

ORIGINAL

Decision No. 48620

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|-----------------------------------|---|-----------------------|
| In the Matter of the Application |) | |
| of CITIZENS UTILITIES COMPANY OF |) | |
| CALIFORNIA, a corporation, for |) | |
| Authority to Increase Water Rates |) | Application No. 33579 |
| for its Water System Serving |) | |
| Guerneville, Rio Nido, Guernewood |) | |
| Park, Northwood and Monte Rio and |) | |
| Adjacent Territory. |) | |

Orrick, Dahlquist, Neff & Harrington, by George H. Johnston and Warren A. Palmer, for applicant.
Harold J. McCarthy, John F. Donovan and Carol Coffey,
 for the Commission staff.

O P I N I O N

Citizens Utilities Company of California, a California corporation, by the above-entitled application, filed July 17, 1952, seeks an order of this Commission authorizing increases in water rates on its system in Sonoma County.

This application is one of five filed by this company on the same date for each of its five separate water systems in California. The matters were consolidated for purpose of hearing before Commissioner Peter E. Mitchell and Examiner F. Everett Emerson during the month of February, 1953. Twelve days of hearings were had, 53 witnesses were heard and 35 exhibits were received. Submission occurred on February 27, 1953. However, Exhibit No. 16 was not submitted by applicant until April 7, 1953. The reporter's transcript of the proceedings totals 1,386 pages.

Applicant's Request

Applicant's instant request is basically that this Commission authorize rates for water service which will enable

applicant to realize a 6.9 per cent rate of return on its rate base. Applicant proposes specific rates which it claims will yield such a return. These are compared with the rates presently in effect by the following tabulation based upon a typical residential or small commercial installation:

For 5/8 x 3/4-inch Meter

| | <u>Present Rates</u> | | <u>Requested Rates</u> |
|---|----------------------|-----------------|------------------------|
| | <u>Seasonal*</u> | <u>Annual**</u> | <u>Annual**</u> |
| Minimum charge, includes 400 cu.ft. per month | \$14.00 | \$18.00 | \$22.00 |
| Quantity charge, over 400 cu.ft. per month: | | | |
| 400-5,000 cu.ft., per 100 cu.ft. | .25 | .25 | .25 |
| Over 5,000 cu.ft., per 100 cu.ft. | .20 | .20 | .20 |

* Four-month season.

** Payable in advance

The company also proposes a monthly rate which it would make available to permanent residents. Such rate would result in an annual sum of monthly charges \$6 higher than the schedule for annual payment in advance.

It will be noted, from the above tabulation, that applicant proposes only to increase the minimum charges.

Applicant proposes no increases in fire hydrant rates.

Applicant's present rates for its Guerneville District have remained unchanged since they were first established in 1924.

Applicant's Operations

Applicant is a wholly-owned subsidiary of Citizens Utilities Company, a Delaware corporation whose headquarters are in Greenwich, Connecticut, an operating and holding company which controls or operates gas, electric, telephone or water utilities in about 200 communities in the United States. Applicant furnishes telephone service in four separate areas and supplies water service in five separate areas in California. As of the end of 1952 it served approximately 12,000 water service connections, about 2,415 of which are in its Guerneville District.

The Guerneville District of applicant contains two separate water systems. One serves Rio Nido, El Bonita, Guerneville, Highland Park and Guerneville Park. The other serves Northwood, Monte Rio, Monte Cristo and Villa Grande. The entire area is one of resort operations. Water supply for the two systems is obtained from a total of 12 creek diversions and four wells. The distribution mains, which range in size between 3/4-inch and 6 inches in nominal diameter, have a total length of approximately 300,025 feet. District storage totals 996,500 gallons and seven booster pumps are utilized. Water deliveries vary from about 310,000 cubic feet during January to approximately 1,800,000 cubic feet during the peak month of August.

Summary of Guerneville District Operations

Applicant and the Commission staff presented analyses of results of operations of this system which are summarized in the following tabulation. Elements thereof are more fully analyzed in succeeding paragraphs.

Year 1951

| Item | Company Recorded | Adjusted by: Applicant ^a | Adjusted by: CPUC Staff ^b |
|--------------------|---------------------|--|---|
| Operating Revenue | \$ 53,089 | \$ 53,089 | \$ 53,089 |
| Operating Expenses | 38,872 | 41,889 | 41,763 |
| Net Revenue | 14,217 | 11,200 | 11,300 |
| Rate Base (Depr.) | 201,000 | 201,896 | 190,800 |
| Rate of Return | 7.07% | 5.55% | 5.92% |

- a. Adjusted for current income tax rates.
b. Adjusted to normalize certain expenses.

Year 1952 Estimated^c

| Item | Present Rates | | Requested Rates ^d |
|------------------------|---------------|---------------------|------------------------------|
| | Applicant | CPUC Staff | CPUC Staff |
| Operating Revenue | \$ 55,710 | \$ 56,400 | \$ 67,700 |
| Operating Expenses | | | |
| Before Taxes and Depr. | 24,098 | 24,680 | 24,680 |
| Taxes | 13,920 | 14,400 | 20,500 |
| Depreciation | 6,383 | 6,363 | 6,363 |
| Total Oper. Expenses | 44,401 | 45,443 ^e | 51,543 |
| Net Revenue | 11,309 | 11,000 ^e | 16,200 ^e |
| Rate Base (Depr.) | 206,098 | 198,600 | 198,600 |
| Rate of Return | 5.49% | 5.54% | 8.16% |

- c. Estimated on basis of nine months actual.
d. In application as amended.
e. Rounded figure.

Year 1953 Estimated

| Item | Applicant | |
|-------------------------------|---------------|-----------------|
| | Present Rates | Requested Rates |
| Operating Revenue | \$ 56,000 | \$ 65,264 |
| Operating Expenses | | |
| Before Taxes and Depreciation | 27,125 | 27,125 |
| Taxes | 12,067 | 17,162 |
| Depreciation | 6,639 | 6,639 |
| Total Oper. Expenses | 45,831 | 50,926 |
| Net Revenue | 10,169 | 14,338 |
| Rate Base (Depr.) | 207,800 | 207,800 |
| Rate of Return | 4.89% | 6.90% |

In addition to the Guerneville District results of operations, above summarized, evidence respecting applicant's over-all water department operations was presented. For the year 1951, recorded amounts indicated a department-wide rate of return of 6.74 per cent. For the year 1952, present rates were estimated by the staff to yield a rate of return of 3.85 per cent on a department-wide basis. The staff also estimated that if the rates requested for each district, as contained in the five applications as amended, had been in effect for the full year 1952, the comparable rate of return would have been 7.47 per cent.

Rate Base

The rate bases, set forth for the years 1951 and 1952 in the above summary, differ primarily in the treatment accorded landed fixed capital. Applicant's fixed capital accounts stem from the year 1928 when, upon this Commission's authorization, applicant acquired the properties.^{1/} Shortly after acquisition, applicant restated its books to meet the Commission's findings and directives relative to charges to primary accounts^{2/} and it now urges the acceptance of such book figures in the determination of a rate base upon which it is entitled to earn a reasonable return. The staff, on the other hand, urged acceptance of an adjustment in the book figures representing lands in order to reflect estimates of costs rather than recorded costs.

It appears reasonable, for the purpose of this proceeding, to adopt the book costs of lands as urged by applicant and the same will be used herein for rate base determination. The reasonable average depreciated rate bases adopted are \$206,000 for the year 1952 and \$207,000 for the estimated year 1953, the latter fully including applicant's construction program for the year 1953.

Revenues and Expenses

For the adjusted year 1951 and the estimated year 1952, applicant and the staff are in close agreement in their revenue and expense calculations although they pursued different methods of

^{1/} Decision No. 20243 in Application No. 14893, issued September 21, 1928 (32 CRC 216).

^{2/} Letter to A. F. Christie, File No. 601-3, dated September 5, 1929, part of this record by reference.

derivation. In view of the evidence, we adopt as reasonable the sum of \$11,150 as representing net revenue for the year 1952.

Rate of Return

Relating the above-adopted 1952 net revenue to the average rate base hereinabove found to be reasonable for the same year indicates a rate of return of 5.41 per cent. Such a return is within the lower limits of the zone of reasonableness.

Conclusions

The evidence is clear that this district's operations have experienced a relatively small but steady growth. Capital increments since 1943 have averaged 3½ per cent annually. Revenue increments have averaged 6 per cent during the same period. Expenses have experienced an incremental increase of about 14 per cent in recent years. In view of such situation, applicant's return on this district's operations may continue to decline somewhat. Accordingly, we shall authorize rates for this district which will yield gross revenues of approximately \$61,000 annually and which will produce, on the basis of the 1953 estimates before us in this proceeding, an initial rate of return of 6.35 per cent on a depreciated rate base of \$207,000. We find such rate of return and rate base to be reasonable for the purposes of this proceeding. After an initial 12-month

period such return may be expected to decline to 6 per cent, which return we also find to be reasonable.

Applicant will be required to serve all customers at the rates hereinafter authorized without discrimination and without deviation therefrom. Applicant shall not serve any customer, under contract or otherwise, at rates other than those hereinafter authorized until, after separate showing before this Commission that such other rates are justified, a specific order of this Commission is entered authorizing the same.

In view of applicant's expressed intention to adopt the straight-line remaining life method of depreciation accounting, accruals by such method will be ordered.

Applicant will be required to modernize its tariffs and, in accordance with the basic statutes and the orders of this Commission, to maintain an accurate file of its tariffs in its Guerneville District office.

Authorized Rates

The rates hereinafter authorized will increase applicant's gross revenues by approximately \$4,650 annually, based upon 1952 consumption. Annual and seasonal minimum billings for the year 1953 will receive an additional billing representing one half of the increase in the annual or seasonal bill.

O R D E R

Citizens Utilities Company of California having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in its Guerneville District in Sonoma County, public hearings 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 are justified and that the existing rates, in so far as they differ from those hereinafter authorized, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, in conformance with General Order No. 96, the schedule of rates set forth in Exhibit A attached to this order and, after not less than five days' notice to the Commission and to the public, to make said rates effective for service rendered on and after July 1, 1953.

IT IS HEREBY FURTHER ORDERED, as follows:

1. Applicant is authorized to render additional billings, to those customers who have prepaid their 1953 minimum annual or seasonal bills, representing one half the increase between the minimum charges set forth in Exhibit A attached hereto and the minimum charges set forth in the rates being replaced.
2. Within thirty days from and after the effective date of this order applicant shall file in quadruplicate with this Commission, in conformity with General Order No. 96, rules governing customer relations revised to reflect present-day operating practices, together with a tariff service area map and with current forms used in connection with customer service, and shall thenceforth maintain in its district office a complete and accurate set of tariffs for public inspection.
3. Within ninety days from and after the effective date of this order applicant shall file four copies of a comprehensive map, drawn to an indicated scale of not smaller than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.

- 4. Effective not later than July 1, 1953, applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; further, applicant shall review such accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

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

Dated at San Francisco, California, this 19th day of May, 1953.

R. I. [Signature]
President.

Justin F. [Signature]
Harriet [Signature]

Benjamin [Signature]
Edw E [Signature]
Commissioners.

EXHIBIT A.
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Schedule No. 1

ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service rendered annually on a metered basis..

TERRITORY

In Guerneville, Rio Nido, Guernewood Park, Northwood, Monte Rio, and adjacent territory in Sonoma County..

RATES

| | <u>Per Meter</u> <u>Per Month</u> |
|--|--------------------------------------|
| Monthly Quantity Rates: | |
| First 500 cu.ft. or less | \$ 1.67 |
| Next 4,500 cu.ft., per 100 cu.ft. | .25 |
| Over 5,000 cu.ft., per 100 cu.ft. | .20 |
| Annual Minimum Charge: | |
| For 5/8 x 3/4-inch meter | <u>Per Meter</u> \$ 20.00 |
| For 3/4-inch meter | 32.00 |
| For 1-inch meter | 45.00 |
| For 1 1/2-inch meter | 85.00 |
| For 2-inch meter | 135.00 |

The Annual Minimum Charge will entitle the consumer to a monthly quantity of water which one twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The Annual Minimum Charge is payable in advance and is applicable to service for a calendar year.
2. The allowance per month for the minimum charge is noncumulative.

EXHIBIT A
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Schedule No. 2

SEASONAL METERED SERVICEAPPLICABILITY

Applicable to all seasonal water service rendered on a metered basis.

TERRITORY

In Guerneville, Rio Nido, Guernewood Park, Northwood, Monte Rio, and adjacent territory in Sonoma County.

RATES

Seasonal Minimum Charge:

Applies to the eight-month period from March 1 to October 31.

| | Quantity Allowed Per Month For Minimum Charge | Per Meter Per Season |
|--------------------------|---|-------------------------|
| For 5/8 x 3/4-inch meter | 500 cu.ft. | \$ 18.00 |
| For 3/4-inch meter | 850 cu.ft. | 28.00 |
| For 1-inch meter | 1,250 cu.ft. | 40.00 |
| For 1 1/2-inch meter | 2,500 cu.ft. | 70.00 |
| For 2-inch meter | 4,000 cu.ft. | 115.00 |

Water use in excess of the quantity allowed each month for the Seasonal Minimum Charge will be billed at the following rates:

| | Per Meter Per Month |
|--|------------------------|
| Excess over monthly allowance to a total of 5,000 cu.ft., per 100 cu.ft. | \$ 0.25 |
| Over 5,000 cu.ft., per 100 cu.ft. | .20 |

SPECIAL CONDITIONS

1. This schedule is available only on a full season basis of eight months (March 1 to October 31, inclusive).
2. The seasonal minimum charge is payable in advance.
3. The allowance per month for the minimum charge is noncumulative.
4. The charge for water used in excess of the quantity allowed per month for the minimum charge will be payable upon presentation of the monthly bill for such excess quantity.

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

Applicable to fire protection service rendered to municipalities, duly organized or incorporated fire districts, or other political subdivisions legally empowered to enter into contracts for such service.

TERRITORY

In Guerneville, Rio Nido, Guerneville Park, Northwood, Monte Rio and adjacent territory in Sonoma County.

RATES

| | <u>Per Year</u> |
|---|-----------------|
| Guerneville Fire District: | |
| Flat rate charge for 3- 2-inch hydrants and 16- 4-inch hydrants | \$747.00 |
| Additional 2-inch hydrants, each | 15.00 |
| Additional 4-inch hydrants, each | 36.00 |
| Monte Rio Fire District: | |
| 4-inch hydrants, each | \$ 36.00 |
| 2-inch hydrants (high pressure), each | 15.00 |
| 2-inch hydrants (low pressure), each | 6.00 |
| Rio Nido Fire District: | |
| 4-inch hydrants, each | \$ 36.00 |
| 2-inch hydrants, each | 15.00 |

SPECIAL CONDITIONS

1. The above rate includes use of water for fire fighting and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges therefor will be made at Annual General Metered Service rates.
2. The Company will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.