

Decision 82 03 023 MAR 2 - 1982

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)	Application 60220
rates and charges for water service)	(Filed January 27, 1981)
in its Guerneville Water District.)	
)	

John H. Engel, Attorney at Law, for
Citizens Utilities Company of
California, applicant.
Brian T. Cragg, Attorney at Law, and
Mehdi Radpour, for the Commission
staff.

O P I N I O N

In Application (A.) 60220, Citizens Utilities Company of California (Citizens-California) seeks an increase in water rates for its Guerneville Water District (Guerneville).

The amount of the proposed revenue increase for metered service is \$416,300 or an increase of 95.6% in 1981 and \$51,400 or an increase of 7.0% in 1982.

A duly noticed public hearing was held before Administrative Law Judge Orville I. Wright in Guerneville on May 28 and 29, 1981, and in San Francisco on June 8, 9, 10, and 11, 1981. Final submission date for the last of the issues involved in this proceeding was September 14, 1981.

Testimony was presented by Bobby E. Pierce, W. B. Stradley, Edward W. Schwartz, and Arthur J. Smithson for Guerneville, and by Norman Low, Robert M. Pocta, Gregory A. Wilson, and Mehdi Radpour of the Commission staff. Part of the record of these hearings was consolidated with a portion of the record of other related applications filed by Citizens Utilities Company (Citizens) subsidiaries.

Summary of Decision and Rate Impact Policy ✓

Citizens-California's Guerneville is granted a general rate increase of \$292,700 for test year 1981 and a further increase of \$54,900 for test year 1982. The increase for 1981 is 67.2% and the increase for 1982 is 7.5%.

A rate of return of 12.04% on rate base is found reasonable. Return on equity is 13.2%.

Table I, following, shows revenues, expenses, and rate base for 1981 as developed by Citizens-California and by staff, the differences being labeled "at issue". Adopted revenues and expenses at present rates and at adopted rates are also depicted.

Table II presents the aforesaid data for 1982, and Tables III and IV show rate base issues and their resolution.

Step rate increases are \$54,900 or 7.0% for 1983 and \$54,900 or 6.5% for 1984.

As this order will be effective in 1982 we ordinarily would base rates upon the revenue requirement for the 1982 test year. The total revenue increase for test year 1982 is \$349,000 or 79.7%.

However, in order to lessen the immediate impact on consumers of justified but unusually precipitous rate increases, we have adopted a policy of allowing no more than a 50% raise in rates in any one year. Consonant with this policy, we authorize a revenue increase of \$219,300 or 50% for test year 1982, the revenue difference being deferred to 1983 and 1984 as shown in Appendixes A and B. Appendix E shows the method used in deferring income and in compensating applicant for postponement of full rate relief.

Rate Design

The increases authorized by this decision are spread equally (by percentage) to service charges and to quantity rates as accumulated revenue increases since January 1, 1976 exceed 25% and thus authorize lifeline rate changes. Citizens-California proposed no increase in rates for either private fire protection service or public fire hydrant service, and, staff concurring, these rates remain unchanged.

TABLE I

Citizens Utilities Company of California
Guerneville Water District
1981 Summary of Earnings

<u>Item</u>	<u>Applicant</u>	<u>At Issue</u>	<u>Staff</u>	<u>Adopted Revenues & Expenses</u>	<u>Adopted Rates</u>
<u>Operating Revenues</u>					
Metered	\$ 429,900	\$ -	\$ 429,900	\$ -	\$ -
Flat Rate	-	-	-	-	-
Private Fire Protection	400	-	400	-	-
Other	5,500	-	5,500	-	-
Total Operating Revenues	435,800	-	435,800	435,800	728,500
<u>Operating Revenue Deductions</u>					
Salaries and Wages	128,000	8,800	119,200	119,200	119,200
Materials, Serv. & Misc.	23,400	-	23,400	23,400	23,400
Purchased Power	30,400	2,200	28,200	28,200	28,200
Balancing Acct. (T.I.A.)	-	-	-	(5,400)	(5,400)
Customer Acct. & Misc.	25,100	6,300	18,800	18,800	18,800
Transportation Expense	18,400	-	18,400	18,400	18,400
Telephone and Telegraph	2,600	-	2,600	2,600	2,600
Banking Charges	-	(1,800)	1,800	-	-
Uncollectible Accounts	1,400	-	1,400	1,400	2,400
Administrative Office Exp.	61,200	3,200	58,000	61,200	61,200
Legal and Reg. Com. Exp.	6,600	3,100	3,500	6,600	6,600
Insurance	1,000	100	900	1,000	1,000
Injuries and Damages	8,900	4,500	4,400	8,400	8,400
Welfare and Pensions	31,100	5,500	25,600	31,100	31,100
Rents	3,000	-	3,000	3,000	3,000
Miscellaneous and Per Diem	1,500	-	1,500	1,500	1,500
Franchise Tax	-	-	-	-	-
Ad Valorem Tax	21,100	-	21,100	21,100	21,100
Payroll Tax	10,000	600	9,400	9,400	9,400
Depreciation Expense	52,400	3,100	49,300	49,300	49,300
Income Taxes	-	20,500	(20,500)	(22,200)	127,100
Total Oper. Rev. Deductions	426,100	56,100	370,000	377,000	527,300
Net Operating Revenues	\$ 9,700	\$(56,100)	\$ 65,800	\$ 58,800	\$ 201,200
Average Depr. Rate Base	\$1,851,600	\$193,800	\$1,657,800	\$1,671,300	\$1,671,300
Rate of Return	.52%	(3.45%)	3.97%	3.52%	.12.04%

(Red Figure)

**Citizens Utilities Company of California
Guerneville Water District
1982 Summary of Earnings**

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<u>Item</u>	<u>Applicant</u>	<u>At Issue</u>	<u>Staff</u>	<u>Adopted Revenues & Expenses</u>	<u>Adopted Rates</u>
<u>Operating Revenues</u>					
Metered	\$ 432,600	\$ -	\$ 432,600	\$ -	\$ -
Flat Rate	-	-	-	-	-
Private Fire Protection	400	-	400	-	-
Other	5,500	-	5,500	-	-
Total Operating Revenues	438,500	-	438,500	438,500	787,900
<u>Operating Revenue Deductions</u>					
Salaries and Wages	144,900	2,800	142,100	142,100	142,100
Materials, Serv. & Misc.	24,400	-	24,400	24,400	24,400
Purchased Power	30,500	2,200	28,300	28,300	28,300
Balancing Acct.	-	-	-	(5,400)	(5,400)
Cust. Acct. & Misc.	26,800	7,100	19,700	19,700	19,700
Transportation Expense	20,100	-	20,100	20,100	20,100
Telephone and Telegraph	2,600	-	2,600	2,600	2,600
Banking Charges	-	(1,800)	1,800	-	-
Uncollectible Accounts	1,400	-	1,400	1,400	2,600
Admin. Office Expenses	67,000	3,500	63,500	67,000	67,000
Legal and Reg. Com. Expense	6,600	3,100	3,500	6,600	6,600
Insurance	1,100	100	1,000	1,100	1,100
Injuries and Damages	9,800	5,000	4,800	9,000	9,000
Welfare and Pensions	34,700	5,900	28,800	34,700	34,700
Rents	3,000	-	3,000	3,000	3,000
Miscellaneous and Per Diem	1,500	-	1,500	1,500	1,500
Franchise Tax	-	-	-	-	-
Ad Valorem Tax	24,200	300	23,900	23,900	23,900
Payroll Tax	11,200	200	11,000	11,000	11,000
Depreciation Expense	54,800	2,300	52,500	52,500	52,500
Income Taxes	-	49,400	(49,400)	(48,300)	129,900
Total Oper. Rev. Deductions	464,600	80,100	384,500	395,200	574,600
Net Operating Revenues	\$ (26,100)	\$ (80,100)	\$ 54,000	\$ 43,300	\$ 213,300
Average Depr. Rate Base	\$1,927,600	\$164,200	\$1,763,400	\$1,771,400	\$1,771,400
Rate of Return	(1.35%)	(4.41%)	3.06%	2.44%	12.04%

(Red Figure)

TABLE III

Citizens Utilities Company of California
Guerneville Water District
Rate Base

Test Year 1981

<u>Item</u>	<u>Applicant</u>	<u>At Issue</u>	<u>Staff</u>	<u>Adopted</u>
Utility Plant in Service	\$2,489,600	\$113,500	\$2,376,100	\$2,376,100
Depreciation Reserve	<u>(569,700)</u>	<u>8,700</u>	<u>(578,400)</u>	<u>(578,400)</u>
Net Utility Plant in Service	1,919,900	122,200	1,797,700	1,797,700
Noninterest-Bearing CWIP	-	-	-	-
Materials and Supplies	14,200	3,200	11,000	11,000
Working Cash	19,900	66,700	(46,800)	(31,700)
Common Plant	14,600	-	14,600	14,600
Customers' Advances for Construction	(52,700)	2,900	(55,600)	(55,600)
Contributions in Aid of Construction	(19,500)	-	(19,500)	(19,500)
Reserve for Deferred Federal Income Tax	<u>(43,700)</u>	<u>(100)</u>	<u>(43,600)</u>	<u>(45,200)^{1/}</u>
Total Average Depreciated Rate Base	\$1,852,700	\$194,900	\$1,657,800	\$1,672,300

(Red Figure)

^{1/} Effect of ERTA.

TABLE IV

Citizens Utilities Company of California
Guerneville Water District
Rate Base

Test Year 1982

<u>Item</u>	<u>Applicant</u>	<u>At Issue</u>	<u>Staff</u>	<u>Adopted</u>
Utility Plant in Service	\$2,628,100	\$ 82,100	\$2,546,000	\$2,546,000
Depreciation Reserve	<u>(610,000)</u>	<u>8,200</u>	<u>(618,200)</u>	<u>(618,200)</u>
Net Utility Plant in Service	2,018,100	90,300	1,927,800	1,927,800
Noninterest-Bearing CWIP	-	-	-	-
Materials and Supplies	15,300	4,300	11,000	11,000
Working Cash	19,900	72,200	(52,300)	(37,200)
Common Plant	14,500	-	14,500	14,500
Customers' Advances for Construction	(63,900)	(2,400)	(61,500)	(61,500)
Contribution in Aid of Construction	(20,800)	-	(20,800)	(20,800)
Reserve for Deferred Federal Income Tax	<u>(55,500)</u>	<u>(200)</u>	<u>(55,300)</u>	<u>(62,400)</u> ^{1/}
Total Average Depreciated Rate Base	\$1,927,600	\$164,200	\$1,763,400	\$1,771,400

(Red Figure)

^{1/} Effect of ERTA.

Discussion of most issues in this case is contained in our decision on A.60132, Citizens-California's Sacramento Water District, which we reference and incorporate here. Issues not included in D.82-02-059, or which require augmentation for Guerneville, are developed in this opinion.

Citizens-California proposes to fold the Fire Protection Revenue Loss Surcharge into the basic rates for Schedule GU-1A, Annual Metered Service. Citizens-California made no proposal concerning cancellation of Schedule GU-5, Public Fire Hydrant Service. The absence of such a proposal is inconsistent with Public Utilities Code § 2713 and Commission Resolution L-213 dated December 18, 1979. Staff notes that many of the water utilities have entered into a uniform fire hydrant service agreement with their respective fire protection agencies in accordance with Resolution L-213. However, Citizens-California has made no advice letter filing for Commission approval of a uniform fire hydrant service agreement for Guerneville. Therefore, it must be assumed that no such agreement has been achieved. When such an agreement is entered into, cancellation of Schedule GU-5 will be appropriate. Citizens-California should promptly pursue this matter with the fire protection agency concerned. ✓

For test year 1981 \$2,500 of the revenue requirement increase is due to the Economic Recovery Tax Act (ERTA); the effect for test year 1982 is \$5,800. In the future, the effect could increase. We will direct Citizens-California to notify its Guerneville customers of the ERTA effect on rates (see Appendix D).

Description of Guerneville

Guerneville provides water service in the communities of Rio Nido, Guerneville, East Guerneville, Guerneville Park, Vacation Beach, Northwood, Monte Rio, and River Meadows in Sonoma County.

The water supply is primarily obtained from several wells throughout the system which, as of December 31, 1980 was serving 3,283 metered services and approximately 200 fire hydrant connections through about 417,802 feet of transmission and distribution mains.

The system has booster pumps ranging from 1 hp to 15 hp, and a storage capacity of approximately one million gallons. Water supplied to the Monte Rio portion of the system is processed by the recently completed Monte Rio treatment plant.

Guerneville is an operating division of Citizens-California which in turn, is wholly owned by Citizens. Administrative offices are located in Stamford, Connecticut; Redding, California; and Sacramento, California.

Public Witness Testimony

On November 22, 1977 Guerneville was ordered to prepare and implement a plan for upgrading its system and providing adequate levels of service and water quality. The plan was prepared, and it was approved by the Commission on June 5, 1978. All projects included in the plan were completed by March 1980 at a total cost of \$593,373 or about \$181 per customer. Much, however, remains to be done as evidenced by the generally negative customer response to this application.

An informal public meeting was held in Guerneville on February 10, 1981 attended by about 30 customers complaining of dirty water and expressing opposition to the requested rate increase.

Formal hearings in Guerneville likewise drew a large attendance and 18 spokespersons vigorously decried the water quality, service, and the proposal to raise rates. While subsequent investigation by Guerneville resulted in reasonable responses to the quality and service complaints, it is admitted that Guerneville water, while potable, is at least occasionally turbid and otherwise unappealing. A number of customers testified to using bottled water.

In its review of the approximate 20% unaccounted for water, staff concluded the loss to be reasonable in the light of the facts that the system is very old and nearly 63% of the total footage of mains is below the standard required by General Order (GO) 103 (4" diameter). As Guerneville has been and is continuing to replace old mains, staff's opinion is that the percentage of unaccounted for water should be considerably less than 20% in the next several years.

Improvements accomplished and scheduled in the construction budget for Guerneville should improve quality of water and service, as well. In this decision we attempt to strike a reasonable balance between needed construction expenditures and required rates to customers.

Purchased Power

Guerneville's estimate of purchased power expense for test year 1981 is \$30,400 while staff's estimate is \$28,200, a difference of \$2,200. For test year 1982 the staff is also \$2,200 lower in its estimate than Guerneville.

The major difference is that Guerneville used the kWh price of energy recommended by the staff in Pacific Gas and Electric Company's then pending rate case. In fact, Decision 93272, effective July 14, 1981, in the referenced case authorized increases in excess of those used by Guerneville.

Staff used March 5, 1981 rates for purchased power, being the latest rates in effect prior to the public hearings in Guerneville's application, arguing that increases or decreases in this category of expense which occur after the respective showings of the parties are made are better handled as offset rate adjustments. In this case, for example, Guerneville's estimate does not represent actual power rates presently charged. The offset method is the more practical and orderly method of reflecting purchased power expense in rates.

We will adopt staff's method and rate for purchased power in this proceeding.

Tax Initiative Account (TIA)

Staff's computation of the balance in the Guerneville TIA as of December 31, 1980 is \$16,132 which we adopt as reasonable and amortize over a three-year period.

Net Utility Plant in Service

Two issues separate the parties with respect to net utility plant in service. First, the issue of "rollback" in weighing plant additions which we resolve by adoption of the staff estimate and

discuss in our decision on A.60132. Sacramento County Water District; second, the question of test year estimates of plant construction.

Guerneville submitted an estimate of test year 1981 construction expenditures in the amount of \$141,500. This estimate was reviewed and adopted by the staff. ✓

At the hearings in Guerneville, Citizens-California sought to add a main replacement termed Camino del Arroyo which was virtually complete and which cost \$44,000 to increase its construction estimate for 1981 to \$187,500. Staff declined to accept this proffered upward revision because Guerneville's original evidence seemed to show Camino del Arroyo as part of the approved \$141,500 figure and for the further reason that \$141,500 was appropriate as a total level of construction expense for test year 1981, in staff's opinion.

On brief, staff argues that Guerneville's original estimate should be adopted and that Guerneville's latest exhibit in the case confirms that estimate. We are persuaded to adopt staff's position. While it is clear that the questioned project belongs in the 1981 construction estimate, it is entirely unclear whether it, in fact, is included. The record shows Guerneville has not met the burden of proof on Camino del Arroyo.

Materials and Supplies

Guerneville estimates materials and supplies at \$14,200 for test year 1981 while the staff estimate is \$11,000, a difference of \$3,200. For 1982, the difference is \$4,300.

Guerneville's estimates started with the 1979 balance, being the latest available information at the time of working paper preparation, and adjusted it upward for changes in the Producer's Price Index.

The staff adopts the 1979 balance without escalation for 1981 or 1982 in recognition of the fact that the balance in this category has been steadily declining from 1975 to 1979.

We adopt the staff estimate as the more reasonable.

Working Cash

We adopt Guerneville's estimate of \$15,100 minimum bank balance, concurred in as to amount by staff, and we adopt staff's average lag days estimate. These issues are discussed in our decision in A.60132, Sacramento County Water District.

Staff's estimates are adopted with the addition of \$15,100 for each test year for minimum bank balance estimates.

Customers' Advances for Construction

Staff and Guerneville differ by \$1,800 in customers' advances for construction in test year 1981 and by \$2,400 in test year 1982.

The difference is accounted for by three factors. First, staff estimates future refunds by trending past refunds while Guerneville's estimate is based upon a detailed analysis of line extension contracts both at present and at proposed rates. Second, staff used actual beginning-of-year 1981 data for the 1981 advance balance which data were not available to Guerneville when its estimate was prepared. Third, staff used weighted averages for advances as we adopted in our decision in A.60132. ✓

We find the staff estimating method, including the trending of past refunds to reflect the effect of past rate increases, to be the more reasonable in this proceeding, and we adopt it.

Findings of Fact

1. The adopted estimates of operating revenues, operating expenses, rate base, and rate of return for test years 1981 and 1982 are reasonable.

2. A rate of return of 12.04% on the adopted rate base of \$1,671,300 for test year 1981 is reasonable.

3. A rate of return of 12.04% on the adopted rate base of \$1,771,400 for test year 1982 is reasonable.

4. Guerneville's earnings under present rates for test year 1981 would produce net operating revenues of \$58,800 on a rate base of \$1,671,300 based on the adopted results of operations, resulting in a rate of return of 3.52%.

5. Guerneville's earnings under present rates for test year 1982 would produce net operating revenues of \$43,300 on a rate base of \$1,771,400 based on the adopted results of operations, resulting in a rate of return of 2.44%.

6. The authorized increases in rates are expected to provide annual increases in revenues of \$292,700 in 1981 and an additional \$54,900 in 1982.

7. To reflect the rate attrition rate of 1.51% the required revenue increase in both 1983 and 1984 is \$54,900 based on the 1982 rate base.

8. Citizens-California level of water service is adequate.

9. The increases in rates and charges authorized for the year 1982 in Appendix A are just and reasonable, and the present rates and charges insofar as they differ from those prescribed, are for the future unjust and unreasonable.

10. Increases in rates authorized for 1983 and 1984 in Appendix B are just and reasonable.

11. The revenues authorized under provisions of Commission Resolution L-213, incorporate the present public fire protection surcharges offsetting loss of fire hydrant revenues. No refund is necessary.

12. A return on common equity of 13.2% is reasonable.

Conclusions of Law

1. The application should be granted to the extent provided by the following order.

2. Because of the immediate need for additional revenues, the following order should be effective on the date of signature.

O R D E R

IT IS ORDERED that:

1. Citizens Utilities Company of California (Citizens-California), Guerneville Water District, is authorized to file the revised schedules attached to this order as Appendix A and to concurrently cancel its present schedules for such service. This filing shall comply with GO Series 96. The effective date of the

revised schedules shall be 4 days after the date of filing. The revised schedules shall apply only to service rendered on and after their effective date.

2. On or after November 15, 1982 Citizens-California is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B or to file a lesser increase which includes a uniform cents per 100 cubic feet of water adjustment from Appendix B in the event that the Guerneville Water District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1982, exceeds the lower of (a) the rate of return found reasonable by the Commission for Citizens-California during the corresponding period in the then most recent rate decision, or (b) 12.04%. Such filing shall comply with GO 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedule shall be no earlier than January 1, 1983, or 30 days after the filing of the step rates, whichever is later.

3. On or after November 15, 1983 Citizens-California is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B or to file a lesser increase which includes a uniform cents per 100 cubic feet of water adjustment from Appendix B in the event that the Guerneville District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1983, exceeds the lower of (a) the rate of return found reasonable by the Commission for Citizens-California during the corresponding period in the then most recent rate decision, or (b) 12.04%. Such filing shall comply with GO 96-A. The requested step rates shall be reviewed by the

staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedule shall be no earlier than January 1, 1984, or 30 days after the filing of the step rate, whichever is later.

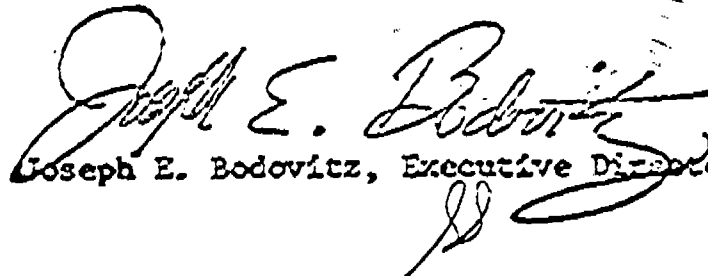
4. By May 1, 1982 Citizens-California shall send to its Guerneville Water District customers the bill insert set out in Appendix D.

This order is effective today.

Dated MAR 2 1982 , at San Francisco,
California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director

APPENDIX A

Schedule No. CU-1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Guerneville, Rio Nido, East Guernewood, Guernewood Park, Northwood, Monte Rio, Vacation Beach, River Meadows and vicinity, Sonoma County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
For the first 300 cu. ft., per 100 cu. ft.	\$ 0.686
For all over 300 cu. ft., per 100 cu. ft.	0.972

	<u>Per Meter</u> <u>Per Year</u>
Annual Service Charge:	
For 5/8 x 3/4-inch meter	\$ 138.0
For 3/4-inch meter	209.0
For 1-inch meter	302.0
For 1-1/2-inch meter	555.0
For 2-inch meter	877.0
For 3-inch meter	1,730.0
For 4-inch meter	2,490.0

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 billing period.

Service Establishment Charge:

For each establishment or reestablishment of water service	\$ 4.00
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(END OF APPENDIX A)

APPENDIX B

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

<u>Annual Service Charge</u>	<u>Effective Dates</u>	
	<u>1-1-83</u>	<u>1-1-84</u>
For 5/8 x 3/4-inch meter	\$ 53.00	\$ 10.50
For 3/4-inch meter	20.00	17.00
For 1-inch meter	115.00	24.00
For 1 1/2-inch meter	212.00	44.00
For 2-inch meter	336.00	69.00
For 3-inch meter	662.00	137.00
For 4-inch meter	944.00	206.00

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft.	0.257	0.061
For all over 300 cu.ft., per 100 cu.ft.	0.370	0.082

(END OF APPENDIX B)

APPENDIX C

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ADOPTED QUANTITIES

Company: Citizens Utilities Company of California
 District: Guerneville

	<u>1981</u> Ccf (1,000)	<u>1982</u> Ccf (1,000)		
1. <u>Water Production:</u>				
Purchased Water	-	-		
Surface Supply	-	-		
Wells	280.1	281.9		
2. <u>Electric Power:</u>	1.628753/kWh per Ccf		Supplier: PG&E	Date: 3-5-81
KWh	456,214	459,145		
Cost	28,200	28,300		
Cost per KWh	\$0.0617171	\$0.0617171		
3. <u>Ad Valorem Taxes:</u>	\$ 21,100	\$ 23,900		
Eff. Tax Rate	1.366%	1.366%		
4. <u>Net-to-Gross Multiplier:</u>	2.05529			
5. <u>Local Franchise Tax Rate:</u>	-			
6. <u>Uncollectible Rate:</u>	0.33%			
7. <u>Metered Water Sales Used to Design Rates:</u>				

	<u>Range - Ccf</u>	<u>Usage - Ccf</u>	
		<u>1981</u>	<u>1982</u>
Block 1	0-3	115,418	116,147
Block 2	> 3	<u>108,682</u>	<u>109,353</u>
Total Usage		224,100	225,500

APPENDIX C
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8. Number of Services:

	<u>No. of Services</u>		<u>Usage-KCcf</u>		<u>AVG. Usage-Ccf/Yr.^{1/}</u>	
	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>
Commercial-Metered	3,288	3,309	224.1	225.5	68.16 ^{1/}	68.16 ^{1/}
Subtotal	3,288	3,309	224.1	225.5		
Private Fire Ppt.	5	5				
Total	3,293	3,314				
Water Loss at 20%			56.0	56.4		
Total Water Produced			280.1	281.9		

9. Number of Services (by meter size)

<u>Meter Size</u>	<u>1981</u>	<u>1982</u>
5/8 x 3/4"	3,239 Services	3,260 Services
3/4"	19	19
1"	19	19
1 1/2"	7	7
2"	3	3
3"	1	1
4"	-	-
Total	3,288	3,309

Revenue Adjustment factor = 0.99725 for both test years.

^{1/} Estimates arrived at with the use of the Modified Bean and "Committee" Methods.

APPENDIX C

Page 3

INCOME TAX CALCULATION

Item	1981	1982
(Dollars in Thousands)		
<u>State Franchise Tax</u>		
Operating Revenue	\$728.5	\$787.9
<u>Expenses</u>		
O&M, A&G, and Taxes Other Than Income	350.9	392.1
<u>Deductions and Adjustments</u>		
Clearing Accounts	(6.4)	(6.7)
Deductible Expense Capitalized	3.3	8.3
Interest	50.9	54.0
Subtotal - Deductions	47.8	55.6
State Tax Depreciation	98.9	107.7
Net Taxable Revenue	230.9	232.5
CCFT at 9.6%	22.2	22.3
<u>Federal Income Tax</u>		
Operating Revenue	728.5	787.9
Expenses	350.9	392.1
Deductions	47.8	55.6
FIT Depreciation	71.4	75.1
CCFT	22.2	22.3
Taxable Income	236.2	242.8
Federal Income Tax at 46%	108.6	111.6
Graduated Tax Adjustment	(0.5)	(0.5)
Investment Tax Credit	(3.2)	(3.5)
FIT	104.9	107.6

(Red Figure)

(END OF APPENDIX C)

APPENDIX D

Bill Insert for Citizens Utilities Company of California's
Guerneville Water District

One item of expense in the rate increase recently granted to Citizens Utilities Company of California for its Guerneville Water District for the year 1982 by the Public Utilities Commission amounting to \$5,800 is attributable to President Reagan's Economic Recovery Tax Act of 1981, which requires the Public Utilities Commission to charge ratepayers for the expense of taxes which are not now being paid to the Federal Government and which may never be paid. This expense may increase in the future.

(END OF APPENDIX D)

APPENDIX E

Page 1

<u>1982</u>	<u>Adopted</u>	<u>Distribution</u>
(Dollars in Thousands)		
Present Rate	\$438.5	\$438.5
Adopted	787.9	657.8
Increase	349.4 (79.7%)	219.3 (50%)
<u>1983</u>		
Present	787.9	657.8
Adopted	842.8 { 58.4 ^{a/} + 5.9 ^{b/} }	907.1
Increase	54.9	249.3
<u>1984</u>		
Present	842.8	907.1
Adopted	897.7 { 50.0 ^{a/} + 11.0 ^{b/} }	958.7
Increase	54.9	51.6

a/ Deferred amount \$349.4 - \$219.3 = \$130.1

For 10 months $\$130.1 \left(\frac{10}{12} \right) = \108.4

Distribution (\$58.4 in 1983
 (\$50.0 in 1984

b/ Interest

1982 $\$58.4 (12.04\%) \left(\frac{10}{12} \right) = \5.9

1983 $\$50 (12.04\%) + \$50 \left(\frac{10}{12} \right) (12.04\%) = \11.0

(END OF APPENDIX E)