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ORIGINAL

Decision No. 76170

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CITIZENS UTILITIES COMPANY OF CALIFORNIA, a corporation, for Authority to Increase its Rates and Charges for its water system serving the Niles-Decoto area in Alameda County.	Application No. 48906 (Filed October 28, 1966)

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 Niles 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 Niles District revenues by a gross annual amount of $162,720 or 100 percent, according to its estimates of operations for the year 1968. For a typical residential customer with average monthly consumption of 1,600 cubic feet through a 5/8 by 3/4-inch meter, the average monthly charge would

have increased 108 percent from $4.30 under present rates to $8.95 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 31 percent to $5.64. Interim rates also include the effect of the 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 28 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 Proposed Rates		Authorized Interim Rates	
	Applicant	Staff	Applicant	Staff		
Operating Revenues	$163,210	$168,600	$325,930	$336,500	$216,270	✓
Operating Expenses						
Oper. & Maint. Exp.	79,980	74,400	80,470	74,920	74,730	✓
Admin.,Gen., & Misc.Exp.	30,380	25,400	30,380	25,400	25,400	
Depreciation	32,860	32,710	32,860	32,710	32,710	
Taxes Other Than Income	41,430	39,120	41,430	39,120	39,120	
Taxes on Income*	-	(20,170)	60,970	66,020	4,120	✓
Total Oper.Expenses	184,650	151,460	246,110	238,170	176,080	✓
Net Revenues	(21,440)	17,140	79,820	98,330	40,190	✓
Depreciated Rate Base	964,420	893,000	964,420	893,000	893,000	
Rate of Return	(2.22%)	1.92%	8.28%	11.01%	4.5%	✓

(Negative Amount)

*Exclusive of 10% F.I.T. 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 the Niles 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 10th day of SEPTEMBER, 1969.

William Symons Jr.
President

Vernon L. Sturgeon
Commissioners

I dissent
Dwight Alexander

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

Schedule No. ND-1

Niles-Decoto Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The communities of Niles and Decoto, and vicinity, included generally within the boundaries of the City of Fremont and Union City, respectively, Alameda County.

RATES

	Per Meter Per Month
Quantity Rates:	
First 600 cu.ft., or less	$ 1.90
Next 1,400 cu.ft., per 100 cu.ft.	.24
Next 3,000 cu.ft., per 100 cu.ft.	.17
Over 5,000 cu.ft., per 100 cu.ft.	.14
Minimum Charge:	
For 5/8 x 3/4-inch meter	1.90
For 3/4-inch meter	3.00
For 1-inch meter	4.50
For 1-1/2-inch meter	7.50
For 2-inch meter	12.50
For 3-inch meter	20.00
For 4-inch meter	30.00

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

(Continued)

Schedule No. ND-1

Niles-Decoto Tariff Area

GENERAL METERED SERVICE

(Continued)

SURCHARGE

A surcharge of 31.16 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 30.48 percent. (I) (I)

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.