

ORIGINAL

Decision No. 47859

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
PACIFIC GAS AND ELECTRIC COMPANY for)
an order of the Public Utilities Com-)
mission of the State of California)
authorizing applicant to file and make) Application No. 32368
effective the attached proposed tariff) (Amended)
schedules (rates, rules and regulations))
applicable to water service in its)
King City Water Service Area, etc.)
(Water))

Ralph W. DuVal, Frederick T. Searles and
W. S. Love, by Frederick T. Searles and
W. S. Love, for applicant; John D. Reader
for the Commission staff.

O P I N I O N

In this application, filed May 2, 1951, Pacific Gas and Electric Company seeks authority to file and make effective new tariffs, including increased rates, applicable to water service rendered in King City and vicinity, Monterey County.

A public hearing in the matter was held before Examiner Emerson on September 18, 1952. Although due notice was given to city and county officials and to the general public, no person appeared at the hearing to protest or otherwise comment upon the increased water rates proposed by applicant. At the hearing applicant amended its application by revising its specific rate proposal to a proposal of rates which would produce 15% less revenue than would those originally attached to its application as Exhibit F.

Applicant seeks an increase in annual gross revenues of about \$16,000, an amount which it estimates will be sufficient to

earn a rate of return of approximately 6% on its investment in water properties used in the King City system. The record in this proceeding shows that applicant's earnings in the postwar years have produced rates of return which have varied from a high of 5.08% in 1947 to a low of 0.28% in 1950, with the year 1951 producing a return of 2.03% and the year 1952 expected to produce less than 2%, all being related to depreciated rate bases.

Rates. Present and Proposed

Rates for water service in and about King City are presently the same as those placed in effect in 1917. For the average residential and business customer using a 5/8-inch meter the present rates together with those proposed by applicant are as follows:

| | <u>Present Rate per Month</u> | <u>Proposed Rate per Month</u> |
|---------------------------------------|-----------------------------------|------------------------------------|
| First 500 cu.ft.included in Min.Chg. | \$ 1.00 | \$ 1.65 |
| Next 2,500 cu.ft., per 100 cu.ft. ... | .15 | .20 |
| Over 3,000 cu.ft., per 100 cu.ft. ... | .06 | .09 |

Evidence presented by the Commission staff indicates that the average King City water user, using 2,210 cubic feet of water as a monthly average, would experience an increase of 47.3% in his water bill.

Summary of Presentations

The tabulation below is a summary of the presentations respecting results of operations as made by applicant and the Commission staff.

| | <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 | \$ 3,759 | \$ 3,543 | \$ 11,317 | \$ 11,431 |
| Rate Base (Deprec.) | 182,959 | 185,060 | 182,959 | 185,060 |
| Rate of Return | 2.05% | 1.91% | 6.19% | 6.18% |
| <u>Estimated Year 1952</u> | | | | |
| Net Revenue | \$ 2,943 | \$ 3,317 | \$ 11,590 | \$ 11,587 |
| Rate Base (Deprec.) | 190,494 | 192,740 | 190,494 | 192,740 |
| Rate of Return | 1.54% | 1.72% | 6.08% | 6.01% |
| <u>Estimated Year 1953</u> | | | | |
| Net Revenue | \$ 3,000 | - | \$ 12,000 | - |
| Rate Base (Deprec.) | 205,000 | - | 205,000 | - |
| Rate of Return | 1.46% | - | 5.85% | - |

Conclusion

The record in this proceeding clearly shows that although different methods of adjustment and estimating were employed by the respective experts of applicant and the Commission staff, end results are in substantial agreement. It is apparent from the above tabulation that applicant is not now earning a reasonable rate of return nor will it earn a reasonable return if present rates are continued.

The rates proposed by applicant, if in effect for the full year 1952, would produce a rate of return of 6.01% on a depreciated rate base of \$192,740. Applicant's required capital expenditures in King City during the year 1953, the first full year in which new rates could be made effective, will raise the rate base to not less than \$205,000. Revenues to be gained from additional customers in 1953 will be largely offset by increased taxes on property and income. Thus the rate of return will decline somewhat and it is concluded that applicant's proposed rates would produce a rate of return not in excess of 5.75% in such year. For the purposes of this proceeding we find such return and rate base to be fair and reasonable.

Applicant is entitled to relief in the form of increased revenues and in the total amount sought. The rates proposed by applicant will be authorized.

The new rules which applicant proposes are those now generally in effect on its other water systems. Such rules are reasonable and applicant will be authorized to file them as part of its tariffs for the King City system. Certain minor corrections of a few sections of the proposed rules will be ordered, however.

O R D E R

Pacific Gas and Electric Company having applied to the Commission for an order authorizing increases in charges and for new tariffs for water service rendered in King City and vicinity, Monterey 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 complete tariff schedules set forth in Exhibit No. 2 in this proceeding as specifically modified by Exhibit A attached hereto, in conformance with General Order No. 96, and, after not less than five (5) days' notice to the Commission and to the public, to make said rates effective for service rendered on and after November 22, 1952.

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

Dated at San Francisco, California, this 28th day of October, 1952.

R. J. [Signature]
President.

Justin J. [Signature]

Harold P. [Signature]

[Signature]

[Signature]
Commissioners.

EXHIBIT A
Page 1 of 2

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

Revised Sheet C.R.C. No. 20-W

This schedule shall be withdrawn.

Title Page, Table of Contents, Preliminary Statement, Service Area Map
Approved without change.

Schedule No. 1, General Metered Service
Approved without change.

Schedule No. E-1, Service to Company Employees
Approved without change.

Schedule No. F-1, Fire Hydrant Service
Approved without change.

Schedule No. F-2, Private Fire Protection Service
Approved without change.

Rules Nos. T-1, T-2, T-3, T-4, T-5
Approved without change.

Rule No. T-6

Change Section B to read as follows:

B. Re-establishment of Credit

1. An applicant who previously has been a customer of the Company and during the last 12 months of that prior service has had his water service discontinued because of nonpayment of bills, may be required to re-establish his credit by depositing the amount prescribed in Section B-2 of Rule and Regulation No. T-7.
2. A customer who fails to pay bills as provided in Section A of Rule and Regulation No. T-11 and who further fails, upon second notice of not less than five days, to pay said bills in time required by the second notice, may be required to pay said bills and to re-establish his credit by depositing the amount prescribed in Section B-2 of Rule and Regulation No. T-7.
3. A customer whose service has been discontinued for failure to pay bills as provided in Section A of Rule and Regulation No. T-11 may be required, before service is resumed, to pay said bills and to re-establish his credit by depositing the amount prescribed in Section B-2 of Rule and Regulation No. T-7.

Rule No. T-7

Change Section C-2 to read as follows:

2. After the customer has, for 12 consecutive months, paid all bills for service, without discontinuance for nonpayment thereof, the Company will refund the deposit with interest thereon, as provided in Section D.

EXHIBIT A
Sheet 2 of 2

Rule No. T-8

Change Section B to read as follows:

B. Notices from Customers

Notices from a customer to the Company shall be given by the customer or his authorized representative orally or in writing at the Company's operating office or to an employee of the Company or its agent duly authorized to receive notices or complaints, or shall be sent by mail to the Company's nearest operating office.

Rules Nos. T-9, T-10, T-11

Approved without change.

Rule No. T-12

Delete Section C, New Rates, and re-letter subsequent section.

Rules Nos. T-13, T-14, T-15

Approved without change.

Rule No. T-16

Change second paragraph of Section E to read as follows:

The customer will be held responsible for damage to Company's meters and other property resulting from the use or operation of appliances and facilities on customer's premises, including but not limited to damage caused by steam, hot water, and chemicals.

Rule No. T-17

Delete the following from Section A:

Meter tests will be conducted in accordance with the water standard requirements of the Public Utilities Commission of the State of California.

Rule No. T-18

Approved without change.