

ORIGINAL

61641

Decision No. _____

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 authoriz-)
 ing it to increase rates charged)
 for water service in the Chico dis-)
 trict.)

Application No. 42328

McCutchen, Doyle, Brown & Enersen, by Robert Minge
Brown and A. Crawford Greene, Jr., for applicant.
The City of Chico, by Grayson Price, Jean Morony,
Fred Davis and Ross Lawler, interested party.
Cyril M. Saroyan and John R. Gillanders, for the
Commission staff.

O P I N I O N

By this application, filed June 8, 1960, California Water Service Company seeks an order of this Commission authorizing it to increase rates and charges for service rendered in the City of Chico, and vicinity, Butte County.

Public hearing in the matter was held on December 7, 1960 at Chico and on December 16, 1960 at San Francisco. The matter is ready for decision.

Applicant's existing rates were authorized for its Chico District by this Commission on July 5, 1955. The rate increases which applicant now seeks would produce additional revenues of about \$103,000 annually, an over-all increase of 23 per cent, based on the normalized level of business as estimated for the year 1960. Applicant proposes increased rates for both metered and flat rate services, the latter representing the bulk of applicant's customers. The average metered service customer would find his water bill increased by about 16 per cent and the average flat rate user's bill

would be increased by about 27 per cent if the rates which applicant has requested were to be authorized.

Applicant's showing as to earnings may be summarized as follows:

Summary of Earnings
(Year 1960 Estimated)

<u>Item</u>	<u>Present Rates</u>	<u>Requested Rates</u>
Operating Revenues	\$ 449,100	\$ 552,280
Operating Expenses	344,110	400,590
Net Revenue	104,990	151,690
Rate Base (Depreciated)	2,120,700	2,120,700
Rate of Return	4.95%	7.15%

The Commission staff undertook an independent investigation of the underlying data and a complete review of applicant's exhibits. To the extent that the staff found applicant's information to be complete and applicant's estimates to be accurate or reasonable, the staff did not duplicate such presentation. In end results, the staff calculations of rates of return differ from those of applicant by only 6/100 of one per cent under present rates and by only 11/100 of one per cent under the requested rates. Both applicant and staff computed federal income tax expense on the basis of liberalized depreciation.

With respect to the trend in rate of return, applicant's testimony indicates a decline of 25/100 of one per cent annually, while the staff's testimony is that the decline lies between 21/100 and 3/10 of one per cent a year.

The evidence demonstrates, as the above tabulation indicates, that applicant is in need of and is entitled to increased revenues. The rates which applicant has proposed, however, would produce earnings in excess of those which, in the light of the record, this Commission considers to be reasonable for this system. In arriving at a conclusion as to what constitutes a reasonable

rate of return, it is not possible to rely on the use of a formula alone; the finding of the Commission in such respect must represent the exercise of judgment after giving consideration to all of the circumstances surrounding each case. As stated, applicant is entitled to increased revenues and is experiencing a decline in rate of return. Since the test year 1960 has now passed, applicant cannot earn either of the rates of return shown in the foregoing summary tabulation. Nor can new water rates be made effective for the full year 1961. In view of these circumstances, the Commission finds and concludes that new water rates should be authorized so as to produce an initial rate of return of approximately 6.7 per cent on applicant's rate base, based upon the test year 1960, with the prospective results that such rate of return will decline to approximately 6.25 per cent when one full year's operations have been experienced under the new water rates. The Commission finds such results to be reasonable. Further, the Commission finds that the increases in rates and charges authorized herein are justified and that the existing rates and charges, in so far as they differ therefrom, are for the future unjust and unreasonable.

The revenue effect of this order will be to provide \$72,000 in increased revenue annually after an allowance of \$2,060 allocable to net revenue as the net income effect of applicant's sale of operative systems and after the deduction of the December 31, 1959 accrued income tax differential from the rate base. This increase in revenue is equivalent to an over-all increase of 16 per cent.

Applicant's existing and proposed residential flat rate service schedules appear to be somewhat cumbersome. In addition, they require continuing premises inspections. In the opinion of the Commission they should be simplified. It is fair and reasonable to

bill flat rate charges on a lot-size basis and the schedules herein authorized will be so classified.

Applicant's existing meter rates are of the so-called "minimum charge" type. Those proposed are of the "service charge" type. In the Commission's opinion the latter type of rate is fair and reasonable for this utility and will be authorized.

In this proceeding, the City of Chico cross-examined applicant's witnesses respecting the letting of contracts for construction work and the relationship of the contractor to applicant. The Commission finds no element of unreasonableness therein.

O R D E R

Based upon the evidence and the foregoing discussion, findings and conclusions,

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 schedules of rates and charges set forth in Appendix A attached to this order and, on not less than five days' notice to the public and to this Commission,

to make said schedules effective for service rendered on and after April 1, 1961.

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

Dated at San Francisco, California, this 7th day of MARCH, 1961.

 President
S. J. Fox

George H. Hoover

Frederick B. Halbach

 Commissioners

Commissioner S ^{Peter E. Mitchell} ~~Everett C. McKeage~~ being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. CH-1

Chico Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within and adjacent to the City of Chico, Butte County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 2.30
For 3/4-inch meter	2.50
For 1-inch meter	2.80
For 1 1/2-inch meter	4.80
For 2-inch meter	6.90
For 3-inch meter	12.00
For 4-inch meter	17.00
For 6-inch meter	25.00
For 8-inch meter	34.00
For 10-inch meter	48.00

Quantity Rates:

For all water delivered, per 100 cu.ft. \$ 0.085

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rate.

APPENDIX A
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Schedule No. CH-2

Chico Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

Within and adjacent to the City of Chico, Butte County.

RATES

Per Service Connection
Per Month

1. For a single family residential unit, including premises having the following lot areas:

Up to 6,000 sq.ft.	\$3.90
From 6,001 to 10,000 sq.ft.	4.50
From 10,001 to 16,000 sq.ft.	5.30
From 16,001 to 25,000 sq.ft.	6.70

- a. For each additional single family residential unit on the same premises and served from the same service connection
- | | |
|--|------|
| | 2.80 |
|--|------|

SPECIAL CONDITIONS

- The above residential flat rates apply to service connections not larger than one inch in diameter.
- All service not covered by the above classification will be furnished only on a metered basis.
- Meters may be installed at option of utility or customer for above classification, in which event service thereafter will be furnished only on the basis of Schedule No. CH-1, General Metered Service. When a meter is installed at option of customer, metered service must be continued for at least 12 months before service will again be furnished at flat rates.