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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3558
April 24, 1991

R E S O L U T I O N

(RESOLUTION W-3558) MINERAL CITY WATER SYSTEM (MCW)
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$7,486 (26.39%) IN 1991.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$7,486, or 26.39% for test year 1991. This increase will provide an 11.00% rate of return on rate base in test year 1991.

BACKGROUND

MCW, by draft advice letter accepted by the Water Utilities Branch (Branch) on February 8, 1991 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 \$11,780 or 41.30% in 1991. MCW's request shows 1991 gross revenue of \$28,520 at present rates increasing to \$40,300 at proposed rates to produce a rate of return on rate base of 11.00%. MCW presently serves approximately 153 year-round metered customers and 21 seasonal metered customers (May 1 through October 31) in the unincorporated area known as Mineral Camp Site, in the community of Mineral, Tehama County.

The present rates became effective on July 25, 1986 pursuant to Resolution No. W-3325 dated July 16, 1986, which authorized a general rate increase producing \$9,000 or 46.1% additional annual revenue.

DISCUSSION

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

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

MCW obtains all of its water supply from Martin Creek. This water does not meet the minimum turbidity standards established by the State Department of Health Services (DHS), and MCW has been ordered to install a surface treatment plant by 1993. The installation of the treatment plant would necessitate significant capital investment

and a substantial increase in operating expenses. As an alternative to installing a surface water treatment facility, MCW is considering a possibility of drilling a well for its primary source of water supply. The Branch, therefore, recommends that MCW be authorized to file an advice letter rate increase request to offset the cost of installing a water treatment plant or drilling a well after these items have been placed in service.

MCW owners still retain personal ownership of water rights from Martin Creek. These water rights are dedicated for public use and the operation of the water system. The customers of MCW are thinking of forming a mutual water company and buying the system. The viability of the system would be adversely affected if the water rights and the water system itself were to be sold separately. The Branch, therefore, recommends that MCW should be required to obtain all the water rights which are necessary to provide adequate water supply to its customers.

At the Branch's recommended rates shown in Appendix B, the bill for an annual general metered service using up to 500 cubic feet of water per month would increase from \$11.69 to \$14.75 per month. The bill for a seasonal metered service using up to 500 cubic feet of water per month would increase from \$16.44 to \$20.83 per month.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on February 13, 1991. Five letters protesting the increase were received by the Branch. The complaints were the same as those voiced at the public meeting which were poor service, poor water quality, poor management and magnitude of the increase too high. The Commission's Consumer Affairs Branch has not received any complaints from the public against MCW in the last two years.

A public meeting was held on March 9, 1991 at Mineral School. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Fifty-two customers attended the public meeting, a Tehama County Supervisor, a representative of the National Park Service, the utility owner, and two members of the Branch.

There were numerous complaints regarding service, water quality, utility management and magnitude of the requested increase. The owner of the system apologized for the poor management and poor service provided by the utility but explained that she inherited MCW from her father and was doing the best she could to run the system with the resources available. She has been working with Tehama County Health Department and the State Department of Health Services to correct system deficiencies. She indicated that she was willing to sell the system to the community at depreciated rate base, believing that the customers would be best served by operating the system, themselves, as a public entity. She indicated, however, that in order for her to continue operating the system until the community is able to form a district or mutual water utility to purchase the system, the utility would need a rate increase.

County Supervisor Floyd Hicks spoke briefly and explained that a community owned water district would serve the community needs better than a County Services District. By a show of hands, most of the customers present at the meeting supported the idea of forming a water district to purchase the water system and agreed to meet again with the owner to further explore the issues concerning the possible sale of the utility to the community.

FINDINGS AND CONCLUSIONS

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. MCW should be authorized to file an advice letter to begin recovering the costs of installing a new treatment plant or drilling a well after these items have been placed in service.
5. MCW should be required to acquire ownership of all water rights necessary to supply adequate water supply to all of its customers.
6. MCW service is substandard and its water quality does not meet Department of Health Services requirements.
7. Current MCW owners should be encouraged to sell the system to the community.
8. The rate increase authorized herein is justified and the resulting rates are just and reasonable.

IT IS ORDERED THAT:

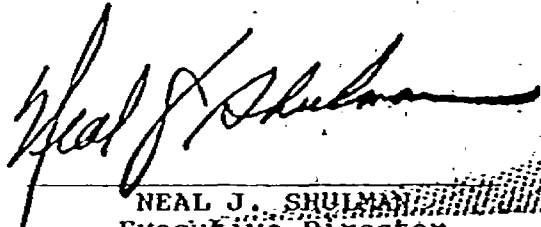
1. Authority is granted under Public Utilities Code Section 454 for Mineral City Water System to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendix A and B respectively, and concurrently to cancel its presently effective rate Schedules No. 1A and 1S. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of filing.
2. Mineral City Water System is authorized to file an advice letter to begin recovering the costs of installing a new treatment plant or drilling a well after these items have been placed in service.

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3. Within 180 days of the effective date of this resolution, Mineral City Water System shall acquire legal ownership of all water rights necessary to provide adequate water supply to all of its customers. Proof of the acquired ownership shall be submitted to the Water Utilities Branch of the Commission Advisory and Compliance Division.

4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on April 24, 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
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MINERAL CITY WATER SYSTEM

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>					
Flat Rate	0	0	0	0	0
Metered	28,520	40,300	28,369	40,915	35,855
Total Revenue	28,520	40,300	28,369	40,915	35,855
<u>Operating Expenses</u>					
Purchased Power	750	750	700	700	700
Employee Labor	7,400	7,400	6,600	6,600	6,600
Materials Exp.	2,000	2,000	2,000	2,000	2,000
Contract Work	0	0	600	600	600
Water Testing	1,100	1,100	1,100	1,100	1,100
Transportation Exp.	0	0	600	600	600
Other Plant Maint.	1,100	1,100	1,100	1,100	1,100
Management Salary	3,600	3,600	3,000	3,000	3,000
Employee Pen. & Ben.	400	400	0	0	0
Office Supplies & Exp.	600	600	600	600	600
Insurance	3,000	3,000	3,000	3,000	3,000
Professional Services	700	700	700	700	700
General Expenses	1,600	1,600	1,200	1,200	1,200
Total Expenses	22,250	22,250	21,200	21,200	21,200
Depreciation	6,030	6,030	3,595	3,595	3,595
Taxes Other Than Income	2,780	2,780	2,085	2,085	2,085
Income Taxes	800	2,116	936	3,265	2,055
Total Deductions	31,860	33,176	27,601	30,145	28,935
<u>Net Revenue</u>	(3,340)	7,124	768	10,770	6,920
Average Plant	113,799	113,799	108,920	108,920	108,920
Average Depr. Res.	50,040	50,040	47,000	47,000	47,000
Net Plant	63,759	63,759	61,920	61,920	61,920
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l. & Supp	1,000	1,000	1,000	1,000	1,000
<u>Rate Base</u>	64,759	64,759	62,920	62,920	62,920
<u>Rate of Return</u>	(Loss)	11.00%	1.22%	17.12%	11.00%

(END OF APPENDIX A)

APPENDIX B
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MINERAL CITY WATER SYSTEM

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis. Quantity rate schedule to be in effect May 1 through October 31 only.

TERRITORY

Mineral and vicinity, Tehama County.

RATES

Monthly Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 500 cu. ft., or less.....	\$14.75	(I)
Over 500 cu. ft., per 100 cu. ft.....	.85	
 Annual Minimum Charge:		
For 5/8 x 3/4-inch meter.....	\$177.00	(I)
For 3/4-inch meter.....	249.00	
For 1-inch meter.....	362.00	
For 1-1/2-inch meter.....	544.00	
For 2-inch meter.....	711.00	(I)

The Annual Minimum Charge will entitle customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITION

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

APPENDIX B
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MINERAL CITY WATER SYSTEM

Schedule No. 15

SEASONAL METERED SERVICE

APPLICABILITY

Applicable to all seasonal metered water service from May 1 through October 31.

TERRITORY

Mineral and vicinity, Tehama County.

RATES

Monthly Quantity Rates:	Per Meter Per Month	
First 500 cu.ft., or less.....	\$20.83	(1)
Over 500 cu.ft., per 100 cu.ft.85	(1)
Seasonal Minimum Charge:		
For 5/8 x 3/4-inch meter.....	\$125.00	(1)
For 3/4-inch meter.....	166.00	
For 1-inch meter.....	259.00	
For 1-1/2-inch meter.....	369.00	
For 2-inch meter.....	489.00	(1)

The Seasonal Minimum Charge will entitle the customer to the quantity of water each month which one-sixth of the Seasonal Minimum Charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITION

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

(END OF APPENDIX B)

Appendix C

MINERAL CITY WATER SYSTEM

COMPARISON OF RATES

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

METERED SERVICE

Minimum Charge:	Per Meter Per Year or Season			
	Present Rates		Recommended Rates	
	Annual	Seasonal	Annual	Seasonal
For 5/8 x 3/4-inch meter....	\$ 140.00	\$ 98.60	\$ 177.00	\$ 125.00
For 3/4-inch meter....	197.00	131.00	249.00	166.00
For 1-inch meter....	286.00	205.00	362.00	259.00
For 1-1/2-inch meter....	430.00	292.00	544.00	269.00
For 2-inch meter....	562.00	387.00	710.00	489.00

Monthly Quantity Rates:

First 500 cu.ft., or less	11.69	16.44	14.75	20.83
Over 500 cu.ft., per 100 cu.ft.	0.67	0.67	0.85	0.85

A comparison of monthly customer bills for annual metered service between May 1 and October 31, at present and recommended rates for a 5/8 x 3/4-inch meter is shown below:

Usage 100 cu.ft.	Present Bills	Recommended Bills	Amount Increase	Percent Increase
0	\$ 11.69	\$ 14.75	\$ 3.06	26.2
5	11.69	14.75	3.06	26.2
10	15.04	19.00	3.96	26.2
30	28.44	36.00	7.56	26.6
50	41.84	53.00	11.16	26.7
100	75.34	95.50	20.16	26.8

A comparison of monthly bills for seasonal metered service at present and recommended rates for a 5/8 x 3/4-inch meter is shown below:

Usage 100 cu.ft.	Present Bills	Recommended Bills	Amount Increase	Percent Increase
0	\$ 16.44	\$ 20.83	\$ 4.39	26.7
5	16.44	20.83	4.39	26.7
10	19.79	25.08	5.29	26.7
30	33.19	42.08	8.89	26.8
50	46.59	59.08	12.49	26.8
100	80.09	101.58	21.49	26.8

(END OF APPENDIX C)

MINERAL CITY WATER SYSTEM

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-1P
Effective Date	1/1/91
Kwhr Used - Total	4,740
Kwhr Used - Winter	2,212
Kwhr Used - Summer	2,528
\$ per Kwhr - Winter	0.11493
\$ per Kwhr - Summer	0.13984
Winter Charge	\$254
Summer Charge	\$354
Service Charge	\$7.50 X 12 = 90
Energy Comm. Surch.	\$0.0002 per kwh
Total Purchased Power	\$700

2. Insurance Expense	\$ 3,000
4. Ad Valorem Taxes	\$ 815
Composite Tax Rate	1.0625%
Assessed Value	\$75,796
5. Water Testing Expenses	\$ 1,100

Service Connections

Metered Revenue	
5/8 x 3/4-inch Annual	150
3/4-inch Annual	0
1-inch Annual	1
1-1/2-inch Annual	1
2-inch Annual	1
5/8 x 3/4-inch Seasonal	<u>21</u>
Total Metered Service Connections	174
Metered Water Sales (Ccf)	6,000

Appendix D
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MINERAL CITY WATER SYSTEM

ADOPTED INCOME TAX CALCULATIONS
Test Year 1991 ..

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	35,855	35,855
2.	Expenses	21,200	21,200
3.	Taxes Other Than Income	2,085	2,085
4.	Depreciation	3,595	3,595
5.	Interest	0	0
6.	Taxable Income for State Tax	8,975	
7.	State Tax @ 9.3% (800 Min.)	835	835
8.	Taxable Income for FIT		8,140
9.	Federal Income Tax @ 15%		1,220
10.	Total Income Tax		2,055

(END OF APPENDIX D)