

Decision No. 66740**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of CALIFORNIA-PACIFIC UTILITIES
COMPANY, a California corporation,
for authority to increase its rates
for water service furnished to
Susanville and adjoining rural areas
within the Lassen Division of the
Company in Lassen County.

Application No. 45507
(Filed June 7, 1963)

Orrick, Dahlquist, Herrington & Sutcliffe, by
James F. Crafts, Jr.; Pardee & Cady, by
Donald P. Cady, for applicant.

William C. Bricca and William Caveney, for
the Commission staff.

O P I N I O N

Public hearing in this matter was held before Examiner Emerson on November 12 and 13, 1963, at Susanville, on November 14 at Westwood and on November 19, 1963 at San Francisco.^{1/} The matter is submitted and is ready for decision.

Applicant owns and operates electric, gas, telephone and water properties in California, Oregon, Utah, Nevada and Arizona. For accounting and administrative purposes, its operations are divided into eleven divisions, one of which is the Lassen Division in which public utility electric, telephone and water services are provided.

Applicant's water operations in the Lassen Division are centered in Susanville and serve that city and closely surrounding territory. Water is provided to approximately 2200 customers of

^{1/} Heard on a consolidated record with Applications Nos. 45505 and 45506.

which 1936 are residential, 227 are commercial, 5 are industrial, 29 are public authorities and 3 are customers for fire protection service. Applicant produces its water requirements from wells and springs which it owns.

The present rates for metered water service have remained unchanged since 1920. In this proceeding, applicant seeks to increase water rates so as to produce an increase of \$61,100 in annual revenues and allow it to earn a rate of return of 6.5 percent on a depreciated rate base of \$577,204. For the average user of water, the proposed rates would represent an increase of 80 percent in the customer's annual bill. For high usage (5 times average usage) the increase would amount to 84 percent. For the low usage customer, (about 1/3 of average) the proposed rates would mean an increase of about 77 percent. A comparison of existing and proposed rates is as follows:

5/8-inch x 3/4-inch Meter

<u>Usage</u>	<u>Monthly Bill</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
0 cubic feet	\$1.00	\$ 1.75
500 cubic feet	1.00	1.75
1,000 cubic feet	1.48	2.63
2,200 cubic feet	2.82	5.09
5,000 cubic feet	4.78	8.73
10,000 cubic feet	8.28	15.23

Evidence respecting earnings from applicant's water operations, as presented by applicant and by the Commission staff, demonstrates applicant's need for increased revenues. A comparative summary of the results of operations, for the test-year 1963, is as follows:

Results of Operations
Test-Year 1963

Under Existing Water Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 77,300	\$ 77,300
Operating Expenses	67,483	72,790
Net Revenue	9,817	4,510
Rate Base (depreciated)	577,204	569,100
Rate of Return	1.7%	0.8%

Under Applicant's Proposed Rates

Operating Revenues	\$138,400	\$138,400
Operating Expenses	100,861	106,210
Net Revenue	37,539	32,190
Rate Base (depreciated)	577,204	569,100
Rate of Return	6.5%	5.7%

With respect to operating expenses, the differences between applicant and staff arise mainly from two items. First, the staff has included the electric power costs as an expense of the water department and as a revenue for the electric department, while applicant made no special accounting for electrical usage. Second, the staff more accurately accounted for the indirect cost allocations of applicant's general office expenses.

The difference in rate base arises primarily from the later information available to the staff and which could not wholly be foreseen at the time applicant prepared its estimates.

The operating results and rate base presented by the staff, we find to be reasonably representative of applicant's operations under both present and authorized rates.

It is a matter of common knowledge, as well as of record in this proceeding, that costs have risen substantially in the more than forty years that applicant's present water rates have been in effect. For a water utility like applicant's Lassen Division system, a fair rate of return currently would be within the range of 5½ to 6½ percent.

The finding is unescapable that existing water rates do not and cannot produce any such return and, further, that the water rates which applicant has proposed will not produce more than a fair rate of return. We find that applicant is in need of and entitled to increased revenues in the total amount sought. It must be noted, however, that applicant has continued, through all the recent years of inflationary price increases, to provide water service at the basic rates found justified in 1920. Conceding that the rates applied for are fully justified, and that the water customers have enjoyed bargain rates for many years, and that applicant might properly have been granted rate increases at various times during the years which would have raised the level of rates to that now sought, the economy of the area has adjusted itself to the 1920 rates and would suffer a serious shock from a sudden increase of the magnitude proposed. The Commission cannot, on the record in this proceeding, deny applicant the revenue for which it has proved its need. The Commission finds it to be fair and reasonable, however, to authorize the overall rate increase in two steps, 12 months apart, in order to provide a reasonable period within which applicant's customers may adjust themselves to the increased rates which we must authorize. The first year's rate increase will amount to approximately 50 percent, with the final rates of the second year making up the balance of about 30 percent for the total 80 percent increase justified by the record. While such rate treatment may be said to be unusual, the Commission finds it to be fair and reasonable under the circumstances.

The Commission finds that the increases in rates authorized herein are justified, that the rates authorized are just and reasonable, that present rates insofar as they differ from those prescribed herein for the future are unjust and unreasonable and that an order should be issued increasing the rates in the manner hereinafter set forth.

Applicant's attention is called to those provisions of General Order No. 103 which provide for the measurement of the quantity of water produced from each source of supply and the keeping of records of such production. In view of the added costs involved, applicant may wish to defer such program for a period of not to exceed 18 months from the effective date of the order herein.

O R D E R

IT IS ORDERED that:

1. California-Pacific Utilities Company is authorized to file with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96-A, the schedules of rates attached to this order as Appendices A and B and, on not less than five days' notice to the public and to this Commission, in each instance, to make the rates set forth in Appendix A effective for water service rendered on and after March 1, 1964 and the rates set forth in Appendix B for water service rendered on and after March 1, 1965.

2. By not later than eighteen months following the effective date of this order, applicant herein shall have undertaken and completed such program as will ensure regular measurement or determination of the amount of water produced from each of its sources of supply as contemplated by General Order No. 103 and shall inform this Commission in writing of the details thereof within ten days thereafter.

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

Dated at San Francisco, California, this 4th day of February, 1964.

William L. Smith
President

George E. Grover

Fredrick B. Hallock

Commissioners

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

APPENDIX A

Schedule No. SU-1

Susanville District Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Susanville and vicinity, Lassen County. (T)

RATES

	<u>Per Meter</u>	
	<u>Per Month</u>	
Quantity Rates:		
First 600 cu.ft. or less	\$ 1.75	(I)
Next 1,400 cu.ft., per 100 cu.ft.17	
Next 28,000 cu.ft., per 100 cu.ft.09	
Over 30,000 cu.ft., per 100 cu.ft.07	(I)
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 1.75	(I)
For 3/4-inch meter	2.50	
For 1-inch meter	3.50	
For 1 1/2-inch meter	7.00	
For 2-inch meter	9.00	
For 3-inch meter	16.00	
For 4-inch meter	25.00	
For 6-inch meter	45.00	(I)
For 8-inch meter	75.00	(N)
For 10-inch meter	105.00	(N)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates. (N)
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(N)

APPENDIX B

Schedule No. SU-1

Susanville District Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Susanville and vicinity, Lassen County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 500 cu.ft. or less	\$ 1.75	
Next 1,400 cu.ft., per 100 cu.ft.22	(I)
Next 28,000 cu.ft., per 100 cu.ft.13	!
Over 30,000 cu.ft., per 100 cu.ft.09	(I)
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 1.75	
For 3/4-inch meter	2.50	
For 1-inch meter	3.50	
For 1 1/2-inch meter	7.00	
For 2-inch meter	9.00	
For 3-inch meter	16.00	
For 4-inch meter	25.00	
For 6-inch meter	45.00	
For 8-inch meter	75.00	
For 10-inch meter	105.00	

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.