

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Copy for:
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 to Executive Director

RESOLUTION NO. W-3300

EVALUATION & COMPLIANCE DIVISION
 BRANCH/SECTION: Water Utilities
 DATE: February 5, 1986

 Director

 Numerical File

 Alphabetical File

 Accounting Officer

R E S O L U T I O N

BIG HILL WATER COMPANY, INC. (BHWAC). ORDER
 AUTHORIZING AN OFFSET RATE INCREASE PRODUCING
 \$5,210 OR 22.3% ADDITIONAL ANNUAL REVENUE.

By draft advice letter received October 17, 1985, BHWAC requested authority under Section VI of General Order 95-A and Section 454 of the Public Utilities Code to increase rates for water service by \$23,350, an amount equal to 100% of its estimated 1985 revenue. BHWAC's 1985 estimated summary of earnings indicates a rate of return on rate base of 1.4% if its request is granted. BHWAC states that this filing was made to obtain an emergency interim rate increase to cover increases in payroll expense and property taxes, and to earn its requested rate of return. According to BHWAC, this interim request will be followed by a general rate increase request to be filed in early 1986.

BHWAC provides water to two non-contiguous systems known as the Big Hill Division and the Monte Grande Division, which are separate tariff areas about 20 miles apart, located in the vicinity of Soulsbyville and Columbia, Tuolumne County. BHWAC serves about 218 metered customers, 167 in Big Hill and 51 in Monte Grande.

The present rates for water service became effective on September 1, 1981, from an offset rate increase authorized by Resolution No. W-2872. The last general rate increase became effective on July 24, 1976, pursuant to Decision No. (D.) 85935. A Safe Drinking Water Bond Act (SDWBA) loan repayment surcharge authorized in D.82-10-006 has been in effect since 1982.

The Water Utilities Branch (Branch) reviewed BHWAC's request and recommends that BHWAC should be denied the emergency interim increase and instead be granted an offset rate increase. The rationale for the Branch's recommendation are discussed below.

BHWAC's operating circumstance has changed substantially since its 1976 general rate case. The number of customers has approximately doubled. This large increase in customers has also caused substantial increases in operating

revenue and expenses as indicated by BHWAC's annual reports to the Commission. In addition, BHWAC has experienced increases in operating expenses due to the water quality improvement facilities installed under the recent SDWA loan. Also as a result of the SDWA loan, the customer mix, which formerly consisted of flat and metered customers, is now all metered.

The Branch recognizes that BHWAC's revenue and expenses have changed substantially since its offset increase in 1981. However, the workpapers supporting BHWAC's request for an emergency interim increase do not adequately detail or explain the utility's current operating revenue and expenses resulting from the changes in the system discussed previously. It is the Branch's view that the operations of this system can best be examined in the context of BHWAC's next general rate case. As stated earlier, BHWAC plans to file for a general rate increase in early 1986 and has been informed that it will be processed as fast as possible by the Branch.

Although the Branch recommends against BHWAC's emergency interim increase request, it believes that BHWAC is entitled to offset rate relief for the two expense items, payroll expense and property taxes, addressed in BHWAC's request. The Branch also believes that in light of BHWAC's loss situation some increase is justified to put the operation on a break-even basis.

Adopted payroll expense in BHWAC's last general rate case was \$2,750. BHWAC now requests \$13,080 which is a 375% increase. The Branch believes for purpose of this offset increase, payroll should be increased only to reflect inflation since the last general rate increase in 1976. Based on the labor escalation factors found reasonable by the Research Branch of the Evaluation and Compliance Division, an increase in payroll due to inflation of \$2,390 or 87% is reasonable. The resulting total for payroll is \$5,140 (\$2,750 + \$2,390). The Branch believes that any proposed increase in payroll in excess of \$5,140 should be addressed in the forthcoming general rate case filing.

BHWAC's property taxes have been increased substantially over several years in largest part due to the plant additions financed by the SDWA loan. However, BHWAC requests only the annual increase in the tax between the last two tax years (1983/1984 and 1984/1985). The tax for the 1983/1984 tax year was \$1,056 and \$1,750 for the 1984/1985 tax year. The difference or \$694 (\$1,750 - 1,056) is what BHWAC is requesting. The Branch believes that the property tax offset amount should be the amount of increase since the last general rate case because this represents the actual difference between the property tax reflected in present rates and the latest property tax bill. In the last increase proceeding, \$300 was allowed for property tax. The Branch's offset amount estimate is \$1,450 (\$1,750 - \$300).

BHWAC also requests additional revenues to bring the rate of return on rate base up to 1.4% on its estimated 1985 summary of earnings. The Branch believes that a revenue adjustment to change the rate of return should occur only in the general rate case process where operating and capital costs are thoroughly reviewed. However, the Branch believes that BHWAC's loss on operations is severe enough to justify an exception. As stated earlier, BHWAC has provided inadequate support for its estimated 1985 summary of earnings. In the absence of an acceptable and recent summary of earnings, the Branch updated BHWAC's summary of earnings last authorized in its 1981 offset increase to reflect the

Branch's recommended increases for payroll expense and property taxes. Even with the Branch's recommended increases for payroll expense and property taxes, the Branch estimates that BHC's operations would show a -1.87% return and a loss of \$1,370 on its operations. The Branch recommends that BHC should be granted this additional revenue to breakeven.

BHC was informed about the Branch's recommendation that an offset rate increase was the most appropriate way to address its request for an emergency interim rate increase. The Branch also told BHC that it is aware that the utility is in need of additional revenue and should file for its planned general rate increase as soon as possible. The Branch assured BHC that it would give this filing expedited processing. BHC stated that it accepts the Branch's recommendation.

Since the necessary revenue increases will result from changes in payroll and property taxes, not water consumption, it should come from the service charge portion of the rates. For a 5/8 x 3/4-inch meter the service charge will increase from \$2.75 to \$4.75 or \$2.00 per month. Although there are no flat rate service customers, the existing flat rates should be increased proportionately to reflect the overall system increase herein. Now that all customers are metered, whether BHC's flat rate schedules should be phased out is a question for the upcoming general rate case filing.

A notice of the proposed rate increase was mailed to each customer on December 3, 1985. Nineteen letters and a petition with 39 signatures were received. The letters protested the increase, and also cited dirty water, leaks not being fixed, and an outage of water (in November 1985). These complaints reflect typical problems that have been experienced by the customers in the past. The customer who complained about dirty water experienced some white sediment in the water for a few days. According to BHC, this was likely the pipe joint sealer used in repairs done to the chlorinator pump during the same period when the customer noticed the sediment. Regarding the leak complaint, BHC responded by explaining that they are minor and that it tries to fix leaks as they are detected. According to BHC, the outage of water was due to a 2-1/2 day power failure in November, 1985 when an unusually severe storm occurred. The pumps have been in continuous operation since then.

The Branch has written a letter to those customers who responded to the notice explaining its recommendation in this matter. The letter states that BHC's offset increase request is to recover expenses on a dollar-for-dollar basis, which are beyond the utility's control. The letter also states the rate impact of \$2 per customer per month and explains that BHC will receive no profit from its request and will be granted only \$5,210 or 22.3%, and not the 100% of its estimated 1985 revenue it had requested.

Service is satisfactory. There are no Commission orders requiring compliance nor are there significant system and service problems requiring corrective action.

The table below shows typical monthly bills for BHC's residential customers, at various levels of usage at present and proposed rates.

General Metered Service (5/8 x 3/4-inch meters for both Big Hill and Monte Grande Divisions, excluding surcharges of \$5.35 and \$11.20, respectively).

<u>Monthly Usage</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
300 cu.ft.	\$ 4.01	\$ 6.01	49.9
1,000	7.37	9.37	27.1
2,000	12.17	14.17	16.4
3,000	16.97	18.97	11.8
4,000	21.77	23.77	9.2
5,000	26.57	28.57	7.5

After investigation by the Water Utilities Branch, the Commission finds that the requested rate increase as modified is reasonable, and to the extent provided by the following resolution, is justified.

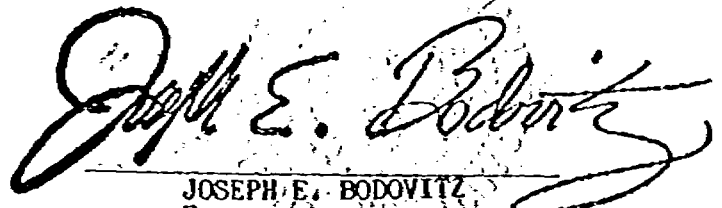
THE COMMISSION FINDS that the increased rates hereby authorized are justified and that the present rates are for the future, unjust and unreasonable.

IT IS RESOLVED that:

1. Authority is granted under Public Utilities Code Section 454 for Big Hill Water Company, Inc. to file an advice letter incorporating the revised rate Schedules attached to this resolution as Appendix A and concurrently to cancel the presently effective Rate Schedules Nos. MG-2RS, MG-1, MG-2R, BH-2RS, BH-2 and BH-2R. Such filing shall comply with General Order 96-A.
2. The effective date of the revised rate schedules shall be the date of filing.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on February 5, 1986. The following Commissioners approved it:

DONALD VIAL
President
VICTOR CALVO
WILLIAM T BAGLEY
FREDERICK R. DUDA
Commissioners


JOSEPH E. BODOVITZ
Executive/Director

APPENDIX A

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Schedule No. MG-2RS

RESIDENTIAL PART-TIME FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished to non-permanent residents on a monthly basis.

TERRITORY

Monte Grande Division on Soulsbyville Road and vicinity, located approximately 1 mile south of Soulsbyville, Tuolumne County.

RATES

	<u>Per Service Connection Per Month Charge</u>	<u>Per Service Connection Per Month Surcharge</u>
For each service connection...	\$ 7.80 (I)	\$ 11.20

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one-inch in diameter.
2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule No. MG-1, General Metered Service, and this schedule will be closed.

FLAT RATE SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular charge for residential part-time flat rate service. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by D.82-10-006.

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Schedule No. MG-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Monte Grande Division on Soulsbyville Road and vicinity, located approximately 1 mile south of Soulsbyville, Tuolumne County.

RATES

	<u>Per Meter Per Month Charge</u>	<u>Per Meter Per Month Surcharge</u>
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$ 4.75	(I) \$11.20
For 3/4-inch meter.....	6.90	16.75
For 1-inch meter.....	11.60	28.00
For 1-1/2-inch meter.....	23.70	56.00
For 2-inch meter.....	38.00	(I) 89.60

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 Rates.

Quantity Rates:

	<u>Per Meter Per Month</u>
First 300 cu.ft., per 100 cu.ft.....	\$0.42
Over 300 cu.ft., per 100 cu.ft.....	0.48

METERED SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by Decision 82-10-006.

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Schedule No. MG-2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished to non-permanent residents on a monthly basis.

TERRITORY

Monte Grande Division on Soulsbyville Road and vicinity, located approximately 1 mile south of Soulsbyville, Tuolumne County.

RATES

	<u>Per Service Connection Per Month Charge</u>	<u>Per Service Connection Per Month Surcharge</u>
For each service connection...	\$15.55 (I)	\$ 11.20

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one-inch in diameter.

2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule No. MG-1, General Metered Service, and this schedule will be closed.

FLAT RATE SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular charge of \$15.55 per one-inch or less service connection, per month. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by D.82-10-006.

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Schedule No. BH-2RS

RESIDENTIAL PART-TIME FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished to non-permanent residents on a monthly basis.

TERRITORY

Big Hill Division on Big Hill Road and vicinity, located approximately 5 miles east of Columbia, Tuolumne County.

RATES

	<u>Per Service Connection Per Month Charge</u>	<u>Per Service Connection Per Month Surcharge</u>
For each service connection...	\$ 7.80 (1)	\$ 5.35

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one-inch in diameter.
2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule No. BH-1, General Metered Service, and this schedule will be closed.

FLAT RATE SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular charge for residential part-time flat rate service. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by D.82-10-006.

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Schedule No. BH-2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished to non-permanent residents on a monthly basis.

TERRITORY

Big Hill Division on Big Hill Road and vicinity, located approximately 5 miles east of Columbia, Tuolumne County.

RATES

	<u>Per Service Connection Per Month Charge</u>	<u>Per Service Connection Per Month Surcharge</u>
For each service connection...	\$15.55 (I)	\$ 5.35

SPECIAL CONDITIONS

1. The above rates apply to service connections not larger than one-inch in diameter.

2. After the utility has installed meters to all service connections, after the effective date of this tariff, it shall then render service on the basis of Schedule No. BH-1, General Metered Service, and this schedule will be closed.

FLAT RATE SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular charge of \$15.55 per one-inch or less service rate service. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by D.82-10-006.

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Schedule RH-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Big Hill Division on Monte Grande and vicinity, located approximately 5 miles east of Columbia, Tuolumne County.

RATES

	<u>Per Meter Per Month Charge</u>	<u>Per Meter Per Month Surcharge</u>
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$ 4.75	(1) \$ 5.35
For 3/4-inch meter.....	6.90	8.05
For 1-inch meter.....	11.60	13.40
For 1-1/2-inch meter.....	23.70	26.75
For 2-inch meter.....	38.00	(1) 42.80

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 Rates.

Quantity Rates:

	<u>Per Meter Per Month</u>
First 300 cu.ft., per 100 cu.ft.....	\$0.42
Over 300 cu.ft., per 100 cu.ft.....	0.48

METERED SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by Decision 82-10-006.