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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3361  
DATE: May 13, 1987

R E S O L U T I O N

SIERRA KING WATER COMPANY (SKWC). ORDER AUTHORIZING AN  
OFFSET RATE INCREASE PRODUCING \$455 OR 5.9% ADDITIONAL  
ANNUAL REVENUE.

By Advice Letter No. 14, filed May 1, 1987, SKWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates to offset an increase in depreciation expense, property taxes, return on rate base, and income taxes associated with an \$1,805 increase in plant for the installation of an air compressor. Ordering Paragraph 3 of Resolution W-3305 dated March 19, 1986 authorized the filing of this advice letter to offset the cost of an air compressor to be installed on SKWC's 5000-gallon hydropneumatic tank to improve water pressure and service reliability. SKWC serves about 22 flat rate customers about five miles northeast of Three Rivers in Tulare County.

The present rates became effective on March 31, 1986 pursuant to Resolution W-3305 which authorized a general rate increase and in which the Commission found a rate of return on rate base of 11.0% for 1986, 1987 and 1988 reasonable. This offset increase will not result in a rate of return greater than last authorized.

Following SKWC's public notice mailed on March 21, 1987, the Branch received six complaints of poor service and high rates. One of the complainants stated that they had already been billed the higher rates related to this rate base offset for the second quarter of 1987. SKWC admitted having billed the higher rates but is now refunding the overcharges to those customers who paid them.

Service is poor. The installation of this air compressor was ordered in SKWC's last general rate case to alleviate continuing problems with low pressures and outages. Although there are no other Commission orders requiring further system improvements, the State Department of Health Services has recommended to the Tulare County Environmental Health Department (County) that SKWC implement a series of measures to improve its source capacity, storage, and pressures. The County is now working with SKWC to devise a compliance plan. Despite the need for further improvements, by installing the air compressor as ordered by the Commission SKWC has demonstrated a willingness to undertake measures aimed at improving service. Accordingly, the Water Utilities Branch (Branch) recommends that SKWC be allowed the rate base offset increase contemplated by W-3305. SKWC should be encouraged to pursue such additional measures as are necessary to bring service up to expected levels.

SKWC provides all flat rate service and has only one class of customer. All customers' rates have been increased by \$20.70 per year, or 5.9%.

The table below shows customers' bills at present and proposed rates:

Annual Residential Flat Rate Service

| <u>Present Rates</u> | <u>Proposed Rates</u> | <u>Percent Increase</u> |
|----------------------|-----------------------|-------------------------|
| \$351.00             | \$371.70              | 5.9                     |

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.

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 Sierra King Water Company is authorized, on the effective date herein, to make effective revised Schedule No. 2AR attached to Advice Letter No. 14 and to cancel the presently effective rate schedule for water service.

This resolution is effective today.

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.