

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3555  
April 10, 1991R E S O L U T I O N

(RES. W-3555) METROPOLITAN WATER COMPANY (MWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE OF \$4,432  
PRODUCING \$8,032 (123.1%) ADDITIONAL ANNUAL REVENUE.

SUMMARY

This resolution authorizes an increase in gross revenue of \$4,432 or 123.1%. This increase provides revenue to meet all reasonable operating expenses but provides no rate of return on rate base for test year 1991.

BACKGROUND

MWC, by letter request received by the Water Utilities Branch (Branch) on September 20, 1990, requested 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 \$3,600 or 100% in 1991. MWC estimates that 1991 gross revenue of \$3,600 at present rates would increase to \$7,200 in 1991 at proposed rates, which would continue its operations at a loss. MWC presently serves 12 flat-rate customers and 17 metered-rate customers in an unincorporated Fresno County area located approximately two miles west of the City of Fresno.

The present rates became effective February 2, 1977, pursuant to Resolution W-2064, dated February 23, 1977, which authorized a general rate increase of \$1,070 or 50%.

DISCUSSION

The Branch made an independent analysis of MWC's summary of earnings. Appendix A shows MWC's and Branch's estimated summary of earnings at present, requested, and adopted rates for test year 1991. Appendix A shows differences in revenues, expenses, and rate base.

The Branch recommends that MWC be directed to record on its books of account the accumulated depreciation balance upon which the average amount adopted in this resolution is based, and to reflect this balance in its 1990 annual report to the Commission. The end-of-year accumulated depreciation as of December 31, 1990, is \$2,923.

MWC's draft advice letter requested rates which it estimated would fail to produce a return on rate base and would continue its operations at a loss in test year 1991. The Commission's CAPS Policy, approved on August 18, 1982, provides that when there is a need to increase revenue for a small water utility over 100%, the portion of the increase in excess of 100% should be deferred to the following year. The exception is that sufficient revenues should be provided in the first year to at least meet operating expenses for that year. In compliance with that policy, the Branch recommends that MWC be granted a general rate increase producing \$8,032 or 123.1 percent additional annual revenue. This would increase estimated annual revenue from \$3,600 at present rates to \$8,032 at rates recommended by the Branch.

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

Branch engineers conducted an inspection of MWC's facilities and service area on June 2, 1990. The inspection noted that MWC has only one source of supply. G.O. 103 requires that each separately operated water system shall have not less than two independent sources of supply. It would be uneconomical, however, to require MWC to drill and equip another well to meet this requirement in view of the fact that facilities of the City of Fresno Water Division are nearby. It would be more prudent for MWC to take the necessary steps to obtain water from the city as a source of supply. The city's system has adequate independent sources and there would be no further need for MWC to operate and maintain its single well. When MWC completes the interconnection, it should be authorized to file an advice letter to begin recovering the reasonable cost of such facilities.

No customers receive service under Schedule No. 5, Public Fire Hydrant Service.

The Branch found items in MWC's tariffs that are missing or obsolete and should be brought up to date. These items are listed in the ordering paragraphs.

At the Branch's recommended rates shown in Appendix C, the bill for a typical flat-rate residential customer would increase from \$9.00 to \$23.00 per month and the bill for a typical metered rate customer would increase from \$10.40 to \$22.15 per month.

#### NOTICE and PROTESTS

A notice of the proposed rate increase and public meeting was mailed to each customer on September 26, 1990. The Branch received two letters concerning the magnitude of the increase. Approximately six area residents attended the public meeting in the service area on November 1, 1990. The only complaint was from a customer who felt that rate increases should be on a more regular basis.

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. MWC should be ordered to comply with G.O. 103 by providing a second independent source of water supply through interconnection with the City of Fresno Water Division. MWC should be authorized to file an advice letter to begin recovering the reasonable cost of its interconnection after it has been placed in service.
5. MWC should be required to record on its books of account the accumulated depreciation balance upon which the average amount adopted in this resolution is based, and to reflect that balances in its 1990 annual report to the Commission. The balance is \$2,923 as of December 31, 1990.
6. MWC's tariffs have missing items and outdated sheets. They are the Title Page and Preliminary Statements; Schedule UP; Rule 2, Description of Service; Rule 3, Application For Service; Rule 4, Contracts; Rule 6, Establishment and Re-establishment of Credit; Rule 7, Deposits; Rule 9, Rendering and Payment of Bills; Rule 12, Rates and Optional Rates; Rule 13, Temporary Service; Rule 14, Shortage of Supply and Interruption of Delivery; and Rule 20, Fire Protection. Schedule No. 5, Public Fire Protection which is outdated is not being used and should be deleted.

IT IS ORDERED that:

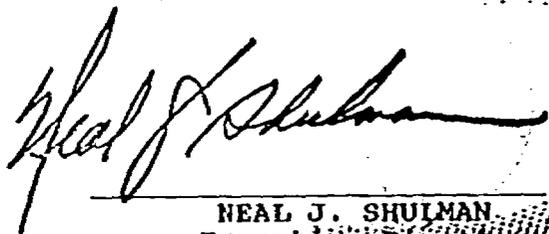
1. Authority is granted under Public Utilities Code Section 454 for Metropolitan Water Company to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate Schedules No. 1, No. 2R and No. 5. This filing shall include updated tariff items including: Title Page and Preliminary Statements; Schedule UP; Rule 2, Description of Service; Rule 3, Application For Service; Rule 4, Contracts; Rule 6, Establishment and Re-establishment of Credit; Rule 7, Deposits; Rule 9, Rendering and Payment of Bills; Rule 12, Rates and Optional Rates; Rule 13, Temporary Service; Rule 14, Shortage of Supply and Interruption of Delivery; and Rule 20, Fire Protection.
2. Metropolitan Water Company shall obtain a source of water from the City of Fresno, Water Division, within one year of the effective date of this order and is authorized to file an advice letter to begin recovering the reasonable cost of its installation after it has been completed and placed in service.

Resolution No. 3555  
Metropolitan Wtr/dr AL/DRP:mem

3. Metropolitan Water Company shall record on its books of account the accumulated depreciation balance upon which the average amount adopted in this resolution is based, and to reflect that balance in its 1991 annual report to the Commission.

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. CHANIAN  
DANIEL Wm. FESSLER  
NORMAN D. SHUMWAY  
Commissioners

APPENDIX A

METROPOLITAN WATER COMPANY

SUMMARY OF EARNINGS  
Test Year 1991

Item	: Utility Estimated :		: Branch Estimated :		: Adopted
	: Present	: Requested	: Present	: Requested	
	: Rates	: Rates	: Rates	: Rates	: Rates
<u>Operating Revenue</u>					
Metered	2,100	\$4,200	\$2,100	\$6,351	\$4,743
Flat Rate	1,500	\$3,000	1,500	\$2,592	\$3,289
Total Revenue	3,600	7,200	3,600	8,943	8,032
<u>Operating Expenses</u>					
Purchased Power	1,200	1,200	1,200	1,200	1,200
Other Vol. Related Expense	0	0	0	0	0
Employee Labor	0	0	0	0	0
Materials	200	200	200	200	200
Contract Work	400	400	1,450	1,450	1,450
Transportation Expense	900	900	900	900	900
Other Plant Maintenance	0	0	0	0	0
Office Salaries	0	0	0	0	0
Management Salaries	1,200	1,200	1,200	1,200	1,200
Uncollectibles	0	0	0	0	0
Office Services & Rentals	450	450	450	450	450
Office Supplies	200	200	200	200	200
Professional Services	600	600	320	320	320
Insurance	500	500	500	500	500
Regulatory Expense	0	0	0	0	0
General Expense	1,200	1,200	0	0	0
Subtotal	6,850	6,850	6,420	6,420	6,420
Depreciation Expense	756	756	756	756	756
Franchise Tax	0	0	0	0	0
Property Taxes	47	47	56	56	56
Payroll Taxes	0	0	0	0	0
Income Taxes	600	600	800	800	800
Total Deductions	8,253	8,253	8,032	8,032	8,032
<u>Net Revenue</u>	(4,653)	(1,053)	(4,432)	911	0
Average Plant	11,017	11,017	11,017	11,017	11,017
Avg. Accum. Depreciation	9,341	9,341	3,059	3,059	3,059
Net Plant	1,676	1,676	7,958	7,958	7,958
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l & Supplies	0	0	0	0	0
<u>Rate Base</u>	1,676	1,676	7,958	7,958	7,958
<u>Rate of Return</u>	(loss)	(loss)	(loss)	11.45%	0.00%

APPENDIX B  
 Page 1

METROPOLITAN WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Skaal Knoll Homesites, located approximately two miles west of Fresno, Fresno County.

RATES

Quantity Rate:

All water used per 100 cubic feet . . . . . \$ 0.85 (I)

Service Charge:

	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter . . . . .	\$ 7.70	(I)
For 3/4-inch meter . . . . .	11.50	
For 1-inch meter . . . . .	19.25	
For 1-1/2-inch meter . . . . .	38.50	
For 2-inch meter . . . . .	61.50	(I)

The service charge is a readiness-to-serve charge which is applicable to all metered service and is added to the charge for water used computed at the Quantity Rates. (T)  
 |  
 (T)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (N)  
 (R)

APPENDIX B  
Page 2

METROPOLITAN WATER COMPANY  
Schedule No. 2R  
RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Skaal Knoll Homesites, located approximately two miles west of Fresno, Fresno County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For a single-family residential unit including premises . . . . .	\$ 23.00	(I)
For each additional single-family residential unit on the same premises and served from the same service connection . . . . .	15.00	(I)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (H)
2. The above flat rates apply to service connections not larger than one inch in diameter. (H)
3. All service not covered by the above classification shall be furnished only on a metered basis.
4. A meter may be installed at the option of the utility in which event service thereafter will be furnished under Schedule No. 1, General Metered Service. (T)  
(T)

APPENDIX C  
 Page 1

METROPOLITAN WATER COMPANY

COMPARISON OF RATES

A comparison of the present and Branch's recommended rates is shown below:

Residential Flat Rate Service:

	<u>Per Service Connection Per Month:</u>		
	<u>Present Rates</u>	<u>Adopted Rates</u>	<u>Percent Increase</u>
For single family residence unit including premises	\$ 9.00	\$ 23.00	155.6%
For each additional unit on the same premises	6.00	15.00	150.0%

General Metered Rate Service:

The present rates shown below are the minimum charge type rates, which include 500 cubic feet of water per month (for 5/8 X 3/4-inch meters; larger amounts for larger meters). Recommended rates are service charge type rates.

	<u>Per Meter Per Month</u>			
	<u>Present Rates</u>	<u>Recomm'd Rates</u>	<u>Increase Amount</u>	<u>Percent</u>
Quantity Rates:				
First 500 cu. ft. or less	\$5.00	\$0.85	\$4.15	83.0
Next 4,500 cu. ft., per 100 cu. ft.	0.45	0.85	0.40	88.9
Over 5,000 cu. ft., per 100 cu. ft.	0.38	0.85	0.47	123.7

Service Charge:

	(Minimum Charge:)	(Service Charge:)		
For 5/8 x 3/4-inch meter	\$ 5.00	\$ 7.70	\$2.70	54.0
For 3/4-inch meter	9.00	11.50	2.50	27.8
For 1-inch meter	13.50	19.25	5.75	42.6
For 1-1/2-inch meter	22.50	38.50	16.00	71.1
For 2-inch meter	36.00	61.50	25.50	70.8

APPENDIX C  
 Page 2

METROPOLITAN WATER COMPANY

COMPARISON OF RATES  
 (Continued)

Monthly bill for a typical user with a 5/8 x 3/4-inch meter:

	Per Meter Per Month			
	Water Use in ccf	Present Rates	Recomm'ed Rates	Increase Amount Percent
0	\$ 5.00	\$ 7.70	\$ 2.70	54.00
3	5.00	10.25	5.25	105.00
5	5.00	11.95	6.95	139.00
8	6.35	14.50	8.15	128.34
10	7.25	16.20	8.95	123.44
Average 17	10.40	22.15	11.75	112.98
20	11.75	24.70	12.95	110.21
50	25.25	50.20	24.95	98.81
75	34.75	71.45	36.70	105.61

Note: ccf is 100 cubic feet.

\* \* \*

(END OF APPENDIX C)

APPENDIX D  
Page 1

METROPOLITAN WATER COMPANY

ADOPTED QUANTITIES  
Test Year 1991

Federal Income Tax Rate	15.0%
California Income Tax Rate	9.3%
Uncollectible Rate	0.0%
County Franchise Tax Rate	0.0%

Expenses:

1. Power

Pacific Gas and Electric Company:

Rate Schedule No. A1-P (Effective January 1, 1991):

Summer:		
KWH used	5,772	
Rate, per KWH	\$ 0.14000	
Amount		\$ 808

Winter:		
KWH used	2,493	
Rate, per KWH	\$ 0.11510	
Amount		\$ 287

Customer Charge:		
Number of meters	1	
Rate, per meter per month	\$ 8.75	
Amount		\$ 105

TOTAL		\$ 1,200
-------	--	----------

2. Purchased Water		None
--------------------	--	------

3. Payroll and Employee Benefits:

Employee Labor	\$	0
Office Salaries		0
Management Salaries		1,200

TOTAL		\$ 1,200
-------	--	----------

Payroll Taxes	\$	0
---------------	----	---

APPENDIX D  
 Page 2

METROPOLITAN WATER COMPANY

ADOPTED QUANTITIES  
 Test Year 1991  
 (continued)

4.	Ad Valorem Tax:		
	Tax Rate		2.053%
	Assessed Valuation		\$ 2,728
	Tax Paid		\$ 56
5.	Water Testing Expense (in Contract Work)		\$ 1,050
6.	Groundwater Replenishment Charges:		none
7.	Number of Services:		
	Residential Flat Rate	12	
	General Metered Rate	<u>17</u>	
	Total		29
8.	Metered Water Sales, Ccf:		\$ 3,772

ADOPTED INCOME TAX CALCULATIONS  
 Test Year 1991

: Line :	:	: State :	: Federal :
: No. :	Item	: Tax :	: Tax :
1	Operating Revenue	\$ 8,032	\$ 8,032
2	Expenses	6,420	6,420
3	Taxes Other than Income	56	56
4	Depreciation	756	756
5	Interest	0	0
6	Taxable Income for State Tax	800	
7	State Tax @ 9.3% (\$800 min.)	800	
8	Taxable Income for Federal Tax		0
9	Federal Tax @ 15% of 1st \$50,000		0
10	Total Income Taxes	\$ 800	

(END OF APPENDIX D)