

Decision No. 84039**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CITIZENS UTILITIES  
COMPANY OF CALIFORNIA to increase  
its rates and charges for its water  
system serving the Niles-Decoto  
area in Alameda County.

Application No. 53178  
(Filed February 29, 1972;  
rehearing granted  
October 30, 1973)

Application of CITIZENS UTILITIES  
COMPANY OF CALIFORNIA to increase  
its rates and charges for its  
water system serving the Niles-  
Decoto area in Alameda County.

Application No. 54960

ORDER REOPENING APPLICATION NO. 53178,  
MODIFYING DECISION NO. 83855 AND CON-  
SOLIDATING APPLICATION NO. 53178 WITH  
APPLICATION NO. 54960.

On December 17, 1974, we issued Decision No. 83855 in Application No. 53178. By this decision we decided that liberalized depreciation and the job development investment credit should be treated on a normalized basis in the computation of federal income tax. Support for this action was based wholly on Decision No. 83162, an opinion in a proceeding involving The Pacific Telephone and Telegraph Company (PT&T).

While it is true that we permitted normalization in the PT&T proceeding, we also imposed a limitation thereon. Thus, in Decision No. 83540, we provided for a procedure to insure that the rates authorized PT&T would not result in earnings that produce a rate of return in excess of that allowed in Decision No. 83162.<sup>1/</sup>

<sup>1/</sup> This procedure was also required in the most recent rate proceeding involving General Telephone Company of California. (See Decision No. 83779).

No such limitation was imposed by Decision No. 83855 with respect to the rates of Citizens Utilities Company (Citizens).

In addition, it now appears that we mistakenly stated that JDIC should be treated on a normalized basis. In Decision No. 81821, we specifically recognized that Citizens computed JDIC "... on the 1971 and 1972 plant additions and deducted 3.5 percent (spread over 28 years) of this credit as an annual amount from the federal income tax." This is ratable flow-through, not normalization. There is no evidence in this record to show that Citizens is proposing to change its method of dealing with JDIC.

The above-noted discrepancies should be corrected. However, in light of Public Utilities Code Section 1708 we recognize that an opportunity to be heard must be afforded parties in Application No. 53178 before a modification to Decision No. 83855 can be effected.

THEREFORE IT IS ORDERED that:

1. Application No. 53178 is hereby reopened;
2. Unless a written protest is filed within three (3) days after the effective date of this order, Decision No. 83855 shall be modified by the addition of the following orders:

(a) Citizens Utilities Company is hereby directed to file with this Commission results of operations reports for its Niles-Decoto area, on or before May 31, 1975, detailing its earnings for the quarter ending March 31, 1975, and the 12-month period ending March 31, 1975, as specified in "Appendix A" of this order. Citizens Utilities Company is further directed to file results of operations reports for its Niles-Decoto area for each quarter subsequent to March 1975, detailing its earnings for the 12-month period ending that quarter as specified in "Appendix A" of this order. Each quarterly report subsequent to the initial report shall be filed no later than 60 days after the close of the quarter involved.

(b) Citizens Utilities Company shall within ten (10) days of the date of this order advise the Commission and the parties to these proceedings whether, in connection with any order issued by

the Commission in Case No. 9865 instituted concurrently herewith indicating to the Company that it appears to the Commission that the Company may be realizing earnings which result in a rate of return in excess of that allowed by Decision No. 81821, it consents to the inclusion in such order of a provision requiring that rates collected subsequent to the date of such order will be subject to refund pending determination by the Commission, after hearing, of the justness and reasonableness of said rates, and thereby waives the prior hearing requirement set forth in Section 728 of the Public Utilities Code.

3. Unless a written protest is filed within three (3) days after the effective date of this order, Finding No. 1 in Decision No. 83855 shall be modified as follows:

"1. Liberalized depreciation should be treated on a normalized basis as provided in Decision No. 81821; the Job Development Investment Credit should be treated on a ratable flow-through basis."

4. If a protest is filed to Ordering Paragraphs 2 and/or 3 within three (3) days after the effective date of this order, the modifications set forth in said Ordering Paragraphs 2 and/or 3 shall not become effective.

5. If a protest is filed to Ordering Paragraph 2 within three (3) days after the effective date of this order, Case No. 9865 instituted concurrently herewith shall be discontinued.

6. If a protest is filed to Ordering Paragraphs 2 and/or 3 within three (3) days after the effective date of this order, Application No. 53178 shall be deemed consolidated with

Application No. 54960 for the purpose of considering whether the modifications set forth in Ordering Paragraphs 2 and/or 3 should be adopted.

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

Dated at San Francisco, California, this 28<sup>th</sup> day of JANUARY, 1975.

Vernon L. Steyer  
President  
William J. Quinn  
[Signature]

Commissioner LEONARD ROSS

Present but not participating.

Commissioners

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Citizens Utilities Company of California shall prepare and file quarterly with the California Public Utilities Commission 12 months ended results of operations reports for its Niles-Decoto service area in Alameda County. These reports shall provide in detail its earnings for the Niles-Decoto service area on an as reported and on Decisions Nos. 81821, 83855 and 84039 adopted bases for each 12-month ending period commencing with the quarter ending March 31, 1975 and continuing each quarter thereafter.

Each results of operation report shall contain the following detailed information:

1. Operating Revenues
  - a. Commercial Metered Service Revenues
  - b. Fire Protection Service Revenues
  - c. Other Revenues
  - d. Total
2. Operating Expenses
  - a. Source of Supply Expense
  - b. Pumping Power
  - c. Transmission and Distribution Expenses
  - d. Customer Accounting Expenses
  - e. Administrative and General Expenses
  - f. Depreciation Expense
  - g. Other Operating Expenses
  - h. Total
3. Taxes
  - a. Federal Income
  - b. Job Development Investment Credit
  - c. California Corporation Franchise
  - d. Social Security
  - e. Other
  - f. Total
4. Balance Net Revenues

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5. Weighted Average Rate Base

- a. Plant in Service
- b. Allocated Common Plant
- c. Construction Work in Progress - Non-Interest Bearing
- d. Working Cash Allowance
- e. Material and Supplies
- f. Advances for Construction
- g. Contributions in Aid of Construction
- h. Depreciation Reserve
- i. Reserve for Deferred Taxes
- j. Total

6. Percent Balance Net Revenues to Weighted Average Rate Base (Rate of Return)

Each results of operation report shall contain information separately computed on each of the following bases:

- A. As Recorded
- B. Adjusted to Eliminate Unusual or Nonrecurring Items, with Explanations as Necessary.
- C. Decisions Nos. 81821, 83855 and 84039 Bases Including the Following Decisions Nos. 81821, 83855 and Adopted Adjustments:
  - (1) Dues, Donations and Contributions
  - (2) Legal and Regulatory Commission Expense
  - (3) Stamford and Redding Administrative Office Expense
  - (4) Refund of Excessive Ground Water Taxes
  - (5) Working Capital Allowance
  - (6) Other Decisions Nos. 81821, 83855 and 84039 Adjustments
  - (7) Other Rate-fixing Adjustments as Appropriate
- D. Decisions Nos. 81821, 83855 and 84039 Bases as Above but with Decisions Nos. 81821, 83855 and 84039 Rates Annualized.

The first report, for the period ending March 31, 1975 shall be filed on or before May 31, 1975. Each subsequent report shall be filed no later than sixty days after the close of the reporting quarter.