

Decision No. 79265

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
 Niles-Decoto area in Alameda County
 to pass along Alameda County ground
 water tax increase effective July 1,
 1971 and increased cost of service
 related to system improvements
 ordered in Decision No. 77210.

Application No. 52641
 (Filed May 27, 1971)

INTERIM OPINION

Applicant requests authority to increase water service rates to offset an increase of \$11,874 in the ground water extraction charge levied by the Alameda County Water District, and to offset an increase in cost of service of \$15,000 due to actual costs of improvements exceeding original estimates adopted for the 1968 rate base in Decision No. 77210. Ex parte authorization of increased rates is requested by applicant.

Reports summarizing the Commission staff investigation in connection with this application were sent by the staff to applicant on July 12 and September 24, 1971. Said reports are hereby received as Exhibits Nos. 1 and 4.

The City of Union City, by letter dated June 9, 1971, hereby received as Exhibit No. 2, expressed its opposition to the proposed rate increase until such time as applicant is able to provide adequate service to its present customers.

The Niles Water Committee, by letter dated June 15, 1971, hereby received as Exhibit No. 3, protested the rate increase, opposed the requested ex parte disposition of applicant's request, and cited deficiencies in water quality and service.

General Information

Applicant serves water in ten districts and six affiliates in California. This application pertains only to the Niles-Decoto Water System which includes the communities of Niles and Decoto in Alameda County. All water in this district is from wells owned by applicant situated within the territory of the Alameda Water Basin.

Increases in Water Costs

The Board of Directors of Alameda County Water District, by Resolution No. 71-001 adopted March 8, 1971, has imposed on applicant and others extracting water from the underlying Alameda Water Basin an increase in the ground water extraction charge or "pump tax" of \$6.00 per acre-foot to a total of \$16 per acre-foot for all water produced for the fiscal year beginning July 1, 1971.

To offset the net additional unit cost due to the increased ground water extraction charge, applicant proposes to increase its annual gross revenue by \$11,874, determined by applying the \$6.00 per acre-foot increase to the 1,979 acre-feet of water produced in the twelve-month period ending March 31, 1971. This increased revenue is proposed to be obtained by increasing the quantity rate in applicant's General Metered Service Rate Schedule No. ND-1 by 1.83 cents per 100 cubic feet of water.

Applicant also proposes to recover \$14,998 in annual costs related to system improvements which exceeded original estimates included in Decision No. 77210. By letter of June 10, 1971, applicant was advised that the Commission staff recommends that this part of the application be amended or be a separate application with a full showing at a public hearing. Such an increase was regarded by the staff as a general increase which cannot properly be handled as an offset, particularly since over three years have elapsed since applicant's district results of operation were analyzed in detail. Applicant has not responded to the staff recommendation.

Findings and Conclusion

We find that:

1. Applicant has not demonstrated the reasonableness of its request for increased rates to offset alleged costs of system improvements in excess of estimated costs, having merely stated the amount of said cost.

2. The summary of earnings included in this application is based on recorded results for the year ending March 31, 1971, and does not include any adjustments adopted by the Commission in Decision No. 77210 on applicant's last request for a general rate increase for the Niles-Decoto system.

3. Applicant has not demonstrated that its proposed rate increases will not result in a rate of return in excess of that found reasonable in Decision No. 77210.

4. A public hearing is not necessary.

We conclude that increased rates to offset increased cost of service related to service improvements should not be authorized. Applicant has not demonstrated in this application the reasonableness of its earnings after adjustments adopted for regulating purposes in Decision No. 77210, nor has it amended its application as recommended in the Commission staff letter of June 10, 1971. Until applicant makes such a showing, it is inappropriate to authorize an offset rate increase for increased cost of service relating to service improvements. Applicant's request for increased rates to offset increased ground water tax expense will be considered at the termination of the Federal freeze on price and wage increases.

O R D E R

IT IS ORDERED that:

1. The request of Citizens Utilities Company to increase its rates and charges for water service in the Niles-Decoto Water System to offset increased cost of service related to service improvements is denied.

2. The Secretary of this Commission shall mail a copy of this decision to the City of Union City and to the Niles Water Committee.

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

Dated at San Francisco, California, this 19th
day of OCTOBER, 1971.

[Signature]
Chairman
William [Signature]
[Signature]
Norman L. Sturgeon
[Signature]
Commissioners