

Decision No. 84321**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 KERN ISLAND WATER COMPANY, a cor-
 poration, for an order under Section
 454 of the Public Utilities Code
 authorizing an increase in rates
 charged for irrigation water services
 to offset an increase in property
 taxes related to irrigation service.

Application No. 55106
 (Filed August 12, 1974;
 amended September 26, 1974)

O P I N I O NProceeding

Applicant requests ex parte authorization of increased irrigation water service rates to offset increased property taxes.

Applicant originally requested an increase in revenue to offset an estimated increase in the property taxes of \$192,700 for the 1974-1975 tax year. In the amendment, applicant requested an additional increase of \$35,254 to cover the final billed taxes. Applicant protested this high increase at first without success. Since then, the county tax assessor recomputed the taxes and issued new bills which reduced the actual tax increase to \$41,400. An increase of \$41,400 is now requested by applicant's letter of January 22, 1975, which is hereby received as Exhibit No. 1. This increase represents a 90 percent increase in property taxes.

The staff on February 18, 1975 filed a report on the results of its investigation which is hereby received as Exhibit No. 2. The staff used Exhibit No. 1 in its calculations.

Service

Applicant operates five water systems which provide irrigation service and transportation of water, via canals, near the city of Bakersfield and in adjacent unincorporated territory, Kern County. Applicant sells approximately 113,600 acre-feet of irrigation water in a normal year.

Rate Increase

A uniform increase of \$0.37 per acre-foot will offset the actual increase in property taxes. The total revenue will be increased by 6.5 percent and the increase in rates per acre-foot will be 8.2 percent for the Kern Island Canal service area; 4.7 percent for East Side, Farmers, and Stine service areas; and 7.6 percent for the Buena Vista service area.

Summary of Earnings

The following tabulation of the summary of earnings shows the effect of the latest recorded property tax increase.

Summary of Earnings
Test Year 1973

	At Present Rates		At Requested Rates		
	Decision	After			
Item	81820	Increase	Increase	Increase	Total
(Dollars in Thousands)					
Revenues	\$ 632.7	\$ 0	\$ 632.7	\$41.4	\$ 674.1
<u>Expenses</u>					
Operations & Maint.	313.6	0	313.6	0	313.6
Administrative & Gen.	44.1	0	44.1	0	44.1
Regulatory Commission	6.7	0	6.7	0	6.7
Depreciation	30.6	0	30.6	0	30.6
Property Taxes	45.9	41.4	87.3	0	87.3
Income Taxes	63.4	(21.8)	41.6	21.8	63.4
Total Expense	504.3	19.6	523.9	21.8	545.7
Net Revenue	128.4	(19.6)	108.8	19.6	128.4
Rate Base	1,624.4	0	1,624.4	0	1,624.4
Rate of Return	7.9%		6.7%		7.9%

(Red Figure)

Staff Recommendation

The staff, after reviewing information contained in the application, the amendment, applicant's workpapers, final revised tax bills, and the staff's records, concludes that:

- a. A rate increase of \$0.37 per acre-foot will offset the increase in the property taxes.
- b. Since most of the added property tax increase is related to water rights, a uniform increase per acre-foot for all service areas is reasonable.
- c. The expected future earnings will not exceed the last previously authorized rate of return.

Therefore, the staff recommends that applicant should be authorized to file the schedule of rates attached hereto as Appendix A.

Findings

1. The adjusted estimates, previously set forth, of operating revenues, operating expenses, and rate base for the test year 1973 reasonably indicate the results of applicant's operations in the near future.

2. A rate of return of 7.9 percent on the rate base adopted in Decision No. 81820 has therein been found to be reasonable.

3. Revenues will be increased \$41,400 by the rates authorized.

4. The increases in rates and charges authorized are justified, the rates and charges authorized are reasonable, and the present rates and charges, insofar as they differ from those prescribed in this decision, are for the future unjust and unreasonable.

5. A public hearing is not necessary.

We conclude that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that after the effective date of this order Kern Island Water Company is authorized to file the rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the new and revised schedules shall be four days after the date of filing. These schedules shall apply only to service rendered on and after the effective date thereof.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 15th day of APRIL, 1975.

Verma L. L. L.
President
William J. J.
Leonard R.
Robert R.
Commissioners

APPENDIX A

Schedule No. 3M

MEASURED IRRIGATION SERVICEAPPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

The areas served by the utility's canal system southeast, south, and southwest of the City of Bakersfield, Kern County.

RATES

	<u>Per Acre-Foot</u>	
For irrigation water delivered in the Kern Island Canal Tariff service area	\$4.87	(I)
For irrigation water delivered in the East Side Service area	8.22	
For irrigation water delivered in the Buena Vista service area	5.22	
For irrigation water delivered in the Farmers service area	8.22	
For irrigation water delivered in the Stine service area	8.22	(I)

SPECIAL CONDITIONS

1. Applications for water service under this schedule shall be made in accordance with the effective rules on file as part of these tariff schedules.

2. The minimum charge for delivery of water shall be for the delivery of two acre-feet per day.