

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3359  
May 13, 1987

R E S O L U T I O N

SELLARS WATER SERVICE (SWS). ORDER  
AUTHORIZING AN OFFSET RATE INCREASE  
PRODUCING \$6,667 OR 13.8% ADDITIONAL  
ANNUAL REVENUE.

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By Advice Letter No. 28, filed April 17, 1987, SWS requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates to offset: (1) a \$4,346 increase in purchased power costs and (2) \$2,321 of a \$2,595 increase in liability insurance costs. SWS serves about 285 flat rate customers in the unincorporated communities of North Shafter and South Shafter, Kern County.

The present rates became effective on August 9, 1984 pursuant to Resolution W-3198 which authorized a general rate increase with a rate of return on rate base of 11.25%. This offset increase will not result in a rate of return greater than last authorized.

SWS recently brought to the Branch's attention the fact that its power costs were considerably higher than Resolution W-3198 estimated, although it did not know why. The Branch's investigation revealed that it was correctly being billed under Pacific Gas and Electric Company's (PG&E) Schedule A-1, General Service, but W-3198 had established SWS's test year 1984 purchased power costs based on PG&E's electric Schedule PA-1, Agricultural Power, in the mistaken belief that SWS was eligible for that lower cost schedule. Of the \$4,346 increase in purchased power costs requested, \$1,691 is due to changing to the correct schedule and \$2,655 is due to increases in the electric power rate since SWS's water rates were established.

The \$2,595 increase in insurance expense submitted by SWS is for liability insurance. SWS obtained this estimate through a bid process and it is considered reasonable by the Water Utilities Branch (Branch). In compliance with the Commission policy for offsets for insurance premium increases approved by the Commission on May 7, 1986, the Branch recommends that the \$2,595 for liability insurance be considered for partial offset treatment. Since SWS is a Class D utility, the Commission's insurance offset policy requires SWS to absorb the first 75 basis points (0.75%) loss in rate of return. Accordingly, the Branch has determined that a gross revenue increase of \$2,321 should be authorized to meet this requirement.

The Branch has reviewed the latest pump efficiency tests and found that the pump efficiency of one of the four wells tested was satisfactory. PG&E was unable to determine the efficiency of the pumps on the remaining three wells

because lack of entrance to the wells prevented measuring water levels. While it is advisable for SWS eventually to reconfigure the well entrances to facilitate pump efficiency testing, the Branch recommends that the Commission not order such changes at this time. SWS serves a relatively low-income area and could put its limited capital to better use making other system improvements. For example, SWS has recently completed replacing a severely undersized section of main that should result in better pressures and lower pumping costs, and there are other sections where similar improvements could be made when funds become available.

SWS has given public notice of the request for increase by a mailing to all customers on March 31, 1987. The Branch has received one protest alleging that high nitrate concentrations in SWS's water supply are detrimental to health. The Branch contacted the Kern County Division of Environmental Health and was told that one of SWS's four wells has been found to produce water with excessive nitrates, but that well has been put on standby. When the well is used, SWS is required to reduce nitrate concentrations by blending with water from the other wells and to inform customers of the high nitrate levels. The County states that water quality overall is adequate and healthful.

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

The flat rates have been increased by approximately the adopted gross percentage amount or 13.8%. For the typical flat rate residential customer, the rate will increase by \$1.40 per month.

The table below shows rates for residential customers at present and proposed rates:

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Flat Rate Service

	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
For a single-family residential unit, including premises not exceeding 8,000 sq.ft. in area, when served from:			
3/4-inch service connection.....	\$10.75	\$12.15	13.0
1-inch service connection.....	16.15	18.40	13.9
a. For each additional single-family residential unit on the same premises and served from the same service connection.....	6.05	6.90	14.0
b. For each 100 sq.ft. of premises in excess of 8,000 sq.ft.....	0.05	0.06	20.0

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After investigation by the Branch, the Commission finds that the requested rate increase is reasonable, and to the extent provided by the following resolution is justified. SWS is directed to initiate a balancing account as required by Public Utilities Code Section 792.5.

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 Sellars Water Service is authorized, on the effective date herein, to make effective revised Schedule No. 2 attached to Advice Letter No. 28 and to cancel the presently effective rate schedule for water service.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 13, 1987. The following Commissioners approved it:

STANLEY W. HULETT  
President  
DONALD VIAL  
JOHN B. OHANIAN  
Commissioners

Commissioner Frederick R. Duda  
being necessarily absent, did  
not participate.



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VICTOR R. WEISSER  
Executive Director

Commissioner G. Mitchell Wilk  
being necessarily absent, did  
not participate.