

ORIGINAL

Decision No. 57631

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY, a corporation, for an order authorizing it to increase rates charged for water service in the Petaluma district.

Application No. 39889

McCutchen, Doyle, Brown & Enersen, by Robert Minge Brown, and A. Crawford Greene, Jr., for applicant; Edouard E. Robert for City of Petaluma, interested party; Cyril M. Saroyan and Jean B. Balcomb, for the Commission staff.

O P I N I O NNature of Proceeding

By this application, filed March 10, 1958, California Water Service Company, a California corporation, seeks an order of this Commission authorizing it to increase rates for service rendered in its Petaluma district.

Public Hearing

After due notice to public officials and to the public in general in the Petaluma district of applicant, public hearing in the matter was held before Examiner F. Everett Emerson on October 22, 1958, at Petaluma. The matter was submitted on such date.

Applicant's Position

The present rates for water service in this district were authorized by this Commission in 1952. In the period of six years since that time, the levels of wages and the prices of materials have risen several times. During this same period applicant's investment in the district has increased by approximately \$400,000 or 36 per cent, while the number of customers has increased by only about 15 per cent.

The production of water in the Petaluma district is both difficult and expensive. After fully exploiting its own sources of supply, applicant has found it imperative to lease wells to augment its own supply in order to meet the public's water demands. The sharp increases in rate base and expenses attributable to the production of water, particularly in the last three years, have had a pronounced adverse effect upon applicant's rate of return. These items, coupled with the generally adverse effect of inflation, have so reduced applicant's earnings in this district that applicant has determined that substantial rate relief is imperative. Applicant's proposed water rates are estimated to increase its Petaluma district revenues by about 32 per cent.

Rates, Present and Proposed

Applicant proposes to increase rates only for General Metered Service. A comparison of charges for typical water uses, under existing and proposed rates, is as follows:

For Service through 5/8" x 3/4" meter

<u>Quantity</u>	<u>Present Charge</u>	<u>Proposed Charge</u>
0 cubic feet	\$ 1.90	\$ 2.50
600 cubic feet	2.76	4.60
800 cubic feet	3.62	5.30
1,000 cubic feet	4.48	6.00
1,500 cubic feet	6.63	7.75
2,000 cubic feet	8.78	9.50
5,000 cubic feet	19.18	20.00

Nature of Evidence

Applicant and the Commission staff presented evidence respecting all phases of applicant's Petaluma district operations. Also, evidence respecting applicant's over-all operations, presented on September 10 and 11 during the hearing on Application No. 39888, is part of this record by reference. Thus, the Commission has before it in this proceeding evidence respecting all of applicant's operations and the results thereof as it pertains to the company's financial position.

The following tabulation will serve to summarize the evidence respecting applicant's operations for the estimated year 1958:

PETALUMA DISTRICT

SUMMARY OF EARNINGS - ESTIMATED YEAR 1958

At Existing Water Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 296,630	\$ 300,400
Operating Expenses	248,500	250,210
Net Revenue	48,130	50,190
Rate Base (depreciated)	1,461,500	1,461,400
Rate of Return	3.29%	3.43%

At Applicant's Proposed Water Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 394,160	\$ 396,600
Operating Expenses	301,210	302,080
Net Revenue	92,950	94,520
Rate Base (depreciated)	1,461,500	1,461,400
Rate of Return	6.36%	6.47%

Findings and Conclusions

In view of the evidence, the Commission finds that applicant has conclusively demonstrated its need for and entitlement to increased revenues in the Petaluma district.

As illustrated by the foregoing summary of the results of applicant's operations, only minor differences were developed by the independently-determined analysis made by the Commission staff. In our opinion, the evidence presented by the staff corroborates applicant's evidence. The record in this proceeding makes it abundantly clear that applicant's proposed water rates are themselves reasonable and will produce a fair and reasonable return and we find the facts so to be. Accordingly, applicant's request for increased water rates will be authorized.

The findings and conclusions herein with respect to prospective operations under proposed water rates, are predicated upon applicant's use of straight-line depreciation for income tax expense purposes. For the year 1957 applicant elected, under Section 167 of the 1954 Internal Revenue Code, to use accelerated depreciation. Applicant is aware that this Commission has not finally determined the treatment to be accorded accelerated depreciation and is therefore placed on notice that upon notification that applicant has elected to use accelerated depreciation for tax purposes for the year 1958 or a subsequent year and that upon final determination of the Commission with respect to the over-all matter, the Commission may reopen this proceeding and adjust water rates accordingly.

Over-all Conclusion

The findings hereinabove set forth produce an over-all result which we find to be reasonable and in the public interest. Further, we hereby find as a fact that the increases in rates and charges authorized herein are justified and that present rates and charges, in so far as they differ from those herein prescribed, for the future are unjust and unreasonable.

O R D E R

California Water Service Company, having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in its Petaluma district, public hearing having been held, the matter having been submitted and now being ready for decision based on the evidence and the findings and conclusions contained in the foregoing opinion;

IT IS HEREBY ORDERED that California Water Service Company 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 rates as shown in Table 12-8 of Exhibit No. 1 in this proceeding, and, on not less than five days' notice to the public and to this Commission, to make said rates effective for water service rendered on and after December 22, 1958.

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

Dated at San Francisco, California, this 25th day of November, 1958.

[Signature]
President
[Signature]
[Signature]
Commissioners

Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.