

ORIGINAL

Decision No. 47607

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 ) Application No. 32884  
it to increase rates charged for )  
water service in the City of Willows )  
and vicinity. )

McCutchen, Thomas, Matthew, Griffiths and  
Greene, by Robert Minge Brown, for applicant;  
Clyde H. Larimer for City of Willows and  
County of Glenn, protestants; John Power and  
C. T. Coffey for the Commission staff.

O P I N I O N

California Water Service Company, by the above-entitled application filed November 8, 1951, seeks an order of this Commission authorizing increased charges for water service rendered by it in the City of Willows and vicinity in Glenn County.

A public hearing in the matter was held before Examiner Emerson on May 28, 1952 at Willows. Except for the city and county representative no person came forward at the hearing to protest the proposed increases in water rates. No complaint or other comment regarding adequacy of service was made.

Rates, Present and Proposed

The rate schedules now in effect in the company's Willows District, except for private automatic sprinkler service, are those filed January 21, 1948 and made effective February 1, 1948 as authorized by the Commission's Decision No. 41107, dated January 6, 1948 in Application No. 28664.

The following tabulation is a general comparison of monthly charges for water delivered to domestic or residential

consumers at both the present and proposed flat rates, the last column showing the percentage increase which would result for any particular classification of use:

Classification of Use	: Monthly Charges:		
	: Per Service :		
	: Present:	: Proposed:	: Per cent:
	: Rates :	: Rates :	: Increase:
Residence with 5 rooms or less	\$1.85	\$2.23	20.5%
With bath and toilet	2.45	2.95	20.4
With bath only	2.15	2.59	20.5
With toilet only	2.15	2.59	20.5
Each additional toilet	.30	.36	20.0
Each additional bath	.30	.36	20.0
Each additional room over 5	.15	.18	20.0
Sprinkling or garden irrigation, payable during May, June, July, August, September, and October:			
For the first 3,000 sq. ft., per 100 sq. ft.	.075	.09	20.0
For area over 3,000 sq. ft., per 100 sq. ft.	.03	.036	20.0
Say 6-room house with bath ) Winter	2.60	3.13	20.4
and toilet, with 3,000 ) Summer	4.85	5.83	20.2
sq. ft. of irrigation )			

The rates for general metered service as presently in effect and as proposed by the company are as follows:

Quantity Rates:	Per Meter per Month	
	Present Rates	Proposed Rates
First 500 cu.ft. or less.....	\$ 1.25	\$ 1.75
Next 2,500 cu.ft., per 100 cu.ft..	.22	.23
Next 27,000 cu.ft., per 100 cu.ft..	.16	.19
Over 30,000 cu.ft., per 100 cu.ft..	.11	.14
Minimum Charge:		
For 5/8-inch meter.....	\$ 1.25	\$ 1.75
For 3/4-inch meter.....	2.00	2.40
For 1-inch meter.....	3.00	3.60
For 1 1/4-inch meter.....	5.00	6.75
For 2-inch meter.....	8.00	10.00
For 3-inch meter.....	15.00	18.80
For 4-inch meter.....	25.00	29.80
For 6-inch meter.....	50.00	55.00
For 8-inch meter.....	-	81.00

Rates applicable to fire protection service for public use were originally filed by the company May 5, 1941 and became effective June 1, 1941. They are composed of two parts as follows:

- A - General charge ..... \$90.00 per month
- B - Additional for each hydrant owned  
by company..... .50 per month

The company proposed to continue these rates in effect without change, with service for all other public uses at the general metered service rates.

The present rate schedule for private automatic fire sprinkler service includes rates for service through 4-inch, 6-inch and 8-inch connections and was filed by the company July 21, 1937. The company now proposes a schedule of rates for private fire protection service to include additional sizes of connections and to increase the existing rates, but eliminating rates for inside hose connections.

As of the end of 1951 the company served 482 flat rate customers, 778 meter rate customers and 100 fire hydrants. The average residential and commercial customer would experience an increase of about 78 cents a month under the rates proposed by applicant.

The System, Growth and Cost Trends

Willows District is one of applicant's 21 operating districts. The first public water system in Willows was owned and operated by the Willows Water and Light Company which sold the system to Battle Creek Power Company, a subsidiary of Northern California Power Company in 1907. It was later owned by Northern California Power Company, Consolidated and Pacific Gas and Electric Company. Applicant purchased the system from the latter company in 1927.

As of December 31, 1951, this district secured all of its water supply from four company-owned wells. These wells range in size from 12 to 24 inches diameter of casing and are from 220 to 730 feet deep. Water is lifted from the wells into the transmission and distribution system by means of deep-well pumps driven by electric motors. Due to the flat terrain, the entire district is operated as a single pressure zone.

As of the end of the year 1951, its customers were served through 107,252 feet of transmission and distribution mains, varying in size from 3/4 to 12 inches. Pressures are maintained and water provided for peak periods of consumption and emergencies by means of a 100,000-gallon elevated steel tank. Additional mains and services are being installed during the current year to take care of increased number of customers which it is estimated will total about 40.

The last rate increase in Willows was made necessary by increased costs of construction and operation encountered up to the end of 1947. At that time labor and costs of materials and supplies had doubled over the same costs before the war. It was contemplated that postwar growth and corresponding expansion and reinforcement of the water system might have reached a peak and that a leveling off of cost trends might ensue: Witness for applicant testified that the district has experienced a steady growth, however, and the processes of inflation have not lessened but, to the contrary, have accelerated. Applicant has increased its capital investment in Willows from about \$240,500 at the end of 1947 to more than \$334,000 at the end of 1951.

The record in this proceeding clearly shows that applicant has installed more than 11,500 feet of distribution main, placed one new well in operation to increase production

by about 680 gallons per minute, has installed a gas engine standby plant and connected 258 new services since 1947. The evidence shows that these were installed at ever-increasing costs which on an over-all average are 43% above 1947 costs. During the same period applicant has had to meet four general wage increases and an increase of 37% in federal income taxes.

#### Financing of Properties and Expansion

The record shows that the amount which applicant has invested in Willows since 1947 is more than twice the aggregate net revenues received from the district. Monies for investment in Willows, therefore, could come only from sale of securities. In meeting its capital requirements through issuance of securities applicant seeks to provide for all of its plants and not for one particular system or district. In general it has financed its investment in plant through the issue of bonds, notes, preferred stock and common stock. As of the end of 1951 its capital structure consisted of 56.4% long term debt, 20.3% preferred stock and 23.3% common stock and surplus.

Applicant's stock is widely distributed. Witness for applicant testified that no single stockholder owns as much as 2% of the total shares. From the rate and earning viewpoint its standing in the money market must be on at least the same level as other utilities of like characteristics or it may not be able to obtain the amount of capital so necessary to the financing of its expanding growth in plant. In passing upon the present proceeding, this Commission must consider, among other things, the maintenance of applicant's earnings at such a level as will afford the utility an opportunity to earn a reasonable return on the capital reasonably employed by it so as to maintain its credit and attract capital sufficient to discharge its public duty in meeting the reasonable demands for service. (delete)

Summary of Presentations

The tabulation below is a summary of the presentations respecting results of operations as made by applicant and the Commission staff. Components thereof are discussed in succeeding paragraphs.

	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>	<u>Applicant</u>	<u>CPUC Staff</u>
<u>Adjusted Year 1951</u>				
Net Revenue	\$ 9,635	\$ 9,271	\$ 14,970	\$ 14,599
Rate Base (Deprec.)	242,414	241,800	242,414	241,800
Rate of Return	4.0%	3.83%	6.2%	6.04%
<u>Estimated Year 1952</u>				
Net Revenue	\$ 9,396	\$ 9,497	\$ 14,919	\$ 14,970
Rate Base (Deprec.)	253,315	251,700	253,315	251,700
Rate of Return	3.7%	3.77%	5.9%	5.95%

Rate Base

In developing a rate base upon which applicant may be entitled to earn a return, applicant used as a starting point the fixed capital used by the Commission in the last rate case and followed the methods heretofore used or recommended by the staff of the Commission. There is no important element of difference between the rate base developed by the staff and that developed by applicant, since applicant did not in this proceeding seek to include any item eliminated or modified in the previous case. Such difference as does exist is attributable to the manner in which working cash capital has been estimated and to the manner in which unexpended extension deposits have been included as part of fixed capital.

Depreciated rate bases were developed from weighted average undepreciated rate bases by deducting therefrom the depreciation reserve on a 4½% sinking fund basis as of the beginning of the period.

For the adjusted year 1951 applicant derived a depreciated rate base of \$242,414, while the staff base was \$241,800. The depreciated rate bases of applicant and staff, for the estimated year 1952, are \$253,315 and \$251,700, respectively. We shall adopt, for the purposes of this proceeding, rate bases of \$242,400 and \$253,300 for the adjusted year 1951 and the estimated year 1952, respectively, and we find said bases to be fair and reasonable.

Revenues, Expenses and Rate of Return

As in its development of rate bases applicant, in the main, adopted Commission staff procedures in adjusting its results of past operations and in estimating most of its future operating expenses. There is, therefore, no substantial disagreement between the results of operations as presented by applicant and the staff.

For the adjusted year 1951 and the estimated year 1952, on a modified sinking fund basis in which  $4\frac{1}{2}\%$  interest on the depreciation reserve is included as an operating expense, the results of operations for the Willows District, as adopted as fair and reasonable estimates for the purposes of this proceeding, are as follows:

Item	Adjusted Year 1951		Estimated Year 1952	
	Present	Proposed	Present	Proposed
	Rates	Rates	Rates	Rates
Operating Revenues	\$ 57,281	\$ 69,088	\$ 59,410	\$ 71,637
Operating Expenses	47,646	54,118	50,014	56,718
Net Operating Revenues	9,635	14,970	9,396	14,919
Rate Base (Depreciated)	242,400	242,400	253,300	253,300
Rate of Return	3.97%	6.18%	3.71%	5.89%

It is apparent, from the above tabulation, that applicant is experiencing a less than reasonable return and is also faced with a declining rate of return under the proposed rates. Applicant cannot enjoy increased rates for the full year of 1952 and will not realize the returns above indicated. It is reasonable to expect that because of the downward trend indicated above, applicant will realize a rate of return of about 5-3/4% in the first 12-month period in which new rates may be fully effective.

Position of Protestants

Protestants City of Willows and County of Glenn made no specific presentations during the course of this proceeding. They expressed full confidence in this Commission to arrive at a ~~just~~ <sup>correct</sup> decision in the matter on the basis of the evidence received.

Conclusion

It is apparent from the evidence that the present rates will yield inadequate income from future service rendered in Willows. The record likewise indicates and we hereby find that the rate of return of 5-3/4% which applicant will receive from its proposed schedules of increased rates is reasonable. The requested rates are reasonable and will be authorized. Initial billings under the new rates will be prorated on the basis of average daily consumption.

O R D E R

California Water Service Company having applied to this Commission for an order authorizing increases in charges for water service rendered in Willows and vicinity, Glenn County, a public hearing thereon having been held and the matter having been submitted for decision,



IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that the existing rates, in so far as they differ therefrom, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission the schedules of rates set forth in Table 2 of Exhibit No. 2 of this proceeding as specifically modified in Exhibit A attached hereto, in accordance with General Order No. 96, and, after not less than five (5) days' notice to the Commission and the public, to make said rates effective for all service rendered on and after September 16, 1952.

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

Dated at San Francisco, California, this 19<sup>th</sup> day of August, 1952.

[Signature]  
President.  
Justin J. Gillespie  
Harold A. Hula  
[Signature]

Commissioners.

Commissioner Kenneth Potter, being necessarily absent, did not participate in the disposition of this proceeding.

EXHIBIT A

The rate schedules set forth in Table 2 of Exhibit No. 2 in this proceeding are approved as specifically modified below:

Schedule No. 1, General Metered Service

Approved without change.

Schedule No. 2, Domestic Flat Rate Service

Approved without change.

Schedule No. 3, Monthly Rates for Public Use

Change title to read: "Public Fire Protection Service".

Balance of Schedule approved without change.

Schedule No. 4, Private Fire Protection Service

Number Special Conditions and omit last paragraph.

Balance of schedule approved without change.