

ORIGINAL

Decision No. 49452

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)	Application No. 34090
tariff schedules (rates, rules and)	
regulations) applicable to water)	
service in its Angels and Altaville)	
Water Service Area, etc.)	
(Water))	

- For Applicant: Ralph W. DuVal, Frederick T. Searles
and John C. Morrissey.
- For Protestants: Joseph S. Huberty and Leonard G. Husar, for County of Calaveras and City of Angels.
- For Interested Parties: J. J. Deuel and Eldon N. Dye, California Farm Bureau Federation; Frank Davis, for Calaveras County Water District.
- For Commission Staff: Frank B. Austin and George F. Tinkler.

O P I N I O N

By the above-entitled application, filed February 13, 1953, Pacific Gas and Electric Company, a California corporation, seeks an order of this Commission authorizing increases in rates and charges for water service rendered in its Angels-Altaville service area in Calaveras County.

Public hearing of this matter was held before Examiner Emerson on October 14, 1953 at San Andreas and on October 15, 1953 at Angels Camp. The matter was submitted on the latter date.

Applicant's Position and Request

Applicant alleges that existing water rates have been, now are, and for an indefinite future period would be inadequate and insufficient to enable it to earn a reasonable return on its investment in the water properties comprising this system. Further, it alleges that it would be deprived of its property and the use

thereof without just compensation if it should be required to continue to supply water service to its customers at existing rates. Its water system books have shown steadily declining earnings for several years and a loss of over \$2,000 during 1952. According to its estimate of 1953 operations the loss will approximate a negative rate of return of about 2.4 per cent on a depreciated rate base.

Applicant, in its application, states that the increased rates and charges which it seeks authority to make effective are designed to provide an increase of \$20,075 in gross revenues, based upon 1953 operations, which, if applied to a depreciated rate base in that year, would have produced a rate of return of 5.52 per cent. On the basis of estimated operations in 1954 as presented at the hearing, such increased rates would produce a rate of return of 2.10 per cent, according to applicant; such sharp decline resulting from the capital costs of installing a water filtration plant. If rates are continued at their present level applicant alleges it would operate at a loss of over \$11,000 in 1954.

Applicant's basic rates have remained unchanged since August 15, 1921. In the following tabulation charges at present rates are compared with those proposed by applicant.

Typical Monthly Bills, 5/8- x 3/4-Inch Meter

Quantity	Bill		Per Cent Increase
	Present Rates	Proposed Rates	
300 cubic feet	\$ 1.80	\$ 2.25	25
500 cubic feet	1.80	2.75	53
1,000 cubic feet	1.80	4.00	67
1,500 cubic feet	2.30	5.25	128
1,565 cubic feet, average domestic usage	2.37	5.42	128
2,000 cubic feet	2.80	6.50	132
2,378 cubic feet, average commercial usage	3.18	7.44	133
3,000 cubic feet	3.80	9.00	137
5,000 cubic feet	4.60	11.00	139
10,000 cubic feet	6.60	16.00	142
Municipal usage, including hydrant rentals	770/yr	1,485/yr	93

Applicant also proposes to increase charges for fire hydrant service from the present charge of 75 cents per hydrant to charges ranging from \$1 to \$5 per hydrant depending upon size and ownership of the hydrant. For the present number of hydrants served, applicant estimates a municipal department revenue increase of \$715 on an annual basis.

Applicant's Operations

Water for the Angels system is obtained by diversion from the North Fork of the Stanislaus River about 25 miles from Angels Camp. After passing through four impounding reservoirs it is conveyed through Utica Ditch, Hunters Reservoir, Murphy's Power House, Angels Creek and Angels Ditch to the forebay of Angels Power House. It is then taken from the Angels Power House penstock, treated with chlorine and distributed throughout Angels and Altaville through about 50,100 feet of pipe. The distribution system has two pressure zones wherein pressures are maintained in the range of 70 psi to 125 psi. The entire system is gravity fed. During the year 1952 the system served an average of 579 customers.

Protestants' Position

Protestants oppose applicant's rate proposal on several grounds. First, they maintain that an increase of the magnitude proposed by applicant is unfair and unreasonable and will place a sudden and intolerable economic burden upon the residents of communities wherein family incomes are much below the state-wide average. Second, they maintain that this water system throughout its entire history has been but an infinitesimal appendage to a large water-gathering system developed for mining and hydroelectric usage and that, therefore, it should not be set apart as a separate revenue-producing entity on which charges for water consumption would be determined by a rate of return on a rate base divorced

from applicant's electric department operations. Third, the majority of the users and the City are unable to pay the increased rates and, therefore, will be forced to curtail seriously their present water usage. In particular, it is claimed that the City will be forced to discontinue much of its present fire hydrant service because of lack of funds with which to pay for such service, thereby seriously affecting the safety of the community. Fourth, the character of the service rendered, particularly with respect to the turbid water normally served, does not warrant any increase in rates.

Nature of Evidence

Applicant, through seven exhibits and four witnesses, presented detailed analyses of past, present and projected results of operations for this system. The showing respecting results of operations is summarized as follows:

Item	Year 1952:	Year 1953:	Year 1954:	
	Present Rates	Present Rates	Present Rates	Proposed Rates
Operating Revenues	\$ 17,048	\$ 17,240	\$ 17,530	\$ 37,720
Operating Expenses				
Before Taxes and Depr.	14,780	15,918	17,429	17,499
Taxes	2,357	2,450	4,701	6,539
Depreciation	2,895	3,309	6,427	6,427
Total Oper. Exps.	20,032	21,677	28,557	30,465
Net Revenue	(2,984)	(4,437)	(11,027)	7,255
Rate Base (Depr.)	160,892	183,532	345,137	345,137
Rate of Return	loss	loss	loss	2.10%

(Red Figure)

In addition to the results of operations above tabulated, applicant presented evidence showing earnings, on an undepreciated rate base and with sinking fund depreciation, resulting in rates of return of 2.61 per cent for 1949, 2.48 per cent for 1950 and 0.40 per cent for 1951.

It will be noted, from the tabulation, that system revenues show little growth while expenses, even excluding taxes and

depreciation, have rapidly increased. Such increase in operating expenses is said to have been occasioned primarily by wage and salary increases granted employees following labor negotiations. Applicant's estimate for the year 1954 shows that during that year, if present water rates are not increased, the total revenues barely will be adequate to meet payroll charges and can not provide for either taxes or depreciation in addition thereto. Applicant clearly is in need of increased revenues.

The major increase in rate base noted above in the tabulation for the year 1954 is the inclusion of approximately \$137,000 for the construction of a water treatment plant. The record indicates that the water now served is never completely clear and often is of a dirty yellow or red color. Applicant admits of many complaints regarding such water. Its new treatment plant will provide clear water and store one million gallons, or about 2-1/2 days' summer demands, for use in Angels and Altaville.

Protestants called seven witnesses and presented two exhibits. Their testimony was in support of protestants' position as hereinabove stated and they were unanimous in predicting unreasonable adverse effects on the entire community as the result of an increase of the magnitude proposed by applicant. They pointed out that Calaveras County income is low per capitawise and claim that many water users will be forced to curtail usage sharply in order to keep their water bills at reasonable levels. Some would resort to obtaining a supply of water independent from that of applicant. The City of Angels will discontinue all double-outlet fire hydrant service and reduce the number of other hydrants so as to reduce its bill under the proposed rates to that which it now pays.

With respect to estimates of revenue under the proposed rates applicant's witness made no allowance for any decrease in consumption following a rate increase. The experience of a number of water utilities before this Commission for rate increases in recent years tends to support protestants' argument that recognition should be given in this proceeding to the economic principle of decreasing return.

Conclusions

Testimony in this proceeding is convincing that applicant's rate proposal has reached the limits of many customers' ability to pay and exceeds that of others. Under such conditions some customers will develop their own sources of supply thereby contributing less, not more, to applicant's gross revenues.

Applicant's plans for vastly improving the quality of water served and its early completion of a filtration plant are commendable. It is apparent that applicant at this time is earnestly attempting to better serve its customers.

We find that applicant clearly has demonstrated a need for increased revenues from this water system. In view of the evidence, however, we are of the opinion that an increase of the magnitude sought is not justified and if granted would place an unreasonable burden upon its customers. We shall authorize rates which are designed to do little more than halt applicant's recorded losses. Under such rates any net revenues in excess of \$4,800, equivalent to a rate of return of 1.4 per cent, which may result will arise primarily from economies and increased efficiencies in applicant's operations of the water system. Applicant is capable of accomplishing such desirable result without impairing its service to the public.

Authorized Rates

The rates hereinafter authorized will provide for a minimum charge of \$2.50 for consumption of 500 cubic feet or less per month. The next block of 2,500 cubic feet per month will carry a charge of 20 cents per 100 cubic feet. Consumptions in excess of 3,000 cubic feet per month will be at the rate of 10 cents per 100 cubic feet. By such rates the average residential consumer will experience an average increase of about 96 per cent in his annual water bill.

Applicant's proposal respecting fire hydrant charges will be authorized without change. By so doing applicant's fire hydrant service schedule will be uniform throughout its water department.

O R D E R

Pacific Gas and Electric Company having applied to this Commission for authority to increase rates for water service rendered in its Angels-Altaville service area, public hearing thereon having been held, the matter having been submitted and now being ready 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, after the effective date of this order and in conformance with the provisions of General Order No. 96, the tariff schedules set forth in Exhibit No. 5 in this proceeding as modified by Appendix A attached to this order

and, after not less than five days' notice to the public and this Commission, to make said tariffs effective for service rendered on and after February 1, 1954.

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

Dated at San Francisco, California, this 21st day of December 1953.

R. F. [Signature]
President
Justina F. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A

The tariff sheets set forth in Exhibit 5 in this proceeding are approved except as specifically modified herein.

Schedule No. 1, General Metered Service

Approved with the following rates and condition:

	<u>Per Meter per Month</u>
Quantity Rates:	
First 500 cubic feet or less	\$2.50
Next 2,500 cubic feet, per 100 cubic feet	.20
Over 3,000 cubic feet, per 100 cubic feet	.10
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$2.50
For 3/4-inch meter	3.00
For 1-inch meter	4.25
For 1-1/2-inch meter	6.50
For 2-inch meter	10.00
For 3-inch meter	15.00
For 4-inch meter	22.00

SPECIAL CONDITION

Change last sentence to read "In such cases a special contract will be required under such terms as the conditions warrant, subject to approval by the Public Utilities Commission of the State of California."