

kn Alt.

ORIGINAL

Decision No. SS144

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of JACKSON WATER WORKS, INC., to increase its rates and charges for its water system serving the City of Jackson and adjacent territory in Amador County.

Application No. 55430

ORDER MODIFYING DECISION
AND DENYING REHEARING

The Commission has considered the petition of Jackson Water Works, Inc. for rehearing of Decision No. 87609 and concludes that good cause for rehearing has not been shown, but that Decision No. 87609 should be modified by adding additional findings on results of operations and rate of return. A reading of Decision No. 87609 could give the impression that the Commission did not consider rate of return when refusing to grant a rate increase because of inadequate service. This opinion will rectify that omission.

The comparative results of operation of applicant and the staff shows:

<u>Line No.</u>	<u>Item</u>	<u>Applicant Present Rates</u>	<u>Staff Present Rates</u>	<u>Applicant Exceeds Staff Present</u>
		<u>1975</u>		
1	Operating Rev.	\$114,900	\$124,500	\$ (9,600)
2	<u>Operating Exps.</u>			
3	Oper. & Maint.	63,200	60,700	2,500
4	Admin. & Gen.	26,600	19,900	6,700
5	Taxes Other			
6	than Income	13,200	13,400	(200)
7	Depreciation	15,100	17,100	(2,000)
8	Income Taxes	-	(21,000)	21,000
9	Total Expenses	<u>118,100</u>	<u>90,100</u>	<u>28,000</u>
10	Net Oper. Rev.	(3,200)	34,400	(37,600)
11	Deprec. Rate Base	580,100	695,800	(115,700)
12	Rate of Return	Loss	4.94%	-
13	Avg. Comm'l. Cust.	1,146	1,146	

(Red Figure)

A-55430 km Alt.

<u>Line No.</u>	<u>Item</u>	<u>Applicant Present Rates</u>	<u>Staff Present Rates</u>	<u>Applicant Exceeds Staff Present</u>
		<u>1976</u>		
14	Operating Rev.	\$117,100	\$126,900	\$ (9,800)
15	<u>Operating Exps.</u>			
16	Oper. & Maint.	71,500	62,500	9,000
17	Admin. & Gen.	28,400	20,600	7,800
18	Taxes Other			
19	than Income	16,700	15,500	1,200
20	Depreciation	17,400	17,400	-
21	Income Taxes	-	(22,500)	22,500
22	Total Expenses	<u>134,000</u>	<u>93,500</u>	<u>40,500</u>
23	Net Oper. Rev.	(16,900)	33,400	(50,300)
24	Deprec. Rate Base	629,800	692,300	(62,500)
25	Rate of Return	Loss	4.82%	-
26	Avg. Comm'l Cust.	1,168	1,168	

The basic differences between applicant's estimates and the staff's estimates resulted from the staff's having later information. For instance, under operating revenues the staff used the rates placed in effect in June 1975 to compute revenue at present rates, whereas applicant used the rates placed in effect in January 1974. On purchased power for pumping and material services and miscellaneous, the staff used the latest known rates and prices.

On administrative and general expenses the staff used procedures which has been approved in prior cases involving Citizens.

The staff estimated utility plant in service by reviewing applicant's budget, annual reports, and the monthly construction reports filed under General Order No. 65-A and estimated 1975 plant additions of \$24,500 and 1976 plant additions of \$17,000. Applicant and staff computed depreciation expense by the straight-line remaining life method; the differences between applicant's and staff's estimates of depreciation expense and reserves are due to different estimates of plant additions. Differences in ad valorem taxes are mainly due to different estimates of plant additions. Differences in income taxes are mainly due to different estimates of expenses and the staff's use of negative income taxes.

In our opinion the staff method of estimating operating revenues, expenses, and rate base is reasonable and we will adopt the staff's results of operation summary as shown in the above table. We find that the resulting rate of return for 1975 was 4.94 percent and for 1976 was 4.82 percent. When these rates of return are considered in conjunction with the inadequate service rendered by applicant, we find that the rates of return earned by applicant in 1975 and 1976 were just and reasonable.

ORDER

IT IS ORDERED that:

1. Decision No. 87609 is modified to add the following findings of fact:

a. The staff's method of estimating operating revenues, expenses, and rate base is reasonable and the staff's results of operation summary is adopted.

b. The rate of return for 1975 of 4.94 percent and 1976 of 4.82 percent is just and reasonable when considered in conjunction with the inadequate service rendered by applicant.

2. The petition for rehearing is denied.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 22nd day of NOVEMBER, 1977.

I dissent.
William J. Quous, Jr.

I dissent
Vernon L. Sturgeon

Robert B. Berman

President

Richard P. Howell
Clare J. DeSisti

Commissioners