

Decision No. 46928

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application }
of CALIFORNIA WATER & TELEPHONE }
COMPANY for an increase in rates } Application No. 32447
for water service in its Sweetwater }
District. }

Bacigalupi, Elkus & Salinger by Claude N. Rosenberg,
and Dewitt Higgs, attorneys for applicant;
Eldon N. Dye, for California Farm Bureau Federation,
O. R. Thorn, Deputy District Attorney for County
of San Diego, LeRoy Seckler, for United States
Public Housing Administration, Howard L. Minister,
for 11th Naval District, interested parties;
Edwin M. Campbell, City Attorney, City of National
City, S. W. Shepard, for Rohr Aircraft Corporation,
protestants; and John Power for the Commission staff.

OPINION ON REOPENED PROCEEDING

By its order dated February 19, 1952, the Commission reopened the above-entitled proceeding for further hearing on the petition of California Water & Telephone Company for the purpose of establishing as the definitive rates in applicant's Sweetwater District those rates authorized by Decision No. 46377, dated November 6, 1951, the Commission having retained jurisdiction of this proceeding for the purpose of determining whether further rate adjustments should or should not be ordered.

A public hearing on the reopened proceeding was held before Examiner Warner on March 11, 1952, at San Diego.

In paragraphs numbered 2, 3, and 4 of Decision No. 46377, the Commission ordered as follows:

- "2. California Water & Telephone Company shall file with this Commission a verified copy of any contract entered into by and between the company and the Cities of Chula Vista, National City,

and/or other public agency governing the charges or conditions applicable to the purchase and delivery of Colorado River water, said contract to be filed within thirty (30) days after its execution.

- "3. California Water & Telephone Company shall on or before March 15, 1952, file with this Commission a statement showing the actual and expected seasonal rainfall and runoff of the Sweetwater River for the 1951-1952 season, a forecast of the quantity of water that will be available for distribution to its consumers from its river and well sources of supply, and the estimated quantity of Colorado River water that will be purchased during 1952 to meet the demand for service.
- "4. The Commission retain jurisdiction herein for the purpose of ordering either with or without hearing further adjustments in the rates prescribed herein based upon an evaluation of the factors to be supplied for this record as prescribed in the two preceding paragraphs of this order."

At the hearing on the reopened proceeding applicant filed as Exhibit No. 13 a copy of a contract entered into between it and the City of Chula Vista and the South Bay Irrigation District dated February 20, 1952. This contract which superseded a prior contract between applicant and the City of Chula Vista which terminated on February 24, 1952, is for a period of 10 years ending June 30, 1962.

Applicant's witness, Peter A. Nenzel, vice president and general manager, submitted as Exhibit No. 14 a schedule of precipitation, runoff, water in storage, and Colorado River water purchases as of March 11, 1952. This schedule showed that the water in storage in Loveland Reservoir and Sweetwater Reservoir amounted to 13,450 acre feet as of that date. In addition to the amounts of water in storage in Loveland and Sweetwater Reservoirs (the storage capacity of Loveland is 25,000 acre feet and that of Sweetwater is 27,000; a total reservoir storage capacity of 52,000 acre feet) applicant would be entitled to the

receipt of at least 2,326 acre feet of water through the terms of the above-mentioned contract with the City of Chula Vista, and would have approximately 3,000 acre feet of water available during 1952 from its own wells. It appears, therefore, that the total water available to applicant for the year 1952 as of the day of the reopened proceeding was in excess of 18,750 acre feet.

The witness Nenzel testified that applicant's total Sweetwater District estimated water use requirement was 12,000 acre feet for the year 1952. He further testified that the amounts of water purchased during 1952 under the terms of the newly executed Chula Vista-South Bay contract would be governed by applicant's operating management's judgment regarding estimated storage needs for 1952 and 1953, which, in turn would be governed by the rainfall for the balance of 1952 and water usage. He stated that he could not estimate the amount of water that would be purchased during 1952.

A statement of results of operations of the Sweetwater District for a year like 1951 submitted by applicant as Exhibit No. 16 shows that applicant's rate of return would be 5.40%, assuming that no water was purchased from either the City of Chula Vista or the South Bay Irrigation District and that the tax standby charge provided for in the contract with the City of Chula Vista and South Bay Irrigation District was paid for the year 1952, and assuming that total operating revenues esti- mated for the year 1951 prior to the interim increase had been increased by the \$193,000 estimated and provided for in Decision No. 46377, and assuming a 52% federal income tax rate. These assumptions include all of the known factors which might produce a maximum rate of return. Except for such assumptions, Exhibit No. 16 is based on essentially the same estimated rate of return components shown in the Commission

staff's Exhibit No. 11 submitted at the original hearing on August 30, 1951. Exhibit No. 11 shows estimated rate of return for 1951 of 4.89% based on proposed rates, (later authorized to be filed by Decision No. 46377) utilizing the terms of the then existing water purchase contract with Chula Vista and National City, and a 47% federal income tax rate.

It is evident from the record that upon taking into consideration the effects of the contract dated February 20, 1952, together with the 1952 federal income tax rate of 52%, the rates established by Decision No. 46377 will not produce an excessive rate of return for the year 1952, and the order herein will provide that they be established as definitive.

The record shows that applicant attempted to negotiate a new contract with the City of National City and offered a contract containing substantially the same terms as those contained in the contract with the City of Chula Vista and the South Bay District but National City did not accept such a contract prior to the expiration of its old contract with applicant on February 24, 1952. The witness Nenzel stated that applicant had withdrawn its offer of a contract and was not attempting to negotiate a new one as of the date of the hearing on the reopened proceeding since applicant had other and what it considered ample sources of water supply for its Sweetwater District as noted herein.

The record shows in Exhibit No. 15 that if applicant were to purchase 10,194.8 acre feet of water as it did in 1951 under the present contract with Chula Vista and South Bay and including taxes of National City, and the rates authorized by Decision No. 46377 were in effect for a full year, its rate of return would amount to 4.37%.

A statement filed on behalf of Rohr Aircraft Corporation, protestant, pleads that the temporary rates established by Decision No. 46377 are not equitable to industrial users and should not be made permanent. However, no new evidence with respect to the spread of blocking of the rates set by said decision was introduced by any party and the Commission's decision with respect to the specific charges for different amounts of consumption of water as contained in the rates as established by Decision No. 46377, likewise will be established as definitive by the order which follows:

O R D E R

The Commission having reopened the above proceeding for further hearing on the petition of applicant, a public hearing having been held and the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the rates and specific charges for different amounts of water consumption established by the Commission's Decision No. 46377 dated November 6, 1951, are just and reasonable and should be established as definitive; therefore,

IT IS HEREBY ORDERED that the rates and charges established by the Commission's Decision No. 46377 dated November 6, 1951, be and are established as definitive.

IT IS HEREBY FURTHER ORDERED that Paragraph 4 of the order in Decision No. 46377 be cancelled.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 1st day of April, 1952.

R. J. [Signature]
President.
Justice J. Casper
Harold P. Hula
John E. Mitchell
Commissioners.