

Decision No. ~~85792~~

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of ALISAL WATER CORPORATION, a
corporation, for authority to
increase rates for water service.

Application No. 55489
(Filed February 10, 1975)

William C. Miller, Jr., and Robert T. Adcock,
for applicant.
Ernst G. Knolle, for the Commission staff.

O P I N I O N

Applicant furnishes domestic and industrial water service in the easterly portion of the city of Salinas and in adjacent unincorporated territory. Its source of supply is seven wells with a capacity of 3,500 gpm. Normal pumping is by electric turbine pumps with gasoline engine standby. Pressures are maintained by three hydropneumatic tanks with a 30,000-gallon capacity. The distribution system consists of 165,000 feet of asbestos cement pipe, less than a thousand feet of steel pipe, and 3,000 feet of plastic pipe; the distribution pipe ranges in size from 2 to 12 inches. It has 213 hydrants on its system. Applicant serves over 3,000 customers, all at meter rates. Its present rates were established by D.77509 in A.51341 in July 1970. The rates proposed in this application would increase those rates by about \$54,000 or 20 percent.

Notice of the filing was published on August 30, 1975. A bill insert notice to meet the requirements of Section 454a, Public Utilities Code, was completed in September 1975. Notice of the hearing was also given by bill insert.

Public hearing was held before Examiner Gilman in Salinas on February 5, 1976. No customers participated. A results of operations study was presented by a staff engineer and a rate of return recommendation by a staff accountant. Applicant presented financial statements and an auditor's report as of December 31, 1975. The staff was given the opportunity to file a late-filed rate spread exhibit, which was received on February 23, 1976 at which time the matter was submitted.

Discussion

Staff's analysis of applicant's proposal indicated that it would earn 12.0 percent return on rate base rather than 8.8 percent as alleged. The staff recommended that applicant should be allowed only an 8.8 percent rate of return; this would produce a return of 10.2 percent on equity.

Applicant had no objection to the adoption of the staff's summary of earnings or recommended rate of return. The staff's rate of return when applied to staff's 1976 rate base (\$575,000) would produce net operating revenues of \$50,600. This is equivalent to an increase in gross revenues of approximately 9.4 percent or \$27,400.

The table below analyzes applicant's proposed rates, both as alleged and as developed by the staff:

Item	Applicant Estimated:		Staff Estimated:		Applicant: Exceeds : Staff# :
	Present : Rates :	Proposed : Rates :	Present : Rates :	Proposed : Rates :	

(Dollars in Thousands)

Year 1975

Operating Revenues	\$277.8	\$331.7	\$288.8	\$345.0	\$(11.0)
<u>Operating Expenses</u>					
Oper. & Maintenance	118.2	118.2	136.7	136.7	(18.5)
Admin. & General	71.7	71.7	65.5	65.5	6.2
Taxes Other Than Income	28.6	29.2	29.4	30.0	(.8)
Depreciation	25.5	25.5	25.9	25.9	(.4)
Subtotal	244.0	244.6	257.5	258.1	(13.5)
Taxes on Income	.7	26.3	1.6	18.9	(.9)
Total Oper. Exp.	244.7	270.9	259.1	277.0	(14.4)
Net Operating Revenue	33.1	60.8	29.7	68.0	3.4
Depreciated Rate Base	622.0	622.0	586.8	586.8	35.2
Rate of Return	5.3%	9.8%	5.1%	11.6%	.2
Average No. of Customers*	3,010	3,010	3,040	3,040	(30)

Year 1976

Operating Revenues	\$282.5	\$337.3	\$299.6	\$358.3	\$(17.1)
<u>Operating Expenses</u>					
Oper. & Maintenance	131.0	131.0	141.1	141.1	(10.1)
Admin. & General	78.6	78.6	67.2	67.2	11.4
Taxes Other Than Income	30.2	30.8	31.0	31.6	(.8)
Depreciation	26.0	26.0	27.3	27.3	(1.3)
Subtotal	265.8	266.4	266.6	267.2	(.8)
Taxes on Income	.2	15.9	2.5	21.9	(2.3)
Total Oper. Exp.	266.0	282.3	269.1	289.1	(3.1)
Net Operating Revenue	16.5	55.0	30.5	69.2	(14.0)
Depreciated Rate Base	625.1	625.1	575.0	575.0	50.1
Rate of Return	2.6%	8.8%	5.3%	12.0%	(2.7)%
Average No. of Customers*	3,082	3,082	3,120	3,120	(38)

(Red Figure)

At present rates.

* Excluding fire protection.

The staff recommended the following individual rate changes in order to achieve its recommended revenue level:

Item	Units	Recommended :		Present:		Increase :	
		Monthly Rates	Annual Revenues	Rates	Amount	Percent	
	(a)	(b)	(a) x (b) x 12				
5/8 x 3/4-inch meter	2,784.0	\$ 2.65	\$ 88,531	\$ 2.50	\$0.15	6.0%	
3/4-inch meter	37.5	3.70	1,665	3.50	.20	5.7	
1-inch meter	219.1	5.30	13,935	5.00	.30	6.0	
1-1/2-inch meter	57.8	9.60	6,659	9.00	.60	6.7	
2-inch meter	30.3	16.00	5,818	15.00	1.00	6.7	
3-inch meter	2.6	27.00	842	25.00	2.00	8.0	
4-inch meter	4.2	43.00	2,167	40.00	3.00	7.5	
6-inch meter	2.6	90.00	2,808	85.00	5.00	5.9	
Fire Protection	-	-	8,000	-	-	-	
Subtotal Revenues			130,425				
Quantity Rate per 100 cu.ft.	716,509	0.279	199,900	0.25	0.029	11.6	
Total Revenues			330,325				

Under these rates the average family consuming 1,800 cubic feet per month would experience a bill increase of 9.6 percent per month. Families using smaller amounts of water will experience a smaller percentage increase.

Findings

1. The Commission finds that the staff's estimates of operating revenues, expenses, including taxes and depreciation, the rate base, and the rate of return for the test year 1976 are reasonable.

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


We conclude that applicant should be authorized to increase its rates as set forth in Appendix A.

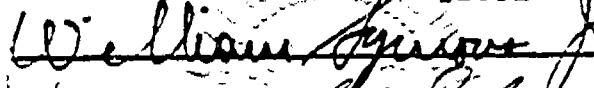
O R D E R


IT IS ORDERED that after the effective date of this order, applicant is authorized to file the revised rate schedule attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be five days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date of the revised schedule.

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

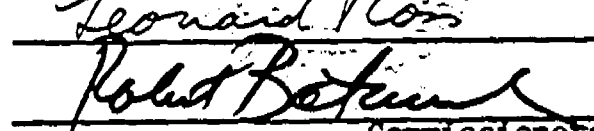
Dated at San Francisco, California, this 11th day of MAY 1, 1976.



President




Leonard Ross



Commissioners

APPENDIX A

Schedule No. 1

METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Alisal and vicinity, Salinas, Monterey County.

RATESPer Meter Per Month

Service Charge:

For 5/8 x 3/4-inch meter	\$ 2.65	(I)
For 3/4-inch meter	3.70	
For 1-inch meter	5.30	
For 1-1/2-inch meter	9.60	
For 2-inch meter	16.00	
For 3-inch meter	27.00	
For 4-inch meter	43.00	
For 6-inch meter	90.00	
For 8-inch meter	108.00	
For 10-inch meter	135.00	(I)

Quantity Rate:

For all water delivered, per 100 cu.ft.	\$ 0.279	(I)
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The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rate, for water used during the month.