

ORIGINAL

Decision No. 48050

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 effective the attached proposed)
tariff schedules (rates, rules and)
regulations) applicable to water ser-)
vice in its Willits Water Service)
Area, etc.)
(Water))

Application No. 32446

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

O P I N I O N

By the above-entitled application, filed May 31, 1951, Pacific Gas and Electric Company seeks an order of this Commission authorizing increased rates for water service rendered in Willits and vicinity, Mendocino County.

Public hearings in the matter were held before Examiner Emerson on September 30, 1952 at Willits and on November 5, 1952 at San Francisco. The matter was submitted on the latter date. Although due notice was given to city and county officials and to the general public, no person appeared at the hearings to protest or otherwise comment upon the increased water rates proposed by applicant.

Applicant seeks an increase in annual gross revenues of about \$57,000 based upon the level of business for the year 1951, an amount which it estimates will be sufficient to earn a rate of return in 1952 of approximately 4.05% on the depreciated rate

base which it developed for the water properties used in the Willits system. The record in this proceeding shows that applicant's earnings from this system, since its acquisition, have produced losses ranging from 0.22% to 2.73% and in only three years has there been a positive rate of return. The highest rate of return thus far earned on this system was 1.37% realized in 1949 on an undepreciated rate base of approximately a half million dollars.

Rates, Present and Proposed

Rates for water service in and about Willits are presently the same as those placed in effect in 1938 by applicant's predecessor. Typical bills under the present rates together with those proposed by applicant are as follows, assuming a 5/8 x 3/4-inch meter:

Quantity Consumed	Per Month	
	Present Rate	Proposed Rate
400 cu.ft., included in min. chgs.	\$1.50	\$2.25
800 cu.ft.....	2.10	4.05
1,500 cu.ft.....	3.50	7.20
2,500 cu.ft.....	5.25	11.45
5,000 cu.ft.....	9.00	21.45
15,000 cu.ft.....	16.50	44.95

Evidence presented by the Commission staff indicates that the average Willits water user, using 1,630 cubic feet of water as a monthly average, would experience an increase of 112% in his water bill under the rates proposed by applicant.

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	\$(10,375)	\$(5,147)	\$29,899	\$32,177
Rate Base	529,197	530,600	529,197	530,600
Rate of Return	loss	loss	5.64%	6.06%
<u>Estimated Year 1952</u>				
Net Revenue	\$(19,773)	\$(8,199)	\$25,720	\$30,146
Rate Base	635,736	677,930	635,736	677,930
Rate of Return	loss	loss	4.05%	4.45%
<u>Estimated Year 1953</u>				
Net Revenue	\$(24,100)	-	\$26,500	-
Rate Base	806,000	-	806,000	-
Rate of Return	loss	-	3.29%	-

(Red Figure)

Conclusion

Differences in rate bases shown in the above summary tabulation arise only from the weighting accorded plant additions during the years 1951 and 1952. For the year 1953, the first full year in which revised rates may be fully effective, [further plant additions reflecting full entry of the new filter plant, replacement of about 1-1/2 miles of large size main in a sliding earth area, plus normal additions for growth], will increase fixed capital items and produce an average depreciated rate base of approximately \$806,000. For the purposes of this proceeding we find such rate base to be reasonable.

The net revenue differences, apparent above, arise basically from two factors. The first involves forecasting of the effect on gross revenues resulting from a considerable curtailment of water usage by industrial users, particularly that of the Northwestern Pacific Railroad which is replacing steam with diesel motive power. The second factor involves completely different approaches to the matter of estimating operating and maintenance expenses. In estimating such expenses, applicant trended into the future expenses actually incurred in the past. The Commission engineer, on the other hand, considered past and present expenses

as being unusually high for a system of this size and type and, therefore, assigned what he considered normal or average expenses to the various accounts.

Although different methods of adjustment and estimating were employed by the respective witnesses of applicant and the Commission staff, end results, as viewed from the standpoint of rate of return, are not greatly dissimilar. From the record in this proceeding it is clear that applicant is not now earning a reasonable return nor will it earn a reasonable return if present rates are continued. For the year 1953 the rates which applicant requests be placed in effect will produce a rate of return of no more than 3½%. Obviously such a return cannot be said to be unreasonable. We conclude and hereby find that applicant is entitled to increased revenues in a total amount not less than that sought and that applicant's proposed rates should 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 the tariffs for the Willits system.

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 Willits and vicinity, Mendocino 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 existing rates, in so far as they differ therefrom, are unjust and unreasonable; therefore,

EXHIBIT A
Page 1 of 3

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

Revised Sheet C.R.C. No. 48-W and Schedule No. F.P.

These schedules shall be withdrawn.

Title Page, Table of Contents, Preliminary Statement, Service Area Map

Approved without change.

Schedule No. 1, General Metered Service

Change the form of the section under "Rate" as follows:

RATES

Quantity Rates:	<u>Per Meter Per Month</u>
First 400 cubic feet, or less	\$ 2.25
Next 1,600 cubic feet, per 100 cubic feet45
Next 3,000 cubic feet, per 100 cubic feet40
Next 5,000 cubic feet, per 100 cubic feet30
Over 10,000 cubic feet, per 100 cubic feet17
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.25
For 3/4-inch meter	3.00
For 1-inch meter	4.00
For 1 1/2-inch meter	5.00
For 2-inch meter	7.50
For 3-inch meter	15.00
For 4-inch meter	25.00
For 6-inch meter	50.00
For 8-inch meter	75.00

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

Schedule No. E-1, Service to Company Employees

Approved without change.

EXHIBIT A
Page 2 of 3

Schedule No. F-1, Fire Hydrant Service

Change the form of the section under "Rates per Month" as follows:

RATES

	Per Month		
	Company Owns and Maintains All Facilities	Customer Owns and Maintains Hydrant	Customer Owns and Maintains Hydrant, Service Pipe and Fittings
Wharf Hydrant:			
On main smaller than 4 inches	\$1.50	\$1.25	\$1.00
On 4-inch main or larger	2.00	1.75	1.50
Standard Hydrant:			
Single Outlet	2.50	2.00	1.75
Double Outlet	3.50	2.75	2.25
Triple Outlet	5.00	4.00	3.25

Schedule No. F-2, Private Fire Protection Service

Change the form of the section under "Rate" as follows:

RATES

	Per Month
For 4-inch service	\$ 5.50
For 6-inch service	7.00
For 8-inch service	10.50
For 10-inch service	25.00

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.

EXHIBIT A
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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.

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 reletter 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.

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission the complete set of tariffs set forth in Exhibit No. 2 in this proceeding as specifically approved or 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 tariffs effective for service rendered on and after January 10, 1953.

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

Dated Los Angeles, California, this 16th day of December, 1952.

R. E. Johnson
President.

Justin J. Casper

Harold P. Hule

Arnold R. Rottel

W. E. Whittell
Commissioners.