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Decision 95-11-040 November 21, 1995

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Erskine Creek Water)
Company, a California Corporation,)
for Authority to Establish an Annual)
Loan Surcharge of \$72,000 and)
Increase Rates for Water Service to)
its Customers by \$46,100 for 1991)
Under Public Utilities Code Section)
454.)

Application 91-07-042
(Filed July 31, 1991,
amended June 18, 1992
and March 23, 1995)

ORIGINAL

SECOND INTERIM OPINION

Summary of Decision

Erskine Creek Water Company (ECWC) received an increase in rates of \$16,276 or 8.3% annually on April 7, 1993 (Decision (D.) 93-04-002). The proceeding remained open to allow ECWC to obtain Commission approval of further rate increases necessitated by applicant's making system improvements required by the Department of Health Services (DHS).

This interim decision grants ECWC a further general rate increase of \$19,800 or 9.3% annually by reason of its additional investment in water plant as mandated by DHS.

Applicant and the Division of Ratepayer Advocates (DRA) concur both in the necessity for and the amount of the proposed rate increase.

Present Capital Improvements

ECWC has completed capital improvements to its system, including the installation of approximately 4,000 feet of 12-inch diameter main line pipe from Webb Avenue and Lake Isabella Highway to its 114,000 gallon storage tank. These system improvements caused ECWC to incur capital costs of \$129,000 paid for by applicant's shareholders.

The capital improvements were necessary to provide reliable water service to its customers and were required by DHS.

Additional Capital Improvements

The application states that the installation of the pipeline is the first but most important phase of a program of planned system improvements required by DHS.

A DHS citation specifies additional main replacements, a well, a reservoir, and a standby generator as mandated further system improvements.

These system costs may become the basis for further rate increases when ECWC completes their installation. Accordingly, this proceeding will remain open until December 31, 1996 to consider further rate base offset requests.

DRA Report

DRA reports that it has examined the contractors' statements, ECWC payments, and inspected the site of the project in the field. DRA believes that the \$129,000 project cost claimed by ECWC is reasonable.

Appendix A is a summary of earnings showing revisions to the last earnings summary adopted in D.93-04-002. This appendix shows the increased revenue requirement, depreciation, and income taxes resulting from the additional investment in water plant. Also the income tax calculation shown under Proposed Rates is calculated correctly whereas the amount shown under Rates Authorized is approximately \$3,000 too high. There is no increase in ECWC's authorized 12.10% rate of return.

The increase in rate base shown in Appendix A is \$127,100 rather than \$129,000 because of the deduction of average depreciation for the test year of \$1,900.

Appendix B is ECWC's tariff Schedule No. 1, Metered Service, that DRA recommends that the Commission authorize ECWC to file. All ECWC's flat-rate customers, except private fire protection, have converted to metered service since the last rate

case. The metered rate schedule, therefore, is the only schedule that requires changing at this time.

Protests by Customers

Eleven of ECWC's customers sent letters of protest to the Commission upon receiving the notice of rate increase mailed by applicant. Objection was made as to the quality of applicant's water and as to the increase itself.

DRA responded to each of the eleven customers and sent a copy of its report addressing the need for additional revenue.

A public hearing is not required.

Findings of Fact

1. ECWC has completed capital improvements to its system, including the installation of approximately 4,000 feet of 12-inch diameter main line pipe.

2. These system improvements caused ECWC to incur capital costs of \$129,000 paid for by applicant's shareholders.

3. The capital improvements were necessary in order that applicant could provide reliable water service to its customers and were required by DHS.

4. The summary of earnings showing revisions to the last earnings summary adopted in D.93-04-002 is reasonable (Appendix A).

5. The increased rates and charges authorized by this decision are justified and reasonable (Appendix B). Present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

6. ECWC's rate of return on rate base remains at 12.10%.

7. The effective date of this order should be the date of signature as the increased rates are designed to offset costs already incurred by applicant.

Conclusion of Law

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

SECOND INTERIM ORDER

IT IS ORDERED that:

1. Erskine Creek Water Company is authorized to file the revised schedule attached as Appendix B. This filing shall comply with General Order 96-A. The effective date of the revised schedule shall be 5 days after the date of filing. The revised schedule shall apply to service rendered on or after the effective date.

2. This proceeding will remain open until December 31, 1996 to consider further rate base offset requests.

This order is effective today.

Dated November 21, 1995, at San Francisco, California.

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

APPENDIX A

SUMMARY OF EARNINGS
Test Year 1992

<u>Item</u>	<u>Rates Authorized by D.93-04-002</u>	<u>Increases</u>	<u>At Proposed Rates</u>
(Dollars in Thousands)			
Operating Revenues:			
General Metered	210.6	19.6	230.2
Flat Rate	<u>2.2</u>	<u>0.2</u>	<u>2.4</u>
Total Revenue	212.8	19.8	232.6
Operating Expenses:			
Payroll	65.9	0.0	65.9
Power Purchased	33.1	0.0	33.1
Other Expenses	60.0	0.0	60.0
Depreciation	11.3	3.9	15.3
Taxes Other than Income	9.2	0.0	9.2
Income Taxes	<u>10.6</u>	<u>0.7</u>	<u>11.2</u>
Total Expenses	190.1	4.6	194.8
Net Operating Revenue	22.4	15.4	37.8
Rate Base	185.7	127.1	312.8
Rate of Return	12.10%		12.10%

(END OF APPENDIX A)

APPENDIX B

ERSKINE CREEK WATER COMPANY

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Lake Isabella and vicinity,
Kern County.

RATES

Quantity Rate:

Per Meter per Month

All water used per 100 cu. ft. \$ 0.49 (I)

Service Charge:

For 5/8-inch meter	\$ 7.45	(I)
For 3/4-inch meter	11.20	
For 1-inch meter	19.00	
For 1-1/2-inch meter	37.00	
For 2-inch meter	60.00	
For 3-inch meter	112.00	
For 4-inch meter	187.00	
For 6-inch meter	373.00	(I)

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(END OF APPENDIX B)