

Decision No. 76169**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 CITIZENS UTILITIES COMPANY OF CALI-  
 FORNIA, a corporation, for authority  
 to increase its rates and charges  
 for its water system serving the  
 areas of Guerneville, Rio Nido, East  
 Guernwood, Guernwood Park, Northwood,  
 Monte Rio, Vacation Beach, River  
 Meadows and vicinity in Sonoma  
 County.

Application No. 48905

INTERIM OPINION

On October 28, 1966, Citizens Utilities Company of California filed an application for authority to increase water rates for its water system serving the Guerneville District. As directed by Decision No. 73701, dated February 6, 1968, an amended application was filed April 23, 1968. By petition filed August 21, 1969, an order was requested authorizing applicant's proposed rates to become effective immediately, subject to refund of any portion of the revenues received thereby if such refund is found to be necessary upon conclusion of the proceedings in this application. This interim order is being issued in response to this petition.

Public hearings were held at various times from September 7, 1967 to January 31, 1969, the matter being submitted March 21, 1969, following the filing of closing statements.

By petition filed March 21, 1969, applicant requested pursuant to Rule 78 of the Commission's Rules of Practice and Procedure that a proposed report be issued in this proceeding. The Commission has directed that this be done.

In support of the immediate increase subject to refund requested by the petition filed August 21, 1969, applicant asserts that operation under the present rates results in an inadequate rate of return on rate base and inadequate return on equity investment, and that there has been and will foreseeably continue to be delay before any increase in rates becomes effective.

In response to this subject of delays, and we have so stated in Decision No. 73701, applicant and its officials have unreasonably attempted to control the scope of the Commission's staff investigation. Applicant has minimized the amount of information available to the Commission by imposing arbitrary time, period, access and operation limitations on the staff audit of applicant's parent corporation. The test period relied upon by applicant was then obsolete due to delays caused mainly by the dilatory and obstructionist tactics of applicant and its officials, and the Commission ordered the filing of an amended application to include a test period which reflected actual operations for the year 1967. The amended application was filed April 23, 1968. Applicant has also requested a number of continuances, and because of service complaints additional days of hearing have also been required.

By the amended application, Citizens Utilities Company of California seeks to increase its Guerneville District revenues by a gross annual amount of \$83,970 or about 55 percent, according to its estimates of operations for the year 1968. For a typical residential customer with average monthly consumption of 370 cubic feet through a 5/8 by 3/4-inch meter, the average monthly charge would have increased 58 percent from \$3.89 under present rates to \$6.15 under the rates proposed by applicant. Under the interim rates authorized herein subject to refund, the average monthly charge for

the typical residential customer will increase 3 percent to \$4.01. Interim rates also include the effect of the present 10 percent federal income tax surcharge.

#### Results of Operation

Witnesses for applicant and the Commission staff have analyzed and estimated applicant's operational results. Summarized in Table I are the estimated results of operation for the test year 1968, under present rates and under those proposed by applicant, and at the interim rates authorized herein.

From Table I it can be determined that the interim increase in total operating revenues will be about 2 percent under the rates authorized herein, excluding the 10 percent federal income tax surcharge.

#### Rate of Return

A Commission staff witness recommended a range in rate of return of 6.9 percent to 7.2 percent. This recommendation was qualified in that it gave no consideration to the quality of existing service. The witness for applicant recommended a rate of return of 8.5 percent to 10 percent. For the purposes of this interim rate increase subject to refund upon the final disposition of this proceeding, we find a rate of return of 4.5 percent to be reasonable. We establish this rate of return, aware that the record in this proceeding contains evidence that applicant may not presently be rendering adequate service to all its customers. After studying the full record in the proceeding, in a subsequent order we will give more detailed consideration to service matters and to the subject of service and its relationship to rate of return.

TABLE I  
Comparative Summaries of Earnings  
 (Year 1968 Estimated)

Item	Present Rates		Company		Authorized
	Applicant: Staff		Proposed Rates		Interim
			Applicant: Staff		Rates
Operating Revenues	\$151,380	\$152,400	\$235,350	\$237,100	\$155,210
<u>Operating Expenses</u>					
Oper. & Maint. Expense	45,940	45,940	46,240	45,940	45,940
Adm., Gen. & Misc. Exp.	26,780	21,440	26,780	21,440	21,440
Depreciation	21,430	21,320	21,430	21,320	21,320
Taxes Other than Income	26,450	25,630	26,450	25,630	25,630
Taxes on Income*	8,980	6,710	52,190	50,450	8,160
Total Oper. Expenses	129,580	121,040	173,090	164,780	122,490
Net Revenues	21,800	31,360	62,260	72,320	32,720
Depreciated Rate Base	752,900	726,800	752,900	726,800	726,800
Rate of Return	2.90%	4.31%	8.27%	9.95%	4.50%

\* Exclusive of 10% federal income tax surcharge.

Interim rates authorized herein include offset of this tax.

#### Findings and Conclusions

The Commission finds that:

1. Applicant is in need of additional revenues.
2. The estimates of operating revenues, expenses, including taxes and depreciation, and rate base submitted by the staff for the test year 1968 are reasonable for the purposes of the interim increase in rates to be authorized herein subject to refund upon the final disposition of this proceeding.
3. A rate of return of 4.5 percent on the staff rate base is reasonable for this interim rate increase, pending final disposition of the issues herein.
4. The interim increase in rates and charges authorized herein is justified. However, if after final disposition of this proceeding the Commission determines that these interim rates are not reasonable,

applicant is hereby placed upon notice that all or part of said increase will be the subject of refund with interest at 7 percent. In granting the interim rates in the following order it must be understood that the Commission is not setting a precedent for final disposition of this proceeding or for establishment of interim rates in any future proceedings.

The Commission concludes that an interim increase will be granted to the extent provided in the ensuing order.

INTERIM ORDER

IT IS ORDERED that after the effective date of this order, applicant Citizens Utilities Company of California is authorized to file for its Guerneville District the revised rate schedule attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

IT IS FURTHER ORDERED that applicant establish a special reserve for the purpose of accruing the amount of the increase in rates, and that applicant accrue to that reserve the difference between estimated gross revenues at present rates and revenues at the interim rates until further ordered by this Commission. Revenues collected in excess of those ultimately established in this

proceeding will be refunded to customers together with 7 percent per annum interest.

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

Dated at San Francisco, California, this 11th day of SEPTEMBER, 1969.

William J. Moran  
President

J. A. [illegible]

Vernon L. Stinson  
Commissioners

*I dissent*  
*Regan*

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
Page 1 of 2

Schedule No. GU-1A

Guerneville Tariff Area

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Guerneville, Rio Nido, East Guerneville, Guerneville Park, Northwood, Monte Rio, Vacation Beach, River Meadows and vicinity, Sonoma County.

RATES

	Per Meter Per Month
Quantity Rates:	
All Quantities, per 100 cu.ft. ....	\$ 0.24

Annual Service Charge:	Per Meter Per Year
For 5/8 x 3/4-inch meter .....	\$ 36.00
For 3/4-inch meter .....	48.00
For 1-inch meter .....	75.00
For 1 1/2-inch meter .....	132.00
For 2-inch meter .....	204.00
For 3-inch meter .....	408.00
For 4-inch meter .....	600.00

The Annual 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.

Surcharge:

A surcharge of 3.13 percent is additive to the charges computed under the rates above during the period these interim rates are in effect. Should the 10 percent surcharge to federal income taxes be removed during the period these interim rates are in effect, the tariff surcharge will be changed to 1.93 percent.

(I)  
!  
:  
!  
(I)

(Continued)

APPENDIX A  
Page 2 of 2

Schedule No. GU-1A

Guerneville Tariff Area

ANNUAL GENERAL METERED SERVICE

(Continued)

Service Establishment Charge:

For each establishment or re-establishment of water service \$4.00

SPECIAL CONDITIONS

1. The opening bill for general metered service shall be the established annual service charge. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the billing year, to pay a prorated service charge in advance on a bimonthly basis equal to one-sixth of the annual service charge.

2. The service establishment charge provided for herein is in addition to the charges calculated in accordance with this schedule and will be made each time an account is opened or reopened for a customer at the time water service is to be established, restored after discontinuance at customer's request or transferred to a different customer which requires a meter reading.



As. 48905, 48906, 48907, 48923 & 48924  
Ds. 76169, 76170, 76171, 76172, 76173

A. W. GATOV, COMMISSIONER, Dissenting:

I dissent.

The petitions for immediate relief should have been denied because there is no showing of an emergency, there are many service complaints, some of which are of long standing, and the proposed decisions in the main applications themselves should be before us for consideration in less than two months.

The majority's decisions will make more difficult objective consideration of the applications, and above all are devoid of any consideration for Citizens' customers.

  
\_\_\_\_\_  
Commissioner

Dated at San Francisco, California,  
September 10, 1969.