

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3570  
May 22, 1991

R E S O L U T I O N

(Resolution W-3570) HAPPY ACRES WATER COMPANY (HAWC)  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$7,206 (652.72%) IN 1991.

Draft Advice Letter, Filed March 7, 1991

SUMMARY

This Resolution grants an increase in gross annual revenue of \$7,206 that will result in a rate impact of a 652.72% increase for test year 1991. The increase will generate revenues only sufficient to cover operating expenses.

BACKGROUND

HAWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on March 7, 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 \$7,206 or 652.72% in 1991. HAWC's request shows 1991 gross revenue of \$1,104 at present rates increasing to \$8,310. HAWC presently serves approximately 23 metered customers in the unincorporated area known as Happy Acres Subdivision and vicinity, located approximately five miles north of Petaluma, Sonoma County.

The present rates became effective on July 11, 1980 pursuant to Resolution No. W-2632 dated May 6, 1980, which authorized a general rate increase producing \$2,000 or 100.0% additional annual revenue.

In September, 1990, the Branch was informed that the current owners of HAWC intended to abandon the water system because the utility was not generating sufficient revenues to pay ongoing maintenance obligations. On February 4, 1991, representatives of the Branch and the Commission's Legal Division met with the utility owners and customers to discuss HAWC's future. At the meeting, it was learned that the customers had already formed a committee and were in the process of forming a mutual to take over ownership and operation of HAWC. The Commission staff representatives fully supported the customers' efforts in forming a mutual and offered any assistance they could provide to expedite the process. The utility owners agreed to operate the system until the mutual was formed but indicated that in order to do so, a rate increase was needed. They also requested assistance in preparing the rate increase request.

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HAWC currently has a General Metered Service rate schedule consisting of a minimum charge of \$4.00 per 5/8 x 3/4-inch (residential) meter per month for 300 cubic feet of water and an additional charge of \$1.00 per 100 cubic feet for water consumption in excess of 300 cubic feet per month. This rate schedule, which was authorized in 1980, was based on an average customer consuming approximately 1500 cubic feet of water per month. Although meters were in place at that time, most of them were inoperative. In the resolution authorizing the increase, HAWC was ordered to repair or replace the inoperative meters within six months. The utility did not comply, and since it has no flat rate tariff schedule, it has been billing its customers only the minimum charge of \$4.00 per month for the last ten years. This is the major reason for HAWC's inability to raise adequate funds to operate the water system. Revenue at present charges, as shown in Appendix A, reflects the \$4.00 per customer per month billing. This billing shortfall is the reason for the extremely large 652.72% rate increase request.

DISCUSSION

The Branch made an independent analysis of HAWC's summary of earnings. Appendix A shows HAWC's and the Branch's estimated summary of earnings at present charges, requested, and adopted rates for test year 1991. Appendix A shows that there are no differences in the Branch and HAWC estimates. Rate base was not analyzed because the utility only wanted to raise rates to cover minimum operating expenses.

HAWC has recently installed new meters for all of its customers, but no data is yet available to calculate revenues at existing rates. A service connection moratorium imposed on HAWC by the County of Sonoma Public Health Department is currently in effect because of the utility's inability to provide water at adequate quantities and pressures due to undersized pipe in its distribution system.

HAWC currently has a General Metered Service rate schedule, as discussed above. The Branch believes that to raise the existing General Metered Service rates at this time without any current water consumption data would be unreasonable and, therefore, recommends instituting the Flat Rate Service schedule shown in Appendix B and cancelling the current Schedule No. 1, General Metered Service. In addition, HAWC should be ordered to continue to measure water consumption every month to establish a data base from which a new General Metered Service schedule can be designed and implemented in the future. Once a full year of water consumption data has been recorded, HAWC should be authorized to file an advice letter request to implement a metered rate schedule, as long as there is no resulting increase in revenue.

At the Branch's recommended rates shown in Appendix B, the monthly bill for residential water service will increase from \$4.00 to \$30.10.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on March 7, 1991. There were no letters of protest to the notice.

A public meeting was held on March 21, 1991 at Dunham Elementary School in Petaluma. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Approximately forty members of the public attended the public meeting. Based on comments made at the meeting, it appears that the customers are well aware that they have been under-billed over the years and have no objection to the rate increase requested by the utility.

FINDINGS AND CONCLUSIONS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The monthly rate recommended by the Branch (Appendix B) is reasonable and should be adopted.
3. Schedule No. 1, General Metered Service, should be cancelled.
4. HAWC should be required to measure and record monthly customer water consumption to develop a water consumption data base from which a new General Metered Service rate schedule can be designed and implemented. After a full year of water consumption data has been recorded, HAWC should be authorized to file an advice letter request to institute a metered rate schedule, as long as there is no resulting increase in revenue.
5. Current HAWC owners should be encouraged to work with the homeowners within the utility's service area to expedite the takeover of ownership of the system by the community.
6. HAWC is currently under a connection moratorium imposed by the Sonoma County Public Health Department because of undersized pipes in the distribution system.
7. The rate increase authorized herein is justified, and the resulting rate is just and reasonable.

IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Happy Acres Water Company to file an advice letter incorporating the summary of earnings and Schedule No. 2R, Residential Flat Rate Service, attached to this resolution as Appendix A and B respectively, and concurrently to cancel its presently effective rate Schedule No. 1. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall be five days after the date of filing.

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2. Happy Acres Water Company shall measure and record water consumption of all customers each month and provide copies of the data by the first day of the following month to the Water Utilities Branch. This reporting requirement shall exist for a period of twelve months commencing on the first day of the month after the effective date of this resolution.

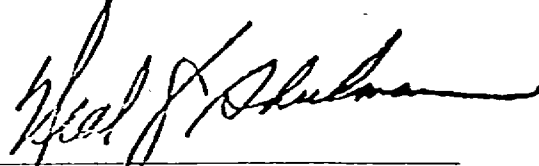
3. After recording a full year of water consumption data, Happy Acres Water Company is authorized to file an advice letter request to institute a metered rate schedule, as long as there is no resulting increase in revenue.

4. Within 120 days of the effective date of this resolution, Happy Acres Water Company shall submit to the Water Utilities Branch a plan for improving its distribution system. The plan shall include the costs and a schedule of work to be done.

5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 22, 1991. The following Commissioners approved it:

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

  
NEAL J. SHULMAN  
Executive Director

Commissioner John B. Ohanian,  
being necessarily absent, did  
not participate.

APPENDIX A

HAPPY ACRES WATER COMPANY

SUMMARY OF EARNINGS  
 Test Year 1991

Item	Utility Estimated		Branch Estimated		Adopted
	Present	Requested	Present	Requested	
	Charges	Rates	Charges	Rates	Rates
<u>Operating Revenue</u>					
Flat Rate	0	0	0	0	\$ 8,310
Metered	\$ 1,104	\$ 8,310	\$ 1,104	\$ 8,310	0
Total Revenue	1,104	8,310	1,104	8,310	8,310
<u>Operating Expenses</u>					
Purchased Power	3,150	3,150	3,150	3,150	3,150
Materials (chlorine)	240	240	240	240	240
Contract Work	4,100	4,100	4,100	4,100	4,100
Office Supplies & Exp.	50	50	50	50	50
Professional Services	310	310	310	310	310
Total Expenses	7,850	7,850	7,850	7,850	7,850
Depreciation	0	0	0	0	0
Property Taxes	460	460	460	460	460
Income Taxes	0	0	0	0	0
Total Deductions	8,310	8,310	8,310	8,310	8,310
<u>Net Revenue</u>	(7,206)	0	(7,206)	0	0

(END OF APPENDIX A)

APPENDIX B

HAPPY ACRES WATER COMPANY

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The unincorporated area known as Happy Acres Subdivision, and vicinity, located at the intersection of Mehan and Stony Point Roads, approximately five miles north of Petaluma, Sonoma County.

RATES

	Per Service Connection <u>Per Month</u>
For each residential unit including premises.....	\$30.10

SPECIAL CONDITIONS

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

(END OF APPENDIX B)