

ORIGINAL

Decision No. 76171

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
NORTH LOS ALTOS WATER COMPANY, a)
corporation, for authority to in-)
crease its rates and charges for)
its water system serving portions)
of the cities of Los Altos and)
Mountain View in Santa Clara County.)

Application No. 48907
(Filed October 28, 1966)

INTERIM OPINION

On October 28, 1966, North Los Altos Water Company, a wholly-owned subsidiary of Citizens Utilities Company (Delaware), filed an application for authority to increase water rates for its water system serving portions of Los Altos and Mountain View, Santa Clara County. 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, North Los Altos Water Company seeks to increase its revenues by a gross annual amount of \$75,940 or about 42 percent, according to its estimates of operations for the year 1968. For a typical residential customer with average monthly consumption of 2,330 cubic feet through a 5/8 by 3/4-inch meter, the average monthly charge would have increased 43 percent from \$11.43 under present rates to \$16.37 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 14 percent to \$13.08. 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 12 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, without any consideration of the quality of 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 6.0 percent to be reasonable.

TABLE I
Comparative Summaries of Earnings
(Year 1968 Estimated)

Item	Present Rates		Company Proposed Rates		Authorized
	Applicant	Staff	Applicant	Staff	Interim Rates
Operating Revenues	\$181,040	\$188,220	\$256,980	\$267,450	\$210,200
<u>Operating Expenses</u>					
Oper. & Maint. Exp.	59,840	58,850	60,150	58,850	58,850
Adm., Gen. & Misc. Exp.	19,170	12,460	19,170	12,460	12,460
Depreciation	27,910	28,230	27,910	28,230	28,230
Taxes Other Than Income	33,860	34,150	34,620	34,930	34,360
Taxes on Income*	5,390	13,490	43,740	54,000	24,730
Total Oper. Expenses	146,170	147,180	185,590	188,470	158,630
Net Revenues	34,870	41,040	71,390	78,980	51,570
Depreciated Rate Base	863,430	859,400	863,430	859,400	859,400
Rate of Return	4.04%	4.78%	8.33%	9.19%	6.0%

* 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 6.0 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%. 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 North Los Altos Water Company is authorized to file 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 J. ...
President

[Signature]

Verna L. Sturgeon
Commissioners

*I dissent
August*

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

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Los Altos and vicinity, Santa Clara County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 600 cu.ft. or less	\$ 3.65
Next 2,400 cu.ft., per 100 cu.ft.45
Over 3,000 cu.ft., per 100 cu.ft.31

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.65
For 3/4-inch meter	5.10
For 1-inch meter	8.20
For 1-1/2-inch meter	14.25
For 2-inch meter	21.50
For 3-inch meter	43.10

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

SURCHARGE:

A surcharge of 14.46 percent is additive to the charges computed under (I) 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 12.05 percent. (I)

(continued)

(I)

Schedule No. 1

GENERAL METERED SERVICE
(continued)

SPECIAL CONDITION:

Customers who receive water deliveries for agricultural purposes under this schedule, and who present evidence to the utility that such deliveries qualify for the lower pump tax rates levied by Santa Clara County Flood Control and Water District and by Santa Clara Valley Water Conservation District for agricultural water, shall receive a credit of 2-1/4 cents per 100 cubic feet on each water bill for the quantities of water used during the period covered by that bill.

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.