

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3553
April 10, 1991

R E S O L U T I O N

(RES. W-3552) PENNGROVE WATER COMPANY (PWC). ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$77,431 (72.0%) IN 1991.

SUMMARY

1. PWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on October 5, 1990 requests authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$90,002 or 83.8% in 1991. PWC's request shows 1991 gross revenue of \$107,365 at present rates increasing to \$197,367 at proposed rates to produce a rate of return on rate base of 11.26%. PWC presently serves approximately 407 metered customers in two areas of Penngrove and vicinity, Sonoma County.
2. This Resolution grants an increase in gross annual revenue of \$77,431, or 72.0% for test year 1991. This increase will provide an 11.0% estimated rate of return on rate base in test year 1991.
3. The major differences between PWC's and the Branch's estimates are in water testing expense, transportation expense, insurance expense, professional services and rate base. The main reason for these differences is due to the Branch having access to later information which was not available to PWC when it prepared its estimates.

BACKGROUND

The present rates became effective on December 19, 1990 pursuant to Resolution No. W-3533, dated December 19, 1990, which authorized an offset rate increase producing \$2,408 or 2.6% additional annual revenue. The last general rate increase was authorized pursuant to Decision 87-11-054, dated November 13, 1987, which authorized an increase of \$1,120 or 1.23% additional annual revenue.

NOTICE

A notice of the proposed rate increase was mailed to each customer on October 12, 1990.

PUBLIC MEETING

A public meeting was held on November 7, 1990 at the Penngrove Fire Department. The Branch's representative explained Commission rate setting procedures, and a utility representative explained the need for the rate increase. Twenty-five customers attended the public meeting, in addition to the utility conservator, manager, and two members of the Branch. There were numerous complaints regarding service and water quality. Discussion focused on the size of the requested rate increase and service questions. Many customers acknowledged their relatively low rates and expressed little hesitation at paying increased rates if they see a commensurate improvement in service and water quality.

PROTESTS

As a result of the notice to customers mentioned above, one letter protesting the increase was received by the Branch. The customer complained about the magnitude of the proposed increase compared to changes in the cost-of-living over the same period and of the lack of quality service. Ten complaints have been received by the Consumers Affairs Branch (CAB) in the last two years. Most of the complaints concerned high bills and poor service. CAB's records indicate the complaints were promptly resolved.

DISCUSSION

1. The Branch made an independent analysis of PWC's summary of earnings. Appendix A shows PWC's and the Branch's estimated summary of earnings at present, requested, and adopted rates for test year 1990. Appendix A also shows differences in revenue, expenses, and rate base.
2. According to the Department of Health Services (DHS), PWC currently meets all drinking water standards in effect.
3. The temporary water supply permit issued by the DHS requires PWC to install a 90,000-gallon storage tank. The Branch supports this requirement and recommends that PWC be authorized to file an advice letter to begin recovering the costs of installing a new 90,000-gallon storage tank when and if the tank is placed into service.
4. During its investigation, the Branch observed that the building in which PWC rents its current office is sold but is still in escrow. When escrow closes, PWC will be required to move and lease new facilities. Since the move has not yet occurred, neither the Branch nor PWC can estimate the expense for the new office space. The Branch recommends that PWC should be authorized to file an advice letter to begin recovering the difference in lease costs between the old building and the new once the new office space has been occupied.
5. On November 16, 1990 PWC filed Advice Letter No. 17 seeking to add Rule No. 14.1 - "Mandatory Water Conservation and Rationing Plan", and Rule No. 20 - "Water Conservation", to its Tariffs. The Branch has reviewed this advice letter and recommends that PWC be authorized to include these rules in its filed tariffs.

6. At the Branch's recommended rates shown in Appendix B, the bill for an average residential service in Penngrove using 13 CCF (one CCF is equal to 100 cubic feet) per month would increase from \$18.92 to \$32.65 per month (\$13.73 or 72.6%). The bill for the average residential user in Canon Manor using 18 CCF per month would increase from \$12.35 to \$24.35 per month (\$12.00 or 97.2%). A comparison of customer bills at present and recommended rates is shown in Appendix C.

7. PWC was informed of the Branch's differing views of revenues, expenses and rate base and has stated that it accepts the Branch's estimate.

FINDINGS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. PWC should be authorized to file an advice letter to begin recovering the costs of installing a new 90,000-gallon storage tank when and if the tank is placed into service.
5. PWC should be authorized to file an advice letter to begin recovering the difference in costs of leasing space for a new office, after it moves from its existing office and begins leasing new space.
6. PWC should be authorized to add Rules No. 14.1 and 20 as proposed in its Advice Letter No. 17.
7. The rate increase authorized herein is justified and the resulting rates are just and reasonable.

IT IS ORDERED that:

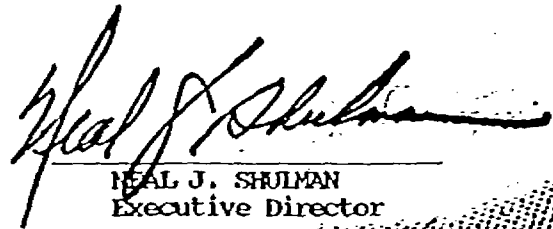
1. Authority is granted under Public Utilities Code Section 454 for Penngrove Water Company to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendix A and B, respectively, and concurrently to cancel its presently effective rate Schedules No. P-1 and CM-1. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be the date of filing.
2. Penngrove Water Company is authorized to file an advice letter to begin recovering the costs of installing a new 90,000-gallon storage tank when, and if, the tank is placed into service.
3. Penngrove Water Company is authorized to file an advice letter to begin recovering the difference in costs of leasing space for a new office, after it moves from its existing office and begins leasing space for a new office.

April 10, 1991

4. Perrngrove Water Company is authorized to add Rule No. 14.1 - "Mandatory Water Conservation and Rationing Plan" and Rule No. 20 - "Water Conservation", as attached to its Advice Letter No. 17.

5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on April 10, 1991. The following commissioners approved it:



NEAL J. SHULMAN
Executive Director

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

APPENDIX A

PENNGROVE WATER COMPANY

SUMMARY OF EARNINGS
 Test Year 1991

Item	: Utility Estimated :		: Branch Estimated :		
	: Present	: Requested :	: Present	: Requested :	
	: Rates	: Rates :	: Rates	: Rates :	: Rates :
<u>Operating Revenue</u>					
Flat Rate	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Metered	107,365	197,367	107,570	197,370	185,001
Total Revenue	107,365	197,367	107,570	197,370	185,001
<u>Operating Expenses</u>					
Purchased Water	51,809	51,809	50,420	50,420	50,420
Purchased Power	11,326	11,326	11,835	11,835	11,835
Other Volume Rel. Exp.	150	150	150	150	150
Employee Labor	14,000	15,185	14,035	14,035	14,035
Materials Exp.	4,326	4,326	4,170	4,170	4,170
Contract Work	5,746	5,746	3,480	3,480	3,480
Testing	0	0	1,500	1,500	1,500
Transportation Exp.	5,068	5,068	3,000	3,000	3,000
Other Plant Maint.	150	150	150	150	150
Office Salary	0	5,242	5,242	5,242	5,242
Mgmt. Salary	12,800	15,000	15,000	15,000	15,000
Employee Pen. & Ben.	3,700	6,048	6,048	6,048	6,048
Office Rental	3,402	3,402	4,000	4,000	4,000
Office Supplies	3,402	4,967	3,310	3,310	3,310
Insurance	8,757	8,757	10,000	10,000	10,000
Professional Services	8,500	8,500	4,700	4,700	4,700
General Exp.	256	256	330	330	330
Rate Case Exp.	260	260	260	260	260
Uncollectible Exp.	350	350	350	350	350
Total Expenses	134,002	146,542	137,980	137,980	137,980
Depreciation	15,618	17,972	17,972	17,972	17,972
Property Taxes	5,000	5,814	2,500	2,500	2,500
Payroll Taxes	0	0	3,314	3,314	3,314
Income Taxes	0	6,453	800	8,155	5,322
Total Deductions	154,620	176,781	162,566	169,921	167,088
<u>Net Revenue</u>	(47,255)	20,586	(54,996)	27,449	17,913
Average Plant	578,131	657,090	638,786	638,786	638,786
Average Depr. Res.	121,589	134,730	130,090	130,090	130,090
Net Plant	456,542	522,360	508,696	508,696	508,696
Less: Advances	223,692	269,930	272,454	272,454	272,454
Contributions	87,434	88,520	88,490	88,490	88,490
Plus: Working Cash	16,500	18,432	14,545	14,545	14,545
Mat'l. & Supp	550	550	550	550	550
<u>Rate Base</u>	162,466	182,892	162,847	162,847	162,847
<u>Rate of Return</u>	(Loss)	11.26%	(Loss)	16.86%	11.00%

APPENDIX B
Page 1

PENINGROVE WATER COMPANY

Schedule No. P-1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Peningrove and vicinity, Sonoma County.

RATES

Quantity Rates:	Per Meter Per Month	
All water per 100 cu. ft.	\$ 2.05	(I)
Service Charge:		
For 5/8 x 3/4-inch meter.....	6.00	(I)
For 3/4-inch meter.....	8.80	
For 1-inch meter.....	12.00	
For 1-1/2-inch meter.....	16.00	
For 2-inch meter.....	21.60	
For 3-inch meter.....	40.00	
For 4-inch meter.....	54.40	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UP.

APPENDIX B
Page 2

PENINGROVE WATER COMPANY

Schedule No. C.M.-1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Canon Manor and vicinity, Sonoma County.

RATES

Quantity Rates:	Per Meter Per Month	
First 500 cu.ft., per 100 cu.ft.	\$ 0.55	(I)
Over 500 cu.ft., per 100 cu.ft.	1.20	(I)
Service Charge:		
For 5/8 x 3/4-inch meter.....	6.00	(I)
For 3/4-inch meter.....	8.80	
For 1-inch meter.....	12.00	
For 1-1/2-inch meter.....	16.00	
For 2-inch meter.....	21.60	
For 3-inch meter.....	40.00	
For 4-inch meter.....	54.40	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

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

(END OF APPENDIX B)

APPENDIX C
 Page 1

PENNGROVE WATER COMPANY
 COMPARISON OF RATES (1991)-PENNGROVE

A comparison of present and Branch's recommended rates for metered service in Penngrove is shown below:

METERED SERVICE

	<u>Per Meter Per Month</u>	
	<u>Present Rates</u>	<u>Recommended Rates</u>
Quantity Rate:		
First 500 cu.ft., per 100 cu.ft.	\$ 1.12	
Over 500 cu.ft., per 100 cu.ft.	1.29	
All Water, per 100 cu.ft.....		\$ 2.05
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 3.00	\$ 6.00
For 3/4-inch meter	4.40	8.80
For 1-inch meter	6.00	12.00
For 1-1/2-inch meter	8.00	16.00
For 2-inch meter	10.80	21.60
For 3-inch meter	20.00	40.00
For 4-inch meter	27.20	54.40

Comparison of monthly customer bills at present and Branch recommended rates for 1991 test year for a 5/8 x 3/4-inch meter in Penngrove is shown below:

<u>Usage</u> <u>100 cu.ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 3.00	\$ 6.00	\$ 3.00	100.0%
3	6.36	12.15	5.79	91.0%
5	8.60	16.25	7.65	88.9%
10	15.05	26.50	11.45	76.1%
13 Avg.	18.92	32.65	13.73	72.6%
20	27.95	47.00	19.05	68.2%
30	40.85	67.50	26.65	65.2%
50	66.65	108.50	41.85	62.8%
100	131.15	211.00	79.85	60.9%

APPENDIX C
 Page 2

PENNGROVE WATER COMPANY

COMPARISON OF RATES (1991)-CANON MANOR

A comparison of present and Branch's recommended rates for metered service in Canon Manor is shown below:

METERED SERVICE

	<u>Per Meter Per Month</u>	
	<u>Present</u>	<u>Recommended</u>
	<u>Rates</u>	<u>Rates</u>
 Quantity Rate:		
First 500 cu.ft., per 100 cu.ft.	\$ 0.18	\$ 0.55
Over 500 cu.ft., per 100 cu.ft.	0.65	1.20
 Service Charge:		
For 5/8 x 3/4-inch meter	\$ 3.00	\$ 6.00
For 3/4-inch meter	4.40	8.80
For 1-inch meter	6.00	12.00
For 1-1/2-inch meter	8.00	16.00
For 2-inch meter	10.80	21.60
For 3-inch meter	20.00	40.00
For 4-inch meter	27.20	54.40

Comparison of monthly customer bills at present and Branch recommended rates for 1991 test year for a 5/8 x 3/4-inch meter in Canon Manor is shown below:

<u>Usage</u> <u>100 cu.ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 3.00	\$ 6.00	\$ 3.00	100.0%
3	3.54	7.65	4.11	116.1%
5	3.90	8.75	4.85	124.4%
10	7.15	14.75	7.60	106.3%
18 Avg.	12.35	24.35	12.00	97.2%
20	13.65	26.75	13.10	96.0%
30	20.15	38.75	18.60	92.3%
50	33.15	62.75	29.60	89.3%
100	65.65	122.75	57.10	87.0%

(End of Appendix C)

Appendix D
Page 1

PENNGROVE WATER COMPANY ADOPTED QUANTITIES

Test Year 1991

Federal Tax Rate: 15%
State Tax Rate: 9.3%

Expenses:

1. Purchased Power:

Pacific Gas & Electric Co.

Rate Schedule	A-1
Effective Date	1/1/90
Kwhr Used - Total	105,338
Kwhr Used - Winter	50,349
Kwhr Used - Summer	54,989
\$ per Kwhr - Winter	0.10006
\$ per Kwhr - Summer	0.12170
Winter Charge	5,038
Summer Charge	6,692
Service Charge	8.75 X 12 = 105

Total Purchased Power \$ 11,835

2. Purchased Water

Sonoma County

CCF	77,330
\$ per CCF	0.652
Total Purchased Water	\$ 50,420

3. Insurance Expense \$ 10,000

4. Ad Valorem Taxes \$ 2,500
Composite Tax Rate 1.235%
Assessed Value \$202,376

5. Water Testing Expenses \$ 1,500

Service Connections

Metered Revenue

5/8 x 3/4-inch meter	388
3/4-inch meter	0
1-inch meter	16
1-1/2-inch meter	0
2-inch meter	3
3-inch meter	0
4-inch meter	0

Total Metered Service Connections 407

Fire Hydrants 11

Appendix D
Page 2

PENNGROVE WATER COMPANY

ADOPTED INCOME TAX CALCULATIONS
Test Year 1991

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	185,001	185,001
2.	Expenses	137,980	137,980
3.	Taxes Other Than Income	5,814	5,814
4.	Depreciation	17,972	17,972
5.	Interest	0	0
6.	Taxable Income for State Tax	23,235	
7.	State Tax @ 9.3% (800 Min.)	2,161	2,161
8.	Taxable Income for FIT		21,074
9.	Federal Income Tax @ 15%		3,161
10.	Total Income Tax		5,322

(End of Appendix D)