

ORIGINAL

Decision No. 49187

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
 Commission of the State of California
 authorizing applicant to file and
 make effective the attached proposed
 tariff schedules (rates, rules and
 regulations) applicable to water
 service in its Salinas Water Service
 Area, etc.

Application No. 34038

(Water)

Ralph W. DuVal, for applicant.
Russell Scott, City Attorney, for City
 of Salinas, interested party.
Harold J. McCarthy and C. T. Coffey,
 for the Commission staff.

O P I N I O N

By the above-entitled proceeding, as filed January 22, 1953, and as amended April 17, 1953, Pacific Gas and Electric Company seeks an order of this Commission authorizing it to increase rates and charges for water service rendered in its Salinas District.

After due notice, the matter was heard before Examiner Emerson at public hearings in Salinas on July 9 and September 23 and 24, 1953. The matter was submitted on the latter date. Other than the city representative no person appeared at the hearing to protest or otherwise comment upon the increased water rates proposed by applicant.

Applicant's Position and Request

By its rate proposal applicant seeks an increase in annual gross revenues of about \$103,000, an amount which, on the basis of 1953 usage, will be sufficient to increase its rate of

return from about 2.4 per cent to approximately 5.8 per cent on its investment of approximately \$1,353,000 in water properties used in the Salinas District system. The record in this proceeding shows that applicant's earnings have produced rates of return of less than 3 per cent for the past three years. Should present tax levels not decrease during 1954, applicant may earn no greater than a 5.2 per cent return during that year. If the present federal income tax rate of 52 per cent is reduced to a 47 per cent rate in April, 1954, applicant's rate of return would be increased by approximately 3/10 of 1 per cent.

Rates for water service in Salinas are presently the same as those placed in effect in 1917. For the average residential and business customer using a 5/8 x 3/4-inch meter, the present rates together with those proposed by applicant are as follows:

	<u>Present Rates</u> per Month	<u>Proposed Rates</u> per Month
First 500 cu.ft. or less	\$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

Under the rates proposed by applicant the average Salinas water user, using 2,280 cubic feet of water as a monthly average, would experience an increase of 47 per cent in his water bill.

With respect to fire hydrant service, since 1917 applicant's charge to the City of Salinas has been a flat rate of \$100 per month for all the hydrants connected to the system. There is now no record of the number of hydrants then served but it appears that 105 hydrants were on the system in 1928. Such number had grown to 181 in 1947 and in 1953 to the present number of 260 hydrants. Some additional hydrants are served outside the city limits. Applicant now proposes to apply to the Salinas area

the same schedule of fire hydrant charges presently in effect on its other town systems. By so doing, total hydrant revenues would increase from \$1,350 to \$7,350 annually.

Summary of Presentations

The tabulation below is a summary of the presentations respecting results of operations as made by applicant and the Commission staff. The city made no affirmative presentation but participated in cross-examination of witnesses.

<u>Estimated Year 1953</u>	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Net Revenue	\$ 32,504	\$ 31,626	\$ 78,775	\$ 78,712
Rate Base (Depr.)	1,338,137	1,352,000	1,353,269	1,352,000
Rate of Return	2.43%	2.34%	5.82%	5.82%

Estimated Year 1954

Proposed Rates, Applicant

Operating Revenues	\$ 317,320
Operating Expenses	235,747
Net Revenue	81,573
Rate Base (Depreciated)	1,561,225
Rate of Return	5.22%

Conclusion

The record in this proceeding clearly shows that although different methods of adjustment and estimating were employed by the respective experts who testified, end results are in substantial agreement. It is apparent from the record, and as shown by the above summary tabulation, that applicant is not now earning a reasonable rate of return nor will it earn a reasonable return if present rates are continued. Applicant is entitled to relief in the form of increased revenues and in the total amount sought. The rates, charges and rules proposed by applicant are just and reasonable and they will be authorized.

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 Salinas and vicinity, Monterey County, public hearing thereon having been had 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, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission the complete tariff schedules set forth in Exhibit No. 10 in this proceeding, in conformance with General Order No. 96 and, after not less than five days' notice to this Commission and to the public, to make said tariffs effective for service rendered on and after November 15, 1953.
2. Applicant shall file within forty days after the effective date hereof four copies of a comprehensive map, drawn to an indicated scale not smaller than 1,000 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 in its Salinas District.

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

Dated at San Francisco, California, this 6th day of October, 1953.

R. Z. [Signature]

 President

Justin J. [Signature]

[Signature]

[Signature]

Commissioners