

ORIGINALDecision No. 50652

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. 33581
for its water system serving the)	(As Amended)
area known as Boulder Creek, Ben)	
Lomond, Brookdale, Santa Cruz)	
County, California.)	

FIRST SUPPLEMENTAL OPINION AND ORDER

By its first supplemental application in the above-entitled proceeding, filed September 16, 1954, Citizens Utilities Company of California seeks authorization to file increased water rates for service rendered in its Boulder Creek District in order to produce additional gross revenues in an amount computed as being equivalent to increased federal income taxes to be imposed upon applicant by the Revenue Code of 1954.

Applicant's presently authorized rates,^{1/} to become effective January 1, 1955, were based upon the composite federal income tax rate of 47 per cent in effect at the time of authorization. On July 29, 1954, or thereabouts, the Congress adopted a new Internal Revenue Code by which a federal income tax rate of 52 per cent is made applicable to corporate income. Applicant is now obligated to pay its federal income taxes at the rate of 52 per cent.

It is the rule established by the Supreme Court of the United States that income taxes, both state and federal, are a

^{1/} Authorized by Decision No. 50250 issued July 6, 1954.

proper charge to operating expense (Galveston Electric Company v. City of Galveston -- decided in 1922 - 258 U.S. 388,399, 66 L. Ed. 678,684; Georgia Railway and Power Company v. Railroad Commission - decided in 1923 - 262 U.S. 625,632-633, 67 L. Ed. 1144,1148). The Court stated unequivocally that income taxes are a proper charge to operating expenses and that it is error not to allow such charge. In the circumstances, we are of the opinion that the Commission is bound by the rule laid down by the Supreme Court of the United States concerning the subject in question. Therefore the additional income taxes to be levied against this applicant at the 52 per cent rate must be allowed as a proper charge to its operating expense.

Applicant has heretofore made a full showing of the facts justifying the increased water service rates authorized by our Decision No. 50250 and we have so found. As a result of the increased income tax rate, applicant's earnings will be below that found to be fair and reasonable by said Decision No. 50250. Applicant will be authorized to increase its gross revenues in the amount now necessary to restore it to the intended earning position. Such amount equals an additional increase of \$3,475 in gross revenues on an annual basis, which increase we hereby find to be justified.

Being of the opinion that a public hearing herein is not necessary,

IT IS FOUND AS A FACT that the increases in rates and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED that Citizens Utilities Company of California is authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96, the tariff

sheets attached hereto as Appendix A and, after not less than five days' notice to the public and to this Commission, to make said tariff sheets effective as of January 1, 1955.

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

Dated at San Francisco, California, this 13th day of OCTOBER, 1954.

John E. Mitchell
President
James F. Caswell
Wesley J. Roggins
Ray G. Lutz

Commissioners

APPENDIX A
Page 1 of 4

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to metered water service.

TERRITORY

Throughout the entire territory served in the Boulder Creek-Brookdale-Ben Lomond area of Santa Cruz County.

RATES

Monthly Quantity Rates:		<u>Per Meter per Month</u>
First	500 cu.ft. or less	\$2.60
Next	1,500 cu.ft., per 100 cu.ft.....	.45
Next	2,000 cu.ft., per 100 cu.ft.....	.37
Next	3,000 cu.ft., per 100 cu.ft.....	.31
Next	5,000 cu.ft., per 100 cu.ft.....	.26
Over	12,000 cu.ft., per 100 cu.ft.....	.18
Annual Minimum Charge:		<u>Per Meter per Year</u>
For	5/8 x 3/4-inch meter	\$ 31.20
For	3/4-inch meter	44.00
For	1-inch meter	56.00
For	1-1/2-inch meter	100.00
For	2-inch meter	150.00

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 above annual minimum charges apply to service during the 12-month period commencing January 1, and are due in advance. A customer who has established his permanency by having taken service at the same location during each of the preceding 12 months may elect to pay the annual minimum charge on a monthly basis equal to one twelfth of the annual minimum charge.

APPENDIX A
Page 2 of 4

Schedule No. 1--contd.

GENERAL METERED SERVICE

SPECIAL CONDITIONS--contd.

2. For initial service the above annual minimum charges will be prorated. Any customer who discontinues service and subsequently requests resumption of service at the same location will not be reconnected until the applicable annual minimum charge and the reconnection charge shall have been paid in full.

3. When the annual minimum charge is paid annually in advance, charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly or quarterly, at the option of the utility, on a noncumulative consumption basis.

APPENDIX A
Page 3 of 4

Schedule No. 2

SEASONAL METERED SERVICE

APPLICABILITY

Applicable to seasonal water users whose period of water service requirements does not exceed ten consecutive months in a calendar year.

TERRITORY

Throughout the entire territory served in the Boulder Creek-Brookdale-Ben Lomond area of Santa Cruz.

RATES

Monthly Quantity Rates:		<u>Per Meter per Month</u>
First	500 cu.ft. or less	\$2.60
Next	1,500 cu.ft., per 100 cu.ft.....	.45
Next	2,000 cu.ft., per 100 cu.ft.....	.37
Next	3,000 cu.ft., per 100 cu.ft.....	.31
Next	5,000 cu.ft., per 100 cu.ft.....	.26
Over	12,000 cu.ft., per 100 cu.ft.....	.18

Annual Minimum Charge:		<u>Per Meter per Year</u>
For	5/8 x 3/4-inch meter	\$ 26.00
For	3/4-inch meter	36.00
For	1-inch meter	47.00
For	1-1/2-inch meter	83.00
For	2-inch meter	125.00

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

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during ten consecutive months of the calendar year and are due January 1.
2. Where service is required for more than ten consecutive months, service will be rendered only under Schedule No. 1, "General Metered Service".
3. For initial service the above annual minimum charges will be prorated.
4. Charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly or quarterly, at the option of the utility, on a noncumulative consumption basis.

APPENDIX A
Page 4 of 4

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service rendered to duly organized or incorporated fire districts or other political subdivisions when contracts have been entered into for such service.

TERRITORY

Throughout the entire area served in the Boulder Creek-Brookdale-Ben Lomond area of Santa Cruz County.

RATES

	<u>Per Hydrant per Month</u>
On mains four inches in diameter or larger	\$1.50
On mains less than four inches in diameter	0.50

SPECIAL CONDITIONS

1. The cost of installing and maintaining hydrants will be borne by the district, not by the utility.
2. The above rates include the 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 will be made at the monthly quantity rates under the schedule for "General Metered Service".
3. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.