quantity Rates:[a]				
For the first 300 cu.ft., per 100 cu.ft.	$ .213	$ .249	$ .260	$ .269
For the next 29,700 cu.ft., per 100 cu.ft.	.287	.350	.361	.374
For the next 30,000 cu.ft., per 100 cu.ft.	.267	.326	.336	.345

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

Under Cal-Water's proposed rates, an average metered commercial (business and residential) customer with a 5/8 x 3/4-inch meter using 2,000 cu.ft. of water per month, would have his monthly bill increased $2.07 (23.5%) in 1981, $2.48 (28.2%) in 1982, and $2.89 (32.8%) in 1983. An average metered industrial customer with a 4-inch meter, using 33,000 cu.ft. of water per month, would have his monthly bill increased $36.26 (29.7%) in 1981, $42.88 (35.1%) in 1982, and $49.06 (40.1%) in 1983.

Results of Operations

As part of its application Cal-Water submitted summaries of operating revenues and expenses incurred in the Salinas District for the 5-year period 1975 through 1979, together with similar summaries covering expenses of its general corporate operations. From these it projected District operating revenue and expense estimates for the test years at issue, using the latest known rates for purchased power, ad valorem taxes, and other data. After submission of Cal-Water's application, as changes occurred, instead of amending the estimated summaries of earnings each time, Cal-Water informed staff of the changes, and furnished the new data so that staff could reflect the changes and later data in its exhibit Therefore, staff's exhibits in some instances varied from Cal-Water's. In part, this is because they may be based on later information; in other cases it is because Cal-Water and staff did not agree on underlying elements going into the estimates.

Cal-Water checked staff's exhibits which varied from its own and considered them. In most instances Cal-Water took no issue and adopted staff's adjustments. In other instances, while not agreeing with staff, but desiring to expedite the proceedings, Cal-Water elected not to contest the differences, particularly where the impact was not significant. However, in two instances where the impact is significant Cal-Water does not agree to staff's adjustments. These relate to staff's estimates of Industrial and Public Authority Sales in the Salinas District for the test year.

Table B which follows, sets forth the Summaries of Earnings originally espoused by each of the parties.

TABLE B

Cal-Water Service Company - Salinas District
Comparison - Applicant & Staff - Original Summary of Earnings
(Dollars in Thousands)

Items	Test Year 1981		Test Year 1982	
	Applicant	Staff	Applicant	Staff
Present Rates*				
Operating Revenues	$2,022.0	$2,110.7	$2,048.9	$2,144.2
Operating Expenses				
Purchased Power	233.5	249.9	235.6	253.9
Payroll-District	363.3	363.3	394.2	394.2
Other Operations & Maint.	188.8	193.0	203.1	207.6
Other Admin. & Genl. & Misc.	12.7	12.7	13.1	13.1
Ad Valorem Taxes-District	87.4	87.4	94.9	94.5
Payroll Taxes-District	26.7	26.7	28.9	28.9
Depreciation	227.7	226.6	241.5	240.2
Ad Valorem Taxes-G.O.	1.1	1.1	1.1	1.1
Payroll Taxes-G.O.	5.1	5.1	5.6	5.6
Other Prorates-G.O.	200.3	197.7	216.8	213.8
Subtotal	1,346.6	1,363.3	1,434.8	1,452.9
Uncollectibles	4.8	5.0	4.8	5.1
Loc. Franchise Tax & Bus. Lic.	19.3	20.1	19.6	20.4
Income Taxes before ITC	82.6	140.2	40.6	100.6
Investment Tax Credit	(56.0)	(52.1)	(56.7)	(55.5)
Total Oper. Expenses	1,397.3	1,476.5	1,443.1	1,523.5
Net Operating Revenues	624.7	634.2	605.8	620.7
Rate Base	7,373.8	7,305.9	7,652.4	7,621.2
Rate of Return	8.47%	8.68%	7.92%	8.14%
Proposed Rates				
Operating Revenues	2,477.3	2,586.2	2,625.6	2,746.5
Operating Expenses				
Subtotal	1,346.6	1,363.3	1,434.8	1,452.9
Uncollectibles	5.8	6.1	6.2	6.5
Loc. Franchise Tax & Bus. Lic.	23.6	24.6	25.0	26.1
Income Taxes before ITC	312.9	380.8	332.3	405.3
Investment Tax Credit	(56.0)	(52.1)	(56.7)	(55.5)
Total Oper. Expenses	1,632.9	1,722.7	1,741.6	1,835.3
Net Operating Revenues	844.4	863.5	884.0	911.2
Rate Base	7,373.8	7,305.9	7,652.4	7,621.2
Rate of Return	11.45%	11.82%	11.55%	11.96%

(Red Figure)

*Rates in effect March 18,1980.

In reviewing the estimates making up these summaries and the adjustments proposed by staff and adopted by Cal-Water, and in resolving the issues remaining between Cal-Water and staff at conclusion of the hearing, we will consider each component to the summaries in turn.

Estimates of Operating Revenues

Initially, in the respective estimates of Operating Revenues at present rates, there were differences of $88,700 for test year 1981 and $95,300 for test year 1982. A substantial portion of each year's difference represents staff's inclusion of Union Ice Company, a new and big industrial customer. Cal-Water did not have Union Ice included when it prepared its estimates. Union Ice came on line in March 1980 when the casing in its only well collapsed. Using an estimated 110,000 Ccf per year (almost half of all industrial consumption) it added substantially to anticipated revenues. The most significant other factors in the divergent estimates are rooted in differing underlying estimates of the number of commercial class (that is, residential and business) services, the average per customer consumption of the rest of the industrial class, and the total sales of the Public Authority services.

Disposing first of the Commercial Metered class, we note that on or about January 1, 1980, Cal-Water was to provide service to a new area previously served by the Boranda County Water District. This additional territory represents the addition of about 270 more services each test year than contemplated by Cal-Water when it prepared its exhibits (although requiring only about half the average per service water supply applicable to the rest of the class). This addition accounts for substantially all the difference between Cal-Water and staff commercial class estimates. As Cal-Water accepted staff's estimates including these additional services, no issues are presented and we too adopt staff's commercial class estimates.

Industrial Metered Sales: Over the 10-year period 1969-1979, industrial consumption dropped from a 1969 high of 151.6 KCcf to 94.7 KCcf in 1976. After drought year 1977 when total consumption fell to 85.2 KCcf,

industrial consumption rebounded slightly to 101.7 KCcf in 1978 and then flattened somewhat to 106.2 KCcf in 1979. Staff averaged the 7-year period 1972-1979 (excluding 1977) to get 109 KCcf. It then relied heavily upon recorded sales during the first half of 1980, and projected industrial consumption (excluding Union Ice Company) of 125.6 KCcf for test year 1981, and 130.1 KCcf for test year 1982.

For its part Cal-Water looked to both total consumption and average per service consumption recorded figures to make its forecasts. Averaging total consumption for the industrial class over the 4-year period 1975-1979 (excluding drought year 1977) produced an average 101.3 KCcf consumption per year, and a trend line extension projecting 107.0 KCcf for test year 1981 and 108.4 KCcf for test year 1982. When considering average per service consumption, the trend line is fairly flat, and the average per service consumption shown to be 4,017 Ccf. The company projects this trend to produce figures of 3,821.4 Ccf for 1981 and 3,737.9 Ccf for 1982.

We have problems accepting either party's estimates, believing Cal-Water's estimates to be too low when contrasted against recorded results for the first half of 1980, and staff's estimates too high when cast against the trend line of recent years' consumption and particularly when considered in light of current economic conditions. Salinas' industrial growth boom which began in the mid-1960s is not immune to the crumbling economic environment. The ravages of inflation and the increasing costs of energy are factors being experienced locally. The Firestone plant with 1,800 jobs has closed,[2/] and there appears little indication of immediate economic revival for the months ahead. Looking to a 5-year trend line in consumption per service, that of the 1974-1979 period, but excluding drought year 1977, we find an average consumption

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2/ We note that subsequent to submission of this matter, the Peter Paul Candy plant in Salinas, employing 200 people, has also announced that it will close.

of 4,316 Ccf per service. The number of industrial services is not at issue, so when we project this average consumption we arrive at 120 KCcf which we believe would be appropriate for test year 1981. Extending this in turn on a trend line slightly flatter than that of either staff or Cal-Water produces an estimate of 124.3 KCcf for test year 1982. Both of these latter projections are exclusive of Union Ice Company's 110 KCcf forecast consumption for each test year. We will adopt these estimates for the industrial class consumption.

Public Authority Metered Sales: The respective estimates of Cal-Water and staff as to total test year consumption contain significant differences. There are only minor differences in the estimates of the average number of services anticipated, although these latter tend to exacerbate the end result. Cal-Water estimated consumption at 326 KCcf against staff's 345.0 KCcf for 1981, and 329.5 KCcf against staff's 353.1 KCcf for 1982. Cal-Water's estimates neatly fit a 1970-1979 trend line, but we also note that later recorded data for 1980's first half shows consumption already exceeding Cal-Water's 1981 projection and crowding 1982's. Public Authority consumption recorded figures for the 12-months ending March 1980 show 321.9 KCcf; for April, 323.5 KCcf; for May, 331.5 KCcf; for June, 328.3 KCcf; and for July, 328.4 KCcf. Extension of this pattern on the short term supports staff's projections for the test years.

Looking for guidance in trend data in average consumption per service charts we see that for 1981 Cal-Water projects 2,414.8 Ccf against staff's 2,500 Ccf. But we also note what appears to be a delayed reaction to drought conservation, most apparent in 1978. We see that 1979 average consumption was at 2,366 Ccf; a gain of 160 Ccf over 1978. Projecting that same level of Public Authority gain in consumption over 1979 to 1980 would produce average consumption of 2,520 Ccf in 1980. We have earlier seen that July 1980 year ending consumption was already approximately 2,451 Ccf - well on the way to the 2,500 Ccf staff forecast for

1981, and already over Cal-Water's 2,414.8 Ccf forecast for 1981. On balance, therefore, we conclude that staff's total consumption estimates are those more likely to be attained than will be Cal-Water's. We are unable to determine any contrary indication in Cal-Water's consumption per service data adjusted to exclude the 2 largest Public Authority Services. That plotted data closely follows the plot pattern of the recorded consumption per service data including all services. These latter data, as observed above, support staff's projections. We will adopt staff's total sales estimates for Public Authority Services.

The end result of these determinations, as they affect Operating Revenues, is set forth in Table E, our adopted Summary of Earnings.

Estimates of Operating Expenses

Operating expenses are those costs which are incurred by a utility in providing service to its customers. They include not only the operation and maintenance costs, administrative and general expenses, depreciation charges, and taxes paid by the District, but also a pro rata share of those same expenses as they were incurred by the corporate facilities of the utility in support of the District. In the instant proceeding staff analyzed Cal-Water's estimates of operating expenses applicable to both the District and the corporate general office facilities.

With minor exceptions and adjustments resulting in net lower companywide prorations of $7,800 in 1981, and $8,900 in 1982, staff found Cal-Water's general office estimates reasonable. The adjustments were to the general office insurance, office supply, and pension expense estimates. Staff also verified that the Salinas District's share was properly allocated to the District in accordance with standard proration procedures accepted by this Commission. Cal-Water agreed to the staff adjustments and made appropriate adjustments to its operating expense estimates at the hearing.

Turning next to the detailed Operations and Maintenance expense estimates submitted by applicant, we see that staff has analyzed the respective components making up these estimates, and except for differing Purchased Power costs, a different allowance for Uncollectibles, and a small difference in Other Expenses, staff found Cal-Water's methods and results reasonable.

Costs of Purchased Power will vary depending upon the amount of water to be pumped and the projected average unit cost per kilowatt-hour charged by PG&E. Cal-Water estimated power consumption at 4,428,200 kWh for 1981 and 4,468,000 kWh for 1982. Based upon its different estimates of water consumption for the commercial, industrial, and public authority classes, staff calculated power consumption to be 4,738,900 kWh for 1981 and 4,814,700 kWh for 1982, thereby obtaining higher purchased power costs than did applicant. In preparing these estimates, each party, in order to have a common basis for comparison, used the PG&E electric rates in effect February 18, 1980. Both used an average unit cost of $0.05273 per kWh. The present power rates were made effective on April 29, 1980 and result in an average unit cost of $0.06612 per kWh. Neither party included the additional cost of this last PG&E increase in its original estimates of Operation and Maintenance expenses. Having herein adopted water consumption estimates which differ from those of Cal-Water and staff (see operating revenues and our discussion of consumption for the industrial class as well as our adoption of staff's commercial and Public Authority consumption), our total power consumption estimates for the two test years also necessarily must differ from those of either party. We estimate total power consumption in accord with the foregoing to be 4,735,000 kWh for 1981 and 4,810,500 kWh for 1982. Using the April 29, 1980 average derived unit cost of $0.06612 per kWh as estimated by staff, this results in purchased power costs of $313,100 for 1981, and $318,100 for 1982, as set forth in Table E, our adopted Summary of Earnings. The differences of $4,200

for 1981 and $4,500 for 1982 between the parties' estimates for other expenses (embracing billing, supplies, telephone, etc.) derived from staff's later data. As Cal-Water accepted staff's proposed adjustments we see no need to probe them further.

Staff's analysis of Cal-Water's estimates of Administrative and General Expenses for the test years developed no issues. The small difference in Local Franchise Tax expense was attributable to the staff's higher estimate of Operating Revenues. Our still different estimate of Operating Revenues does not significantly change the staff estimate. Accordingly, we will adopt staff's estimate as set forth in Table E.

There was a small difference between Cal-Water and staff on respective estimates of Ad Valorem Taxes, but at the hearing Cal-Water adopted staff's estimates. These taxes generally vary with the three factors of net utility plant plus materials and supplies, assessment ratio, and tax rate. Computations here were made on a fiscal year basis using full cash value as shown on the utility's 1979-1980 property tax bill and applying the recorded composite rate for 1978-1979 of 0.970% of full market value. There were no differences on Payroll Taxes.

Staff estimates Depreciation Expense slightly lower than did Cal-Water. Both parties essentially used the same methodology; the small difference in results was due to differing estimates of plant additions. As discussed under rate base, Cal-Water accepted staff's proposed adjustments relating to a number of items proposed to be financed by the utility during the test years. These changes included deferring a carryover to 1982, deletion of funds in 1980 for a nonspecific land acquisition, reduction of the structures account in both test years, and reduction each test year of well construction funds. Finally, we adopted staff's weighting percentage to be used to calculate the amount of net additions to be included in plant.

Differing estimates of Uncollectibles and Income Taxes arise out of differing estimates of operating revenues derived from the various customer classes, as well as the election to finance during the test year period by long-term debt. In computing taxes the full flow-through method of computing the depreciation deduction was used. In determining the investment tax credits for 1981 and 1982, a 3-year average at a 10% rate was used. The increased 9.6% California corporation franchise tax rate, a 46.0% federal income tax rate, and a 0.236 uncollectibles factor were used in computing those respective items. The net-to-gross multiplier was estimated to be 2.0732.

The Operating Expense estimates, as we adopt them, are set forth in Table E of this opinion.

Rate Base

Cal-Water used weighted average balances to develop its depreciated rate base projections for the test years. It based these projections on recorded data for the preceding 5-year period, and upon preliminary construction budgets adopted for anticipated additions to plant to be financed by the utility during the test period. It also included in its projections allocated pro rata portions of the corporate plant's general operations, and made adjustments to incorporate applicable weighted average depreciation reserves. After analysis of Cal-Water's projections, staff found them reasonable. But staff where appropriate made independent estimates and consequently proposed certain adjustments. Cal-Water did not agree with some of staff's adjustments but for the purpose of expediting this proceeding elected not to take issue but to adopt them. We will review these, beginning first with the differences which originally existed in the elements making up Weighted Average Plant in Service.

In its analysis of Utility-Funded Additions, staff noted that Cal-Water included $113,400 in its 1980 budget to complete

projects begun but uncompleted in 1979. The $113,400 was composed of $18,400 for an improvements project, and $95,000 for a well. Cal-Water assumes there will be no uncompleted projects any given year during the test period, but history shows that such is not the case in Salinas. The 4-year average of unspent funds year-end in years when wells are installed is $82,100. The Colton Well, to cost about $150,000, will be installed late in 1980. This indicates that about $100,000 will be carried over to 1981, and in 1981 another well installation is planned. Therefore, staff has no objections to the 1980 improvement project carryover of $18,400, but proposes to defer until 1982 the $95,000 unspent portion of the 1979 well (since 1982 is the first year in which a well is not scheduled for installation). Cal-Water accepted staff's proposal at the hearing and we will adopt it.

Staff asserted that acquisition of one well site a year would meet the requirements of the Salinas District at this time. However, Cal-Water had budgeted funds for acquisition of two well sites in 1980, one specific and one nonspecific, and one more of each in the 1981 and 1982 test years. Accordingly, staff proposed to delete $4,000 from the 1980 budget for the nonspecific site. At the hearing Cal-Water agreed. Similarly, for the usually nominal-sized structures account, staff proposed (anticipating normal test years) and Cal-Water accepted, a reduction in the 1981 and 1982 estimates of $3,300 and $3,200, respectively, to $2,000 and $2,500. Then, as to the nonspecific well appurtenances and auxiliary equipment budget, staff reduced Cal-Water's estimates to the 5-year average level of $2,500, and applied these to the 1981 and 1982 estimates. Cal-Water accepted these changes. Finally, with regard to utility-funded additions, it will be recalled that earlier we mentioned the addition of the

Boranda system to Cal-Water's service territory. Because of poor supply, Cal-Water must connect it to Cal-Water's system. It will do this by means of a main to cost $67,000. The main is scheduled to be constructed early in 1981. The $67,000 was not included in Cal-Water's estimates, but staff included the $67,000 as a beginning-of-year 1981 plant addition. We agree.

In examining Cal-Water's proposed Advances for Construction, staff observed that while in 1979 $253,600 was deposited, at year's end $128,600 remained unspent. Cal-Water asserts that in each test year a similar $54,200 will remain unspent and included $74,400 (differences between $128,600 and $54,200) in its utility plant additions. Staff differs only as to the amount. Staff's 5-year analysis revealed that approximately 35% usually is carried over. Accordingly, staff would apply this 35% to result in a carryover of $65,900 each year, resulting in an "excess" uninvested deposit of $62,700 (difference between $128,600 and $65,900). With respect to Contributions, staff, with access to six months of later data, estimated 1980 contributions at $16,800 higher than Cal-Water's estimate, and at $3,100 higher each year for test years 1981 and 1982. In the foregoing we will, as did Cal-Water, adopt staff's estimates as our own.

Proceeding on with examination of the components which led to the differing rate base determinations arrived at by Cal-Water and staff, we pass from the utility plant-in-service elements to the remaining components making up the average depreciated rate base.

Under Working Capital, Cal-Water and staff agree on estimates for materials and supplies, and minimum bank cash deposits, but differ on working cash allowances. In estimating the latter, Cal-Water used the "lead-lag" method, but staff used its own estimates of revenue, expenses, and rate of return. The paucity of evidence

introduced makes analysis difficult. As will be seen, we adopted a higher rate of return than that staff contemplated, our adopted operating revenues are greater, and our operating expenses differ. Nonetheless, the end result differences are relatively small, and as Cal-Water agreed to accept staff's estimates in order to expedite this proceeding, we will also use staff's estimates of working cash allowances which are $8,100 less for 1981 and $7,500 less for 1982.

In determining Adjustments to Utility Plant, Cal-Water and staff agreed on general office allocated rate base, but differed slightly on customer advances for construction, and substantially on contributions, where the staff had the benefit of more recent data. This more recent data led staff to estimate $18,200 and $20,900 higher than Cal-Water, respectively, for 1981 and 1982. Again Cal-Water accepted the results of these higher estimates and we will adopt them.

Finally, in computing estimated weighted average depreciation reserves, there were relatively minor differences between the determinations made by Cal-Water and staff. Both used 1980 depreciation accrual rates and both used a factor of 0.521% for calculating the weighted average. The small differences were caused by differing estimates of plant additions. In that Cal-Water at the hearing accepted staff's determinations and we herein have adopted staff's applicable estimates, we are here constrained to adopt staff's lower weighted average depreciation reserve estimates which result.

After the foregoing review we find the above-discussed staff-sponsored adjustments to the test year rate base components to be reasonable and proper, and we will adopt them. Accordingly, Cal-Water's estimated rate base figures for test years 1981 and 1982 are adjusted downward by $67,900 to $7,305,900, and by $31,200 to $7,621,200, respectively, as set forth in Table E.

Rate of Return

In D.92604 dated January 2, 1981, in A.59660 (Bakersfield District), the Commission adopted as reasonable for the six companion districts[3] of Cal-Water involved in the instant consolidated proceeding, rates of return of 10.89%, 11.08%, and 11.50% for the years 1981, 1982, and 1983, respectively. These rates of return are designed to hold return on common equity at 13.7% during that three-year period.

In that same decision, and equally applicable to the same six companion districts involved in the instant consolidated proceeding, the Commission determined that at this point in time Cal-Water's capitalization structure and general financial circumstances did not preclude reliance upon long-term debt financing through the test period for all financing anticipated herein, and found reasonable Cal-Water's estimate of 13.1% as the anticipated cost of such debt financing.

Since we discussed these subjects extensively in D.92604, it is not necessary to repeat that material here. It is incorporated by reference. For immediate reference purposes, however, we attach Table C, a comparison of Cal-Water's and staff's positions on rate of return, and Table D, our adopted rates of return,[4] to show how our adopted rates of return for 1981, 1982, and 1983 were derived.

3/ Applications for increases in rates for the Bakersfield, Stockton, Visalia, Chico-Hamilton City, Salinas, and San Mateo Districts of Cal-Water were filed simultaneously on May 16, 1980, and were consolidated for hearing.

4/ Tables D and E respectively, in D.92604.

TABLE C

Rate Of Return Comparison

	Applicant			Staff*		
	Capital Ratio	Cost Factor	Wgt'd. Cost	Capital Ratio	Cost Factor	Wgt'd. Cost
1981						
Long-term debt	54.1%	9.32%	5.04%	50.0%	8.83%	4.42%
Preferred stock	4.3	6.50	.28	8.0	8.03	.64
Common stock	41.6	15.00	6.24	42.0	13.20	5.54
Total	100.0		11.56	100.0		10.60
1982						
Long-term debt	54.3	9.54	5.18	50.0	8.97	4.49
Preferred stock	4.0	6.46	.26	8.0	8.79	.70
Common stock	41.7	15.00	6.26	42.0	13.20	5.54
Total	100.0		11.70	100.0		10.73
1983						
Long-term debt	54.7	10.86	5.94	50.0	9.39	4.70
Preferred stock	3.7	6.42	.24	8.0	8.79	.70
Common stock	41.6	15.00	6.24	42.0	13.20	5.54
Total	100.0		12.42	100.0		10.94

*Staff assumed constant capitalization rates throughout the 3-year test period to allow step rates for financial attrition, based on an average for the 3 years.

TABLE D

Cal-Water Service Company - Adopted Rate of Return

Component	Capitalization Ratio	Cost Factor	Wgt'd. Cost	After Tax Interest Coverage
Average Year 1981				
Long-Term Debt	54.2%	9.07%	4.92%	2.21
Preferred Stock	4.2	6.50	.27	
Common Equity	41.6	13.70	5.70	
Total	100.0		10.89	
Average Year 1982				
Long-Term Debt	54.2	9.43	5.11	2.17
Preferred Stock	4.2	6.48	.27	
Common Equity	41.6	13.70	5.70	
Total	100.0		11.08	
Average Year 1983				
Long-Term Debt	54.2	10.20	5.53	2.08
Preferred Stock	4.2	6.44	.27	
Common Equity	41.6	13.70	5.70	
Total	100.0		11.50	

Assumptions:

(1) To allow undistorted step rates and provide for financial attrition, we assumed a constant capitalization ratio for the 3-year period; computing it as the average of each year's average.

(2) Average beginning and year-end capital costs were used.

(3) Financing through long-term debt at 13.1% in the 1981-1983 period.

(4) Return on common equity was held constant at 13.7%.

Authorized Revenue Increases

Table E, our adopted Summary of Earnings, follows. It reflects our resolution of the issues pertaining to operating revenues and expenses, and rate base. It also reflects the impact of external financing through use of long-term debt at 13.1%, and sets forth operating revenues which would be provided at present rates and those which will be required to produce the 13.7% rate of return on common equity we are authorizing for the test years.

TABLE E

Cal-Water Service Company - Salinas District
Adopted Summary of Earnings
(Dollars in Thousands)

	Test Year 1981	Test Year 1982
At Present Rates		
Operating Revenues	$2,175.3	$2,210.4
Operating Expenses		
Purchased Power	313.1	318.1
Payroll District	363.3	394.2
Other Oper. and Maint.	193.0	207.6
Other Adm., Genl., & Misc.	12.7	13.1
Ad Valorem Tax-District	87.2	94.5
Payroll Tax-District	26.7	28.9
Depreciation	226.6	240.2
Ad Valorem Tax-G.O.	1.1	1.1
Payroll Tax-G.O.	5.1	5.6
Other Prorates-G.O.	197.7	213.8
Subtotal	1,426.5	1,517.1
Uncollectibles	5.1	5.2
Local Franch. Tax & Bus. Lic.	20.7	21.0
Income Taxes before ITC	123.6	78.9
Investment Tax Credit	(52.1)	(55.5)
Total Oper. Expenses	1,523.8	1,566.7
Net Operating Revenues	651.5	643.7
Rate Base	7,305.9	7,621.2
Rate of Return	8.92%	8.45%
At Rate Levels Adopted		
Operating Revenues	2,473.6	2,625.9
Operating Expenses		
Subtotal	1,426.5	1,517.1
Uncollectibles	5.8	6.2
Local Franch. Tax & Bus. Lic.	23.5	25.0
Income Taxes before ITC	274.5	289.0
Investment Tax Credit	(52.1)	(55.5)
Total Oper. Expenses	1,678.2	1,781.8
Net Operating Revenues	795.4	844.1
Rate Base	7,305.9	7,621.2
Rate of Return	10.89%	11.08%

(Red Figure)

Contrasting the operating revenues set forth in Table E, it is apparent that the rates of return which we are authorizing will produce additional gross revenues of $298,300 in 1981, an increase of 13.7% over the revenues which would have been produced by the rates authorized at the time the instant application was heard. However, it must also be noted that these new revenues are in addition to the approximate $58,200 (3%) increase authorized, after filing of the application, to offset increased power costs derived from the June 18, 1980 PG&E rate increase. In 1982 an additional $112,700 will be produced, an increase of 4.5%. In conformity with our previously stated preference that districts of Class A water utilities not file general rate applications more frequently than once every three years, a third set of rates in the form of a step increase will be authorized for 1983 to allow for attrition, both operational and financial, after 1982. Following methodology used in our most recent decisions in preceding similar applications (D.92244 and 91537 in Cal-Water Livermore and Southern Cal-Water Metropolitan, respectively), the operations component, as indicated by the decline in the rate of return at present rates from 8.92% in 1981 to 8.45% in 1982 (see Table E) is 0.47%. The financial component is represented by the difference of 0.42 percentage points between the rates of return we adopted (see Table D) for 1982 and 1983, respectively, 11.08% and 11.50%. To offset this combined 0.89% (0.47% + 0.42%) operational and financial attrition, we will authorize a 1983 step rate increase of $140,600.[5/]

5/ Using the formula: Rate Base X Rate of Combined Attrition X Net-to-gross = Step Increase, we find: $7,621,200 X 0.89% X 2.0732 = $140,600.

On or after November 15 in the years 1981 and 1982, applicant will be authorized to file advice letters (with appropriate work papers) to justify implementation of the step rate increases herein postulated for each of these years. These supplemental filings will permit review of achieved rates of return before each step rate increase is authorized.

Table E and Appendix C will provide a basis for review of these future advice letter requests. The purchased power rate utilized is the composite PG&E rate of 6.612 cents per kWh which became effective April 29, 1980. The composite effect of the assumed rates for purchased power is an average cost of $0.06612 per Ccf of water sold during 1981 and 1982. The Salinas District effective ad valorem tax rate is 0.970% of estimated beginning of year net plant plus materials and supplies. The corresponding effective rate for prorated general office ad valorem taxes is 1.109% of beginning-of-year net plant plus materials and supplies. The local franchise tax and business license rate is the rate of 0.953% of gross revenues. The income tax rates are the current 9.6% state and 46% (with intermediate steps) federal rates. The uncollectibles rate used is 0.236% of its gross revenues, and the net-to-gross multiplier is 2.0732.

Rate Design

In a rate proceeding, after total revenue requirements have been determined, the next step must be to provide for equitable distribution of the increases found necessary to the components making up the rate schedule. In the Salinas District, as of March 18, 1980 (the cutoff date used by both Cal-Water and staff to determine the "present" rates to be used in their reports in this proceeding), the accumulated revenue increases authorized by the Commission since January 1, 1976 had increased rates a total of 18.39%. However, on June 17, 1980 by Resolution W-2663 the Commission authorized a further increase, which brought the accumulation of increases in revenue since January 1, 1976 to 21.91%, an amount still within the so-called "lifeline" margin. The increase for 1981 which we will herein authorize will take the accumulation of revenue increases over 25%. Accordingly, we will adopt staff's recommendation that the first quantity block rate and the service charge for the 5/8 x 3/4-inch meter remain unchanged until the total increase exceeds 25%. Thereafter, the authorized increase will be spread equally percentagewise to service charges and to quantity rates.

In order to bring about what it asserts would be a better balanced rate structure, Cal-Water next proposed to increase service charge rates (except for the 5/8 x 3/4-inch meter) by a larger percentage than that it would make applicable to the commodity rates. It contends that as a consequence of the virtual freeze on the readiness to serve charges in recent years, with almost all the revenue increases being imposed in the commodity charges, revenue stability has gone to pot. Applicant argues that earnings are thereby distorted; that there is no true relationship to fixed costs which go on whether a customer uses zero water or uses 5,000 cu.ft. Given a situation where most of the revenues are tied to the commodity charge, and very little to the service charge, in a dry hot year, earnings will skyrocket, but in a drought year, will plummet.

While we recognize the underlying merit inherent in applicant's assertions, we are more concerned with the need to bend every effort to bring about the maximum incentives to promote conservation. As the staff pointed out: if you do not give incentives to the customer, he is not likely to conserve. Conservation is one of our primary objectives in designing rates. We believe that the staff's proposal of spreading the increase percentagewise equally between the service charge and the commodity charge is more likely to achieve this objective than is Cal-Water's proposal to increase the service charge twice as much as the commodity charge. We adopt the staff proposal.

In fairness it should be noted that Cal-Water, while feeling itself obligated to state its position, also stated that it was willing to accept any rate design the Commission wishes to authorize as long as that design produces the revenue required to earn the authorized rate of return.

Neither Cal-Water nor staff proposed any increase to be applicable for Public Fire Hydrant Service or Private Fire Protection Service.

Appendix A to this decision sets forth the rate structure approved to be made effective and applicable to the remainder of year 1981. Appendix B contains the step increases in rates authorized for future years. Since rates are very likely to be revised through advice letter offsets during the interim period ahead, it is doubtful that schedules for 1982 and 1983 predicated upon rates to be authorized for 1981 would be the correct rates at the time the step rate filing is to be made. Therefore, the increases contained in Appendix B can be added to the rates that would otherwise be effective on the date the step increase is to go into effect in order to develop the appropriate rates for filing.

Other Issues

Wage and Price Standards: By Resolution M-4704 dated January 30, 1979, the Commission ordered all utilities requesting general rate increases to submit an exhibit to accompany their applications to show whether the requested increase complied with the voluntary Wage and Price Standards issued by the federal Wage and Price Stability Council. As is evidenced by Exhibit 6 to this proceeding, Cal-Water complied. However, by Executive Order No. 12288 dated January 29, 1981, the President terminated the Wage and Price Regulatory Program. By Resolution M-4718 on March 17, 1981 the Commission rescinded Resolution M-4704. Therefore, the issue of compliance with wage and price standards is no longer cognizable in this proceeding.

Interim Relief Granted: The Commission's Regulatory Lag Plan for Water Utilities, adopted by Resolution M-4705 dated April 24, 1979 contemplated that final decisions on pending rate matters would be issued within specified time limits. In instances where the time limits of the plan must be exceeded, the Commission may issue an interim order granting partial rate relief. In the instant proceeding the time limit for a decision was exceeded. Accordingly, by D.92716 issued February 18, 1981, an interim order provided, inter alia, that Cal-Water could immediately institute a partial rate increase to produce additional revenues of $298,400 (a 13.71% increase) and a rate of return of 10.89% on rate base in the Salinas District, pending our final order in this proceeding.

Effective Date of This Final Order: The rates of return found reasonable in this matter were determined and based upon the effect of the rate increase being applicable for full year 1981. To preserve as much of that effect as possible, as noted above, interim relief based upon the results of the staff's study was granted. Our final order contained herein in this matter will provide approximately the same relief as was provided for in the interim order. Accordingly, there is no benefit in expediting the effective date of this order and it will be provided in the normal course of our business.

Findings of Fact

1. Cal-Water's service territory is efficiently served with satisfactory results, and the water quality is satisfactory.

2. Cal-Water's conservation program is losing momentum and should be reinvigorated. However, its pump efficiency program meets or exceeds standards.

3. Cal-Water requires additional revenues, but the rates it proposes would produce an unjustified rate of return.

4. The operating revenue and operating expense estimates adopted for the test years were updated to include the 3.0% offset increase authorized by Commission Resolution W-2663 effective June 17, 1980, and provide for the underlying increase in purchased power costs arising from the April 29, 1980 PG&E rate increase.

5. Staff's estimates of commercial sales, being based on later data and including sales to the Boranda area anticipated after January 1, 1980, are more reasonable than Cal-Water's estimates for this class and should be adopted for each test year.

6. Staff's estimates of 1981 and 1982 annual consumption of 110 KCcf for Union Ice Company, the newly added large industrial service, are reasonable and should be adopted.

7. Cal-Water's estimates of industrial consumption each test year for industry other than Union Ice Company are too low while staff's

estimates are too high. The Commission's own consumption estimates for this same class of 120 KCcf for 1981 and 124.3 KCcf for 1982, based on adverse economic and industrial developments in Salinas, are more reasonable and should be adopted.

8. Staff's estimates of Public Authority sales are more reasonable than Cal-Water's and should be adopted for each test year.

9. The adopted estimates of operating revenues, operating expenses, and rate base for the test years 1981 and 1982 and a decline of 0.47% in rate of return into 1983 as a consequence of operational attrition at the present authorized rate level reasonably indicate the results of Cal-Water's operations in the immediate future.

10. At this point in time Cal-Water's capitalization structure and general financial circumstances do not preclude reliance upon long-term financing through the test period for all financing anticipated herein.

11. Cal-Water's estimate of 13.1% as the anticipated cost of such debt financing is reasonable.

12. Rates of return of 10.89, 11.08, and 11.50%, respectively, on Cal-Water's rate base for 1981, 1982, and 1983 are reasonable. The related return on common equity each year is 13.7% in annual revenues for 1981, a further increase of $112,700, or 4.5%, in 1982, and a further increase of $140,600, or 5.35%, in 1983.

13. The adopted rate design is reasonable.

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

15. The further increases authorized in Appendix B should be appropriately modified in the event the rate of return on rate base, adjusted to reflect the rates then in effect, and normal ratemaking adjustments for the 12 months ended September 30, 1981 and/or September 30, 1982, exceed the lower of (a) the rate of return found reasonable by the Commission for Cal-Water during the corresponding period in the most recent rate decision, or (b) 10.89% for 1981 and 11.08% for 1982.

16. The revenues authorized herein, pursuant to provisions of Commission Resolution L-213, incorporate the present public fire protection surcharges offsetting loss of fire hydrant revenues. No refund is necessary.

Conclusion of Law

The application should be granted to the extent provided by the following order, the adopted rates being just, reasonable, and nondiscriminatory.

FINAL ORDER

IT IS ORDERED that:

1. After the effective date of this order, applicant, California Water Service Company (Cal-Water), is authorized to file for its Salinas District the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order Series 96. The effective date of the revised schedules shall be 4 days after the date of filing. The revised schedules shall apply to service rendered on and after the effective date hereof.

2. On or after November 15, 1981 Cal-Water is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases attached to this order as Appendix B and referenced Effective Date 1-1-82, or to file a lesser increase which includes a uniform cents per hundred cu.ft. of water adjustment from Appendix B in the event that the Salinas District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1981, exceeds the lower of (a) the rate of return found reasonable by the Commission for Cal-Water during the corresponding period in the then most recent rate decision, or (b) 10.89%. Such filing shall comply with General Order Series 96. The requested step rates shall be reviewed and approved by the Commission prior to becoming effective.

The effective date of the revised schedule shall be no earlier than January 1, 1982, or 30 days after the filing of the step rate, whichever is later. The revised schedule shall apply to service rendered on and after the effective date thereof.

3. On or after November 15, 1982 Cal-Water is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases attached to this order as Appendix B, and referenced Effective Date 1-1-83, or to file a lesser increase which includes a uniform cents per hundred cu.ft. of water adjustment from Appendix B in the event that the Salinas District rate of return on rate base, adjusted to reflect the rates then in effect, and normal ratemaking adjustments for the 12 months ended September 30, 1982, exceeds the lower of (a) the rate of return found reasonable by the Commission for Cal-Water during the corresponding period in the then most recent rate decision, or (b) 11.08%. Such filing shall comply with General Order Series 96. The requested step rates shall be reviewed and approved by the Commission prior to becoming effective.

The effective date of the revised schedule shall be no earlier than January 1, 1983, or 30 days after the filing of the step rates, whichever is later. The revised schedule shall apply only to service rendered on and after the effective date thereof.

This order becomes effective 30 days from today.

Dated MAY 5 1982, San Francisco, California.

President

Commissioners

APPENDIX A

Schedule No. SA-1

Salinas Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Salinas and vicinity, Monterey County.

RATES

	Per Meter Per Month
Service Charge:	
For 5/8 x 3/4-inch meter	$ 4.00
For 3/4-inch meter	6.20
For 1-inch meter	8.40
For 1½-inch meter	11.50
For 2-inch meter	16.00
For 3-inch meter	29.00
For 4-inch meter	38.00
For 6-inch meter	63.00
For 8-inch meter	94.00
For 10-inch meter	117.00
Quantity Rates:	
First 300 cu.ft., per 100 cu.ft.	0.237
Next 29,700 cu.ft., per 100 cu.ft.	0.330
Over 30,000 cu.ft., per 100 cu.ft.	0.307

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

(END OF APPENDIX A)

APPENDIX B

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

	Effective Dates	
	1-1-82	1-1-83
Service Charge		
For 5/8 x 3/4-inch meter	$0.20	$0.20
For 3/4-inch meter	0.30	0.35
For 1-inch meter	0.40	0.50
For 1½-inch meter	0.50	0.70
For 2-inch meter	1.00	1.00
For 3-inch meter	1.00	2.00
For 4-inch meter	2.00	3.00
For 6-inch meter	3.00	4.00
For 8-inch meter	4.00	5.00
For 10-inch meter	5.00	6.00
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	0.010	0.013
For the next 29,700 cu.ft., per 100 cu.ft.	0.014	0.019
For all over 30,000 cu.ft., per 100 cu.ft.	0.013	0.017

(END OF APPENDIX B)

ADOPTED QUANTITIES

Company: California Water Service Co.
District: Salinas

		1981 Ccf(1000)	1982 Ccf(1000)
1.	Water Production:	4,720.2	4,795.5
	Wells:	4,720.2	4,795.5
2.	Electric Power:	1.003 kWh per Ccf	Supplier: PGE Date: 4-29-80
	kWh:	4,735,000	4,810,500
	Cost:	$ 313,100	$ 318,100
	Cost per kWh:	$ .06612	$ .06612
3.	Ad Valorem Taxes:	$87,200	$94,500
	Tax Rate:	0.970%	0.970%
4.	Net-to-Gross Multiplier:	2.0732	
5.	Local Franchise Tax Rate:	0.953%	
6.	Uncollectible Rate:	0.236%	

7. Metered Water Sales Used to Design Rates:

	Range-Ccf	Usage - Ccf 1981	Usage - Ccf 1982
Block 1	0-3	529,357	537,325
Block 2	4-300	3,160,072	3,208,079
Block 3	> 300	648,471	661,697
Total Usage		4,337,900	4,407,101

8. Number of Services:

	No. of Services 1981	No. of Services 1982	Usage-KCcf 1981	Usage-KCcf 1982	Avg. Usage-Ccf/Yr. 1981	Avg. Usage-Ccf/Yr. 1982
Commercial-Metered	15,032	15,260	3,714.4	3,770.7	247.1	247.1
Comm.-Metered (Boranda)	269	273	33.2	33.7	123.6	123.6
Industrial	28	29	120.0	124.3	4,285.7	4,286.2
Industrial-Large	1	1	110.0	110.0	110,000.0	110,000.0
Public Authority	138	139	345.0	353.1	2,500.0	2,540.0
Other	18	18	15.3	15.3	850.9	850.9
Subtotal	15,486	15,720	4,337.9	4,407.1		
Private Fire Prt.	137	145				
Public Fire Prt.	20	20				
Total	15,643	15,885				
Water Loss 8.1%			382.3	388.4		
Total Water Produced			4,720.2	4,795.5		

INCOME TAX CALCULATION

Item	1981	1982
State Franchise Tax		
Operating Revenue	$2,473.6	$2,625.9
Expenses		
O&M	1,115.3	1,184.7
Taxes Other Than Income	113.9	123.4
Subtotal	1,229.2	1,308.1
Deductions & Adjustments		
Transportation Depr. Adj.	(13.0)	(13.9)
G.O. Depr. Adj.	(2.9)	(2.9)
Soc. Sec. Taxes Capitalized	2.8	3.0
Interest	355.3	384.9
Subtotal Deduction	342.2	371.1
State Tax Depreciation	361.2	377.3
Net Taxable Revenue	541.0	569.4
CCFT at 9.6%	51.9	54.7
Federal Income Tax		
Operating Revenue	2,473.6	2,625.9
Expenses	1,229.2	1,308.1
Deductions	342.2	371.1
FIT Depreciation	362.3	378.5
Preferred Stock Div. Cr.	2.1	2.1
State Income Tax	51.9	54.7
Taxable Revenue	485.9	511.4
FIT at 46%	223.5	235.2
Graduated Tax Adj.	(0.9)	(0.9)
Adj. for Invol. Conver.	-	-
Investment Tax Credit	(52.1)	(55.5)
FIT	170.5	178.8

(Red Figure)

(END OF APPENDIX C)