

ORIGINAL

Decision No. 80401

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
 of CITIZENS UTILITIES COMPANY OF
 CALIFORNIA for authority to increase
 its rates and charges for its water
 system serving the Niles-Decoto area
 in Alameda County in order to offset
 an increase in the ground water tax
 rate imposed by the Alameda County
 Water District.

Application No. 53330
 (Filed May 15, 1972)

O P I N I O N

By this application, Citizens Utilities Company of California seeks authority to increase its rates for general metered service in its Niles Water District to offset an increase in the ground water tax rate imposed by the Alameda County Water District.

Applicant is a corporation duly organized and existing under the laws of the State of California, and is a wholly owned subsidiary of Citizens Utilities Company, a Delaware corporation. Its principal place of business is located in Shasta County, California.

Applicant owns and operates public utility water and telephone systems in various parts of the State of California. Its Niles Water District serves the Niles-Decoto area of Alameda County, California, furnishing water service to 3,232 metered customers, 35 private fire connections and 227 public fire hydrants as of December 31, 1971.

Applicant's present meter rates in the Niles-Decoto area became effective December 3, 1971, by authority granted in Decision No. 79365, dated November 22, 1971.^{1/} A schedule showing the presently effective rates in the area served by applicant, which are proposed to be increased, is set forth in Exhibit B, attached to the application.

A summary of earnings on a depreciated rate base for applicant for the test year 1971 is set forth on Exhibit D, attached to the application.

An engineer from the Commission's staff conducted an independent study of applicant's request. The results of the engineer's study are contained in a report dated July 20, 1972. This report is received as Exhibit 1 in this proceeding.

Exhibit 1 contains the following:

The Board of Directors of Alameda County Water District by Resolution No. 72-053 has imposed on applicant and others extracting water from that portion of the Alameda Water Basin underlying the Alameda County Water District an increase in the pump tax of \$3 per acre-foot to a total of \$19 per acre-foot for all water produced for the fiscal year beginning July 1, 1972.

To offset the net additional cost due to the increased pump tax, applicant proposes to increase its annual gross revenue by \$6,027 based on the \$3 per acre-foot increase in pump tax applied to the total production of 2,009 acre-feet of water during the 12-month period ending December 31, 1971.

^{1/} By letter of November 26, 1971, applicant notified the Commission that the rates made effective on December 3, 1971, under authority of Decision No. 79365 would be subject to partial refund pending the outcome of a dispute between applicant and the Alameda County Water District over the District's authority to tax water produced from three of applicant's wells located outside the District. This matter is still in dispute. Therefore, all revenues collected under the rates proposed in this application will be subject to partial refund pending settlement of this issue.

Applicant bases its request on a recorded results of operation for 1971 which does not reflect normalized consumption, the effect of a full year's operation at present rates, the fact that about 31 percent of its water production is outside the jurisdiction of the Alameda County Water District, or rate-making adjustments for mutual service charges. Staff figures show the following differences:

	<u>Company Exceeds Staff</u>
Company recorded revenues not at current rate level or normalized	\$(24,979)
Pump tax on normalized production and nontaxed wells	2,227
Mutual service charges	835

(Red Figure)

Applicant's present rates became effective December 3, 1971, by authority granted in Decision No. 79365, dated November 22, 1971, which was a rate increase to offset an earlier increase of \$6 per acre-foot in the pump tax. The staff applied these rates to normalized consumption for the entire year, consistent with standard rate-making practices, in its revenue calculations.

At one time the Alameda County Water District extended its taxing authority to wells outside of the district but within the water basin. The district has advised the staff that this position has been reversed, that taxes charged to the outside wells have been refunded and that these outside wells will not be taxed in the future. The applicant has included the pump taxes on production from three outside wells in its claim for higher rates. The staff has excluded them in accordance with the stated position of the district.

The mutual service charges were adjusted by the staff in accordance with the most recent allocations in the last round of general rate increases in the Felton District in Application No. 52159.

It should be noted that this report is an overlook for the limited purposes of this offset application. Accordingly, staff adjustments have been restricted to those discussed above. Detailed review of all rate-making issues is expected in connection with pending Application No. 53178 for general rate increases in this district.

Citizens Utilities Company of California
Niles Water District

SUMMARY OF EARNINGS AND RATE OF RETURN

Year 1971

Item	Company		Staff Adjusted	
	Recorded		Normalized Consumption	
	Per		Present Pump Tax:	
	Applica- tion		Present Rates	Proposed Pump Tax Present : Offset Rates : Rates
Operating Revenue	\$ 314,821	\$ 339,800	\$ 339,800	\$ 343,600 ^{3/}
<u>Operating Expenses</u>				
O&M Expenses	99,361	99,361 ^{1/}	99,361	99,361
A&G Expenses	35,368	34,533 ^{2/}	34,533	34,533
Depreciation Expense	38,606	38,606	38,606 ^{2/}	38,606
Non-Income Taxes	52,071	55,403	59,203 ^{2/}	59,203
Subtotal	225,406	227,903	231,703	231,703
Net Rev. Before Income Taxes	89,415	111,897	108,097	111,897
Income Taxes	15,870	27,480	25,518	27,480
Net Operating Revenue	73,545	84,417	82,579	84,417
Average Rate Base	1,123,625	1,123,625	1,123,625	1,123,625
Rate of Return	6.55%	7.51%	7.35%	7.51%

^{1/} Staff adjusted to make mutual service charges consistent with most recent allocations in Felton District in Application No. 52159. Difference of \$835.

^{2/} Pump tax increase of \$3,800.

^{3/} Offset increase of \$3,800.

In the last general rate case on Niles Water District, Decision No. 77210, dated May 12, 1970, a rate of return of 7.2 percent was found reasonable. In more recent proceedings the Commission has authorized a higher rate of return for another district. Because the results of this current staff investigation show that the 7.2 percent rate of return is being exceeded and will continue to be exceeded even with the \$3 increase in pump tax, it is recommended that this requested offset rate increase not be granted.

Findings and Conclusion

The Commission finds that:

1. Staff's estimates, previously discussed herein, reasonably indicate the results of applicant's operations for the future and are adopted.
2. Applicant is not in need of additional revenues.
3. A public hearing is not required.

The Commission concludes that the application should be denied.

O R D E R

IT IS HEREBY ORDERED that Application No. 53330 is denied.

Dated at San Francisco, California, this 29th
day of AUGUST, 1972.

John T. ...

William L. ...

William L. Sturgeon
President
William Sturgeon
John ...
Commissioners