

ORIGINAL

Decision No. 72235

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 author-)
izing it to increase rates charged)
for water service in its Bakersfield)
district.)

Application No. 48590
(Filed June 30, 1966;
Amended October 28, 1966)

McCutchen, Doyle, Brown, Trautman & Enersen, by
A. Crawford Greene, Jr., for applicant.
City of Bakersfield, by William R. Horsely;
County of Kern, by Bill J. Jackson,
interested parties.
Wm. C. Bricca assisted by Wm. V. Caveney, for
the Commission staff.

O P I N I O N

By this application, California Water Service Company seeks authority to increase rates in its Bakersfield district. Public hearing in this matter was held before Examiner Emerson on December 6, 1966, at Bakersfield. Other than representatives of the City of Bakersfield and Kern County, no person appeared at the hearing or has communicated with the Commission to comment upon the application or to bring any service matter to the Commission's attention. The matter is submitted.

The last general rate increase in applicant's Bakersfield district became effective May 1, 1962. In connection with that proceeding the Commission found a rate of return of 6.35 percent to be fair and reasonable. According to applicant, its realized rate of return declined to 5.62 percent for the year 1965 with the prospect of 1966 and 1967 developing even lesser rates of return. Applicant seeks a revenue increase of approximately 22 percent, which it estimates will produce no more than

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an average 6-1/4 percent rate of return over the five-year period 1967-1971.

Applicant points to four major factors as being causes for its decline in earnings. First, it has had to make substantial capital additions in the district.^{1/} Second, collective bargaining agreements with its employees represent an average 4 percent increase in wage rates each year. Third, its cost of money is dramatically increasing.^{2/} Fourth, increases in ad valorem taxes have been substantial.

A comparison of existing rates with those which applicant proposes, is as follows:

Residential Flat Rates

Single-family unit, having lot area of:	<u>Present Rates</u>	<u>Proposed Rates</u>
Up to 6,000 sq.ft.	\$4.70	\$ 5.87
6,001 - 10,000 sq.ft.	5.20	6.47
10,001 - 16,000 sq.ft.	6.70	8.32
16,001 - 25,000 sq.ft.	8.70	10.77
Each additional unit, same premises	3.00	3.70

General Metered Service

Typical Billings
(5/8 x 3/4-inch meter)

Monthly Consumption:	<u>Present Rates</u>	<u>Proposed Rates</u>
500 cu.ft.	\$ 2.53	\$ 3.15
1,000 cu.ft.	2.95	3.67
1,500 cu.ft.	3.38	4.20
2,000 cu.ft.	3.80	4.72
3,000 cu.ft.	4.65	5.77
5,000 cu.ft.	6.35	7.87
10,000 cu.ft.	10.60	13.12

1/ During 1963-1965 alone it added more than \$2 million in plant.

2/ As an example: in 1964 \$3 million of bonds carried an interest rate of 4.65 percent; in 1965 the same amount cost 4.85 percent; in 1967 the same amount will cost an interest rate of 6.25 percent.

Applicant and the Commission staff presented evidence respecting applicant's overall as well as its district operations, as such pertain to the company's financial position. The following tabulation will serve to summarize the evidence respecting the results of operations of the Bakersfield district for the estimated year 1967:

Summary of Operations
Estimated Year 1967

At Existing Water Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 2,544,200	\$ 2,556,000
Operating Expenses:		
Before Taxes	1,440,600	1,407,700
Taxes	<u>558,800</u>	<u>571,400</u>
Total Operating Expenses	\$ 1,999,400	\$ 1,979,100
Net Revenue	\$ 544,800	\$ 576,900
Rate Base (depreciated)	\$11,908,500	\$11,684,900
Rate of Return	4.57%	4.94%

At Applicant's Proposed Water Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 3,147,200	\$ 3,162,100
Operating Expenses:		
Before Taxes	1,440,600	1,407,700
Taxes	<u>869,100</u>	<u>883,300</u>
Total Operating Expenses	\$ 2,309,700	\$ 2,291,000
Net Revenue	\$ 837,500	\$ 871,100
Rate Base (depreciated)	\$11,908,500	\$11,684,900
Rate of Return	7.03%	7.45%

As may be seen from the foregoing tabulation, there is little difference between the showing of applicant and the showing of the Commission staff. Revenues differ by 5/10 of one percent; expenses by one percent, and rate base by less than 2 percent. These minor differences are well within the limits of accuracy in any estimating process. The evidence presented by the staff

corroborates applicant's evidence. We therefore adopt as fair and reasonable estimates of the results of operations for the test year 1967, the showing of applicant as set forth in the above tabulation.

Applicant has clearly and conclusively demonstrated its need for increased revenues. With respect to earnings as measured by rate of return, the Bakersfield district has experienced a decline of about 0.4 percent each year for the past three years. There is no evidence to indicate that such trend is not continuing; thus, if applied to the foregoing adopted results of operations, it becomes apparent that the water rates proposed by applicant will produce an average rate of return of approximately 6-1/2 percent over the period 1967-1970. We find such rate of return to be reasonable and that applicant's proposed rates should be authorized. Further, the Commission finds that the schedules of water rates hereinafter authorized are fair and reasonable and that existing rates, insofar as they differ therefrom, are for the future unjust and unreasonable.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that California Water Service 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 tariff sheets comprising "Supplemental Table 12-B" (sheets 1 through 6) attached to the amendment to the application herein and, on not less than five days' notice to the public and to this Commission, to make said tariff sheets effective for water service rendered on and after May 1, 1967.

At such time as the Federal investment tax credit is reinstated, the above tariff sheets comprising "Supplemental Table 12-B" shall be withdrawn by appropriate Advice Letter to the Commission. In substitution thereof, applicant shall file those tariff sheets comprising Table 12-B in Exhibit No. 1 in this proceeding.

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

Dated at San Francisco, California, this 4th day of APRIL, 1967.

[Signature]
President

[Signature]

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Commissioners