

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3537  
December 27, 1990RESOLUTION

(RES. W-3537) SONORA WATER COMPANY (SWC). ORDER  
AUTHORIZING A RATE INCREASE PRODUCING  
\$5,064 OR 7.58% ADDITIONAL ANNUAL REVENUE

SWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on September 4, 1990, requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service by: (1) \$3,470 or 5.22% to recover a revenue shortage due to the absence of growth in the number of customers anticipated in its last general rate increase, (2) \$960 or 1.44% to offset increases in purchased water costs, and (3) \$890 or 1.34% to recover undercollection in its balancing account for purchased water. SWC serves about 81 metered customers in the Fairway Acres Subdivision and vicinity, located about one mile east of Jamestown along State Highway 108 in Tuolumne County.

The present rates became effective on April 14, 1989 pursuant to Resolution W-3433 which authorized a general rate increase producing \$9,241, or 14.1%, additional annual revenue.

Shortly after the rates authorized by Resolution W-3433 were implemented, SWC informed the Branch that it was losing money despite the increase in rates. At the Branch's request, the utility agreed to allow additional time for the new rates and expected growth to produce higher revenues.

At the time of the last rate case, the utility made a convincing showing of the expected growth by pointing to the construction of additional mobile home lots in its service area. Unfortunately, SWC's projected growth which was adopted in Resolution W-3433 failed to materialize. SWC is now serving only 81 customers, as opposed to the 98 customers it projected at the time of its last rate increase. Due to the magnitude of the shortage in customers and the small size of the utility, SWC is experiencing a significant revenue shortfall. Therefore, the Branch concurs with SWC's proposal to correct customer estimates and recommends that rates be adjusted to reflect the related loss in revenue.

After appropriate adjustments to the quantities of water purchased and water sold (adopted in Resolution W-3433), the Branch computed the revenue increase for the customer shortfall to be \$3,149 or 4.71%.

SWC purchases its water from Tuolumne Water System (TWS), an agency of Tuolumne County. On July 1, 1989, TWS increased its rates for water service. This increase has been in effect for almost one and one-half years and has resulted in an undercollection in SWC's balancing account of \$955 as of August 31, 1990. The Branch recommends that SWC be authorized to 1) increase its rates by \$960 or 1.44% to offset TWS's increased water rates, and 2) institute a surcharge amounting to 1.43% over a twelve-month period, to amortize the accumulated undercollection of the purchased water balancing account. The Branch's estimate of undercollection of the purchased water balancing account differs from that of SWC because the Branch had access to later recorded figures.

A notice of the proposed rate increase of \$5,320, or 8.00% was mailed to each customer on September 17, 1990. One letter protesting the magnitude of the increase was received.

Service is satisfactory. There are no outstanding Commission orders requiring system improvements, nor are there any significant problems requiring corrective action. In Resolution W-3433, SWC was ordered to revise its Annual Report to correct the balance of net contributions in agreement with the figure adopted in the resolution, to prepare a water conservation plan for inclusion in its tariffs, to discontinue its practice of billing water customers for public fire hydrants, and to maintain its purchased water balancing account. SWC has complied with each of these orders.

Because the customer shortfall involves unrealized revenue from both service and quantity charges, the Branch believes that the fairest way to apply the increase of \$3,149 for the shortfall is to increase both the annual service charge and quantity charge uniformly so that every customer's bill will go up by the same percentage.

Since the increases associated with the change in the cost of purchased water and amortization of the balancing account are both related to water consumption, the Branch recommends that both the \$960 or 1.44% increase due to the change in purchased water cost and the \$955 or 1.43% increase for the undercollection of the balancing account be applied only to quantity rates. Therefore, quantity charges would increase by \$0.022 per hundred cubic feet to offset the change in purchased water costs. In addition, a surcharge would be set at \$0.022 per hundred cubic feet for twelve months to amortize the balancing account undercollection.

A rate of return of 10.50% was adopted in Resolution W-3433. Since this is not a general rate increase, rate of return was not changed.

The Branch recommends that the Commission authorize an increase of \$5,064 or 7.58%, which would increase estimated annual revenue from \$66,820 at present rates to \$71,884 at the recommended rates (including surcharge) contained in Appendix B. For a residential customer using an average 1200 cubic feet of water per month, this would mean an increase in the monthly bill from \$21.52 to \$23.07. Appendix C is a comparison of customer billing at current and Branch recommended rates.

FINDINGS

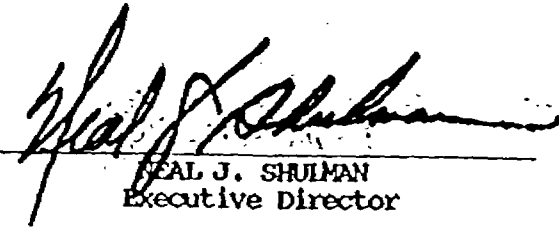
1. SWC's estimated growth in its last authorized general rate increase did not materialize causing actual revenues to be far less than adopted.
2. Earnings have been severely impacted due to the lack of growth to the extent that SWC's ability to operate is greatly impaired.
3. SWC's cost for water, which it purchases from Tuolumne Water System, increased approximately one and one-half years ago resulting in an undercollection in its balancing account.
4. The revised summary of earnings in Appendix A more accurately reflects current conditions and should be adopted.
5. The revised rates in Appendix B are reasonable and should be adopted.
6. The revised quantities in Appendix D used to develop the Branch's recommendations are reasonable and should be adopted.

IT IS ORDERED THAT:

1. Authority is granted under the Public Utilities Code Section 454 for Sonora Water Company to file an advice letter incorporating the revised rate schedule attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate Schedule No. 1A. Such filing shall comply with General Order 96-A. The effective date of the revised rate schedule shall be 5 days after the date of filing.
2. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on December 27, 1990. The following commissioners approved it:

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OMANIAN  
PATRICIA M. ECKERT  
Commissioners

  
NEAL J. SHULMAN  
Executive Director

## APPENDIX A

## Sonora Water Company

## SUMMARY OF EARNINGS

Test Year 1989

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :	
	: N-3433 :	: Present :	: Requested :	: Present :	: Requested :	: Adopted :
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
<u>Operating Revenue</u>						
Metered	\$74,613	\$66,070	\$7,360	\$66,448	\$70,557	\$70,557
Private Fire	372	372	372	372	372	372
Total Revenue	74,985	66,442	70,732	66,820	70,929	70,929
<u>Operating Expenses</u>						
Purchased Water	48,193	43,940	43,940	44,137	44,137	44,137
Contract Work	928	928	928	928	928	928
Transportation	700	700	700	700	700	700
Management Salary	4,000	4,000	4,000	4,000	4,000	4,000
Employee Labor	1,500	1,500	1,500	1,500	1,500	1,500
Office Salary	5,000	5,000	5,000	5,000	5,000	5,000
Office Supplies	1,642	1,642	1,642	1,642	1,642	1,642
Insurance	3,112	3,112	3,112	3,112	3,112	3,112
General Expense	134	134	134	134	134	134
Uncollectibles	53	53	53	53	53	53
Reg. Com. Exp.	150	150	150	150	150	150
Subtotal	65,412	61,159	61,159	61,356	61,356	61,356
Depreciation	1,072	1,072	1,072	1,072	1,072	1,072
Property Taxes	482	482	482	482	482	482
Payroll Taxes	1,314	1,314	1,314	1,314	1,314	1,314
Income Taxes	1,536	872	1,536	899	1,536	1,536
Total Deductions	69,816	64,899	65,563	65,123	65,760	65,760
Net Revenue	5,169	1,543	5,169	1,697	5,169	5,169
<u>Rate Base</u>						
Average Plant	67,265	67,265	67,265	67,265	67,265	67,265
Average Dep. Reserve	23,725	23,725	23,725	23,725	23,725	23,725
Net Plant	43,540	43,540	43,540	43,540	43,540	43,540
Less Contributions	5,199	5,199	5,199	5,199	5,199	5,199
Plus Working Cash	9,610	9,610	9,610	9,610	9,610	9,610
Mat'l. & Suppl.	1,277	1,277	1,277	1,277	1,277	1,277
Rate Base	49,228	49,228	49,228	49,228	49,228	49,228
Rate of Return	10.50%	3.13%	10.50%	3.45%	10.50%	10.50%

APPENDIX B

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Fairway Acres and vicinity, approximately one mile east of Jamestown, Tuolumne County.

RATES

Quantity Rate

All water, per 100 cu. ft..... \$1.364 (I)

Annual Service Charge:

Per Meter  
Per Year

For 5/8 x 3/4-inch meter.....	\$ 83.00	(I)
For 3/4-inch meter.....	198.30	
For 1-inch meter.....	353.00	
For 1 1/2-inch meter.....	421.20	
For 2-inch meter.....	520.00	
For 3-inch meter.....	629.65	
For 4-inch meter.....	858.60	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge computed at the Quantity Rate. (T)

SPECIAL CONDITIONS

1. The established billing cycle for water used is monthly. (N)
2. Due to an undercollection in the balancing account, a surcharge of \$0.022 per 100 cu. ft. is to be added to the quantity rate for twelve months from the effective date of the tariff filed by an advice letter implementing the rates authorized by Resolution W-3537. (N)
3. All bills are subject to the reimbursement fee set forth on schedule UF. (N)

## APPENDIX C

Comparison of monthly bills for residential customers with 5/8 x 3/4-inch meters at present and the Branch's recommended rates:

<u>Monthly Usage, 100 cu. ft.</u>	<u>Present Bills</u>	<u>Recommended Bills*</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
0	\$ 6.40	\$ 6.70	\$ 0.30	4.68%
3	10.18	10.79	0.61	5.99%
5	12.70	13.52	0.82	6.46%
10	19.00	20.34	1.34	7.05%
12 (avg)	21.52	23.07	1.55	7.20%
15	25.30	21.16	1.86	7.35%
20	31.60	33.98	2.38	7.53%
30	44.20	47.62	3.42	7.74%
50	69.40	74.90	5.50	7.93%
100	132.40	143.10	10.70	8.08%

\* Includes 12-month surcharge for amortization of balancing account undercollection.

APPENDIX D  
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## Sonora Water Company

ADOPTED QUANTITIES  
Test Year 1989Expenses:

1. Purchased power	None
2. Purchased water	
Seller	Tuolumne Water System
Schedule	General Metered Service Treated Water
Monthly Rates	
Service Charge	\$155 per month
0 to 300 cu. ft.	\$0.74 per 100 cu.ft.
next 9700 cu. ft.	\$0.92 per 100 cu.ft.
over 10,000 cu. ft.	\$0.94 per 100 cu.ft.
Quantity	45,008 cu. ft.
Total	\$44,137
3. Payroll	
Management salary	\$4,000
Employee Labor	\$1,500
Office Salary	\$5,000
Payroll taxes	\$1,314
4. Testing Expenses (in contract work)	\$360
5. Insurance Expenses	
General Liability	\$2518
Auto	\$594
6. Property Taxes	
Total	\$482
Ad Valorem Rate	1.1351%
Assessed Value	\$41,709
Special Assessments	None

Appendix D  
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## Sonora Water Company

ADOPTED QUANTITIES  
Test Year 1989Service Connections

5/8 x 3/4-inch	65
3/4-inch	0
1-inch	10
1 1/2-inch	1
2-inch	4
3-inch	1
4-inch	0
Total	81

Metered Water Sales Used to Design Rates      43,884 Ccf

ADOPTED TAX CALCULATIONS  
Test Year 1989

<u>Line No.</u>	<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1.	Operating Revenue	\$70,929	\$70,929
2.	O & M Expenses	\$61,356	\$61,356
3.	Taxes Other Than Income	\$1,796	\$1,796
4.	Depreciation	\$1,072	\$1,072
5.	Interest	\$0	\$0
6.	Taxable Income for State Tax	\$6,705	
7.	State Tax (@9.3%)	\$624	\$624
8.	Taxable Income for FIT		\$6,081
9.	Federal Income Tax (@15%)		\$912
10.	Total Income Tax		\$1,536