

ORIGINAL

Decision No. 76173

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
INVERNESS WATER COMPANY, a corpora-
tion for Authority to Increase its
Rates and Charges for its water
system serving the communities of
Inverness, Drakes Bay and adjacent
territory in Marin County.

Application No. 49024
(Filed December 14, 1966)

INTERIM OPINION

On December 14, 1966, Inverness 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 Inverness and Drakes Bay, Marin 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, Inverness Water Company seeks to increase its revenues by a gross annual amount of \$23,940 or about 85 percent, according to its estimates of operations for the year 1968. For a typical residential customer with average monthly consumption of 534 cubic feet through a 5/8 by 3/4-inch meter, the average monthly charge would have increased 87 percent from \$5.45 under present rates to \$10.21 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 42 percent to \$7.74. 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 operations revenues will be about 40 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 | \$ 28,040 | \$ 28,520 | \$ 51,980 | \$ 52,830 | \$ 40,020 |
| <u>Operating Expenses</u> | | | | | |
| Oper. & Maint. Exp. | 9,660 | 9,660 | 9,720 | 9,660 | 9,660 |
| Adm., Gen. & Misc. Exp | 6,100 | 5,060 | 6,100 | 5,060 | 5,060 |
| Depreciation | 6,670 | 6,450 | 6,670 | 6,450 | 6,450 |
| Taxes Other Than Income | 2,560 | 2,540 | 2,560 | 2,540 | 2,540 |
| Taxes on Income* | 100 | (2,430) | 5,580 | 6,180 | 1,940 |
| Total Oper. Exp. | \$ 25,090 | \$ 21,280 | \$ 30,630 | \$ 29,890 | \$ 25,650 |
| Net Revenues | 2,950 | 7,240 | 21,350 | 22,940 | 14,370 |
| Depreciated Rate Base | \$258,050 | \$239,520 | \$258,050 | \$239,520 | \$239,520 |
| Rate of Return | 1.14% | 3.02% | 8.27% | 9.58% | 6.0% |

(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 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 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 Inverness 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

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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} ~~San Francisco~~ California, this 10th day of SEPTEMBER, 1969.

William A. ...
President

[Signature]

[Signature]
Commissioners

*I dissent
August*

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

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Inverness, Drakes Bay and vicinity, Marin County.

RATES

Monthly Quantity Rates:

| | <u>Per Meter Per Month</u> |
|---|--------------------------------|
| First 400 cu.ft. or less | \$ 4.65 |
| Next 600 cu.ft., per 100 cu.ft. | .60 |
| Over 1,000 cu.ft., per 100 cu.ft. | .50 |

Annual Minimum Charge:

| | <u>Per Meter Per Year</u> |
|------------------------------------|-------------------------------|
| For 5/8 x 3/4-inch meter | \$ 55.80 |
| For 3/4-inch meter | 72.00 |
| For 1-inch meter | 108.00 |
| For 1-1/2-inch meter | 174.00 |
| For 2-inch meter | 252.00 |

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

Surcharge:

A surcharge of 41.95 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 41.19 percent.

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(Continued)

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. 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 calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis.

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. 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 will 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.

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.