

ORIGINAL

Decision No. 77751

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of LARKFIELD WATER COMPANY, a corporation, for authority to increase its rates and charges for its water system serving the unincorporated subdivision of Larkfield Estates and vicinity north of Santa Rosa in Sonoma County in order to offset an increase in water rates by Sonoma County Water Agency.

Application No. 52085
(Filed July 29, 1970)

O P I N I O N

Introduction

Applicant is a corporation duly organized and existing under the laws of the State of California. It is a wholly owned subsidiary of Citizens Utilities Company, a Delaware Corporation, and it is also an affiliate of Citizens Utilities Company of California. It is engaged in the business of operating a water utility in an unincorporated area of Sonoma County, California.

In this application it requests a rate increase to offset two recent rate increases by the Sonoma County Water Agency from which agency applicant purchases water.

Applicant's present meter rates became effective June 23, 1967, by authority granted in Decision No. 72510, dated May 31, 1967. The Commission found a rate of return of 7 percent to be reasonable for applicant at that time. The special condition granted by the Commission on April 21, 1970, in its Decision No. 77134, is no longer applicable because of the removal of the 5 percent surcharge to Federal Income Taxes.

In Decision No. 72510 the Commission concluded that the rates authorized therein could be expected to produce an average annual rate of return of approximately 7.0 percent. Since the date of that decision the rate under which applicant purchased water from the Sonoma County Water Agency was increased twice. The first increase, effective July 1, 1969, by Resolution No. DR 26094, raised the rate from \$50 an acre-foot to \$55.85. The second increase, effective and payable July 1, 1970, by Resolution No. DR 29529 adopted May 18, 1970, raises the rate from \$55.85 an acre-foot to \$58.00. The effect of these two increases, based on 1969 recorded usage, is to increase applicant's cost for water by approximately \$4,954.00. Recorded 1969 earnings, summarized in the table below, result in a substantially lower rate of return than that authorized by the Commission in 1967.

SUMMARY OF EARNINGS AND RATE OF RETURN
AT PRESENT AND PROPOSED RATES

YEAR ENDING DECEMBER 31, 1969

	<u>Recorded</u>	<u>Increase in Cost of Purchased Water</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Operating Revenues</u>	\$ 68,143	\$ 68,143	\$ 73,097
<u>Operating Revenue Deductions</u>			
Operating & Maintenance Expenses	\$ 26,657	\$ 31,611	\$ 31,611
Administration & General Expenses	5,948	5,948	5,948
Depreciation	9,053	9,053	9,053
Taxes other than Income Taxes	6,391	6,391	6,391
Total Operating Revenue			
Deductions Before Income Taxes	\$ 48,049	\$ 53,003	\$ 53,003
Taxes on Income	11,274	9,636	11,274
<u>Net Operating Income</u>	\$ 8,820	\$ 5,504	\$ 8,820
<u>Average Rate Base</u>	\$241,538	\$241,538	\$241,538
<u>Rate of Return</u>	3.65%	2.28%	3.65%

The Commission finds that the estimates of rates of return shown above for the test year 1969 are not unreasonable for the purpose of prescribing rates herein; and that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

The application, accordingly, should and will be granted to the extent provided in the ensuing order.

A public hearing is not necessary.

O R D E R

IT IS ORDERED that after the effective date of this order, applicant may file the increased rates attached to the application as Exhibit B, excluding the special condition. Such filing shall be made in accordance 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.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 22nd day of SEPTEMBER, 1970.

[Signature]
Chairman

[Signature]

[Signature]

[Signature]

Vernon L. Sturgeon
Commissioners

Commissioner William Symons, Jr., being
-3- necessarily absent, did not participate
in the disposition of this proceeding.

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