

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3571
May 22, 1991R E S O L U T I O N

(RESOLUTION W-3571) WARRING WATER SERVICE, INC. (WWS)
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$42,458 (46.4%) IN 1991.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$42,458, or 46.4% for test year 1991. This increase will provide an 11.00% rate of return on rate base in test year 1991.

BACKGROUND

WWS, by draft advice letter accepted by the Water Utilities Branch (Branch) on October 1, 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 \$64,678 or 70.7% in 1991. WWS's request shows 1991 gross revenue of \$91,522 at present rates increasing to \$156,200 at proposed rates to produce a rate of return on rate base of 12.08%. WWS presently serves approximately 337 customers in the community of Piru on State Route 126 in an unincorporated area of Ventura County.

The present rates became effective on March 4, 1980 pursuant to Resolution No. W-2607 dated February 26, 1980, which authorized a general rate increase producing \$22,893 or 41.0% additional annual revenue.

DISCUSSION

The Branch made an independent analysis of WWS's summary of earnings. Appendix A shows WWS'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.

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

WWS serves treated water from a reservoir and wells to its domestic customers. It also serves well irrigation water to a customer who is part owner of the utility. The rates for this service have

previously been priced below production cost. Pricing now has been adjusted to cover production cost which has necessitated the 22% increase in irrigation revenue authorized in this resolution.

WWS's system serving the domestic customers presently has a 30% water loss. Water losses of 5% to 10% are common for a system of this size and vintage. A 30% water loss is excessive. For ratemaking purposes, a 15% water loss has been allowed at this time. WWS should make every attempt to reduce its losses as soon as practicable, and in no event should WWS request additional rate relief for power expense until its water losses are improved.

In reviewing WWS's tariff schedules, the Branch has found that WWS has no written agreement as provided for in Public Utilities Code Section 2713 to provide service under Schedule No. 5, Public Fire Hydrant Service. The schedule, therefore, should be cancelled and withdrawn. Also, Rule 19, Service Connections, Meters, and Customer's Facilities, is obsolete and requires updating.

At the Branch's recommended rates shown in Appendix B, the bill for an annual general metered service using 1,700 cubic feet of water per month would increase from \$12.82 to \$15.90 per month.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on October 3, 1990. No letters protesting the increase were received by the Branch. The Commission's Consumer Affairs Branch has not received any informal complaints involving WWS in the last two years.

A public meeting was held on October 30, 1990 in Piru. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase and improvements it proposed to make. Twelve customers attended the meeting and expressed understanding for the need to increase rates but were concerned over the the magnitude of the increase at this time.

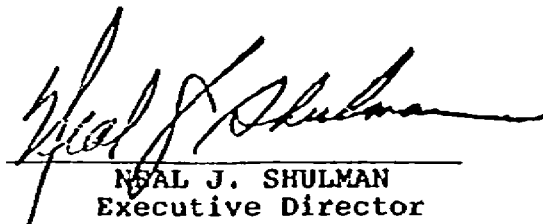
FINDINGS AND CONCLUSIONS

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. WWS's 30 percent water loss or unaccounted for water is excessive and should be reduced as soon as practicable.
5. 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 Warring Water Service, Inc. to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendix A and B respectively; concurrently to cancel its presently effective rate Schedules No. 1, 3, and 5; and file a revised Rule 19. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five (5) days after the date of filing.
2. Warring Water Service shall track actual water loss and provide a bimonthly report to the Water Utilities Branch, Los Angeles Office until May 31, 1992.
3. 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:



NEAL J. SHULMAN
Executive Director

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

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

APPENDIX A

WARRING WATER SERVICE, INC.

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>					
General Metered Service	\$82,418	\$123,096	\$82,418	\$123,096	\$104,080
Irrigation Service	9,104	33,104	9,104	33,104	29,960
Total Revenue	91,522	156,200	91,522	156,200	133,980
<u>Operating Expenses</u>					
Power	41,907	41,907	38,601	38,601	38,601
Other Vol. Related Expense	5,907	5,907	4,350	4,350	4,350
Employee Labor	20,640	20,640	16,640	16,640	16,640
Materials	1,336	1,336	1,336	1,336	1,336
Contract Work	5,566	5,566	5,050	5,050	5,050
Transportation Expense	600	600	2,500	2,500	2,500
Other Plant Maintenance	0	0	0	0	0
Office Salaries	0	0	0	0	0
Management Salaries	20,000	20,000	16,800	16,800	16,800
Uncollectibles	0	0	0	0	0
Office Services & Rentals	3,600	3,600	3,600	3,600	3,600
Office Supplies	4,065	4,065	2,900	2,900	2,900
Professional Services	14,000	14,000	2,000	2,000	2,000
Insurance	2,500	2,500	2,900	2,900	2,900
Regulatory Expense	1,888	1,888	2,088	2,088	2,088
General Expense	0	0	800	800	800
Subtotal	122,509	122,509	99,565	99,565	99,565
Depreciation Expense	5,995	5,995	6,462	6,462	6,462
Franchise Tax	0	0	659	1,125	965
Property Taxes	1,680	1,680	1,548	1,548	1,548
Payroll Taxes	3,637	3,637	5,310	5,310	5,310
Income Taxes	800	1,698	800	9,664	4,611
Total Deductions	134,621	135,519	114,344	123,674	118,461
<u>Net Revenue</u>	(43,099)	20,681	(22,822)	32,526	15,519
Average Plant	356,630	356,630	343,379	343,379	343,379
Avg. Accum. Depreciation	187,205	187,205	194,836	194,836	194,836
Net Plant	169,425	169,425	148,543	148,543	148,543
Less: Advances	0	0	0	0	0
Contributions	16,350	16,350	16,429	16,429	16,429
Plus: Working Cash	17,494	17,494	8,243	8,243	8,243
Mat'l & Supplies	670	670	670	670	670
<u>Rate Base</u>	171,239	171,239	141,027	141,027	141,027
<u>Rate of Return</u>	(loss)	12.08%	(loss)	23.06%	11.00%

APPENDIX B
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WARRING WATER SERVICE, INC.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Piru and vicinity, Ventura County

RATES

Quantity Rate: (T)
All water used per 100 cubic feet \$ 0.65 (C)

Service Charge:	Per Meter Per Month
For 5/8 x 3/4-inch meter	\$ 4.85
For 3/4-inch meter	7.30
For 1-inch meter	12.15
For 1-1/2-inch meter	24.25
For 2-inch meter	37.35
For 3-inch meter	72.75
For 4-inch meter	121.25
For 6-inch meter	363.75

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 Rates. (C)

SPECIAL CONDITIONS

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

APPENDIX B
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WARRING WATER SERVICE, INC.

Schedule No. 3

IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

Piru and vicinity, Ventura County.

RATES

Quantity Rate:

All water used per 100 cubic feet \$ 0.18 (T)
(C)

Service Charge:

		Per Meter Per Month	
For	2-inch meter	37.35	 (C)
For	3-inch meter	72.75	
For	4-inch meter	121.25	
For	6-inch meter	363.75	

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 Rates. (C)

SPECIAL CONDITIONS

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

(END OF APPENDIX B)

APPENDIX C
 Page 1

WARRING WATER COMPANY

COMPARISON OF RATES

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

General Metered Rate Service:

Present rates for domestic service include the use of 300 cubic feet of water per month. Additional water is billed at the quantity rate. The present rates shown below are the minimum charges that apply for the meter size indicated.

	<u>Per Meter Per Month</u>			
	<u>Present Rates</u>	<u>Recomm'ed Rates</u>	<u>Increase Amount</u>	<u>Increase Percent</u>
Quantity Rates:				
First 300 cu. ft. or less	\$4.00	--	--	--
Over 300 cu. ft., per 100 cu. ft.	0.63	\$0.65	\$0.02	3.2
All Water, per 100 cubic feet	--	0.65	--	--

Service Charge:

	<u>Present Rates</u>	<u>Recomm'ed Rates</u>	<u>Increase Amount</u>	<u>Increase Percent</u>
For 5/8 x 3/4-inch meter	\$ 4.00	\$ 4.85	\$0.85	21.2
For 3/4-inch meter	5.75	7.30	1.55	27.0
For 1-inch meter	9.50	12.15	2.65	27.9
For 1-1/2-inch meter	17.00	24.25	7.25	42.6
For 2-inch meter	25.00	37.35	12.35	49.4
For 3-inch meter	45.00	72.75	27.75	61.7
For 4-inch meter	67.00	121.25	54.25	81.0
For 6-inch meter	--	363.75	--	--

Irrigation Service:

	<u>Per Meter Per Month</u>			
	<u>Present Rates</u>	<u>Recomm'ed Rates</u>	<u>Increase Amount</u>	<u>Increase Percent</u>
Quantity Rates:				
All Water, per 100 cubic feet	\$ 0.0551	\$ 0.18	\$ 0.1249	227

Service Charge:

	<u>Present Rates</u>	<u>Recomm'ed Rates</u>	<u>Increase Amount</u>	<u>Increase Percent</u>
For 2-inch meter	--	37.35	--	--
For 3-inch meter	--	72.75	--	--
For 4-inch meter	--	121.25	--	--
For 6-inch meter	--	363.75	--	--

APPENDIX C
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WARRING WATER SERVICE, INC.

COMPARISON OF RATES
 (Continued)

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

	<u>Per Meter Per Month</u>				
	<u>Water Use in Ccf</u>	<u>Present Rates</u>	<u>Recomm'ed Rates</u>	<u>Increase Amount</u>	<u>Increase Percent</u>
	0	\$ 4.00	\$ 4.85	\$ 0.85	21.25
	3	4.00	6.80	2.80	70.00
	5	5.26	8.10	2.84	53.99
	8	7.15	0.05	2.90	40.56
Average	10	8.41	11.35	2.94	34.96
Residential >	17	12.82	15.90	3.08	24.02
	20	14.71	17.85	3.14	21.35
	30	21.01	24.35	3.34	15.90
	50	33.61	37.35	3.74	11.13
	75	49.36	53.60	4.24	8.59

Note: Ccf is 100 cubic feet.

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(END OF APPENDIX C)

APPENDIX D
Page 1

WARRING WATER SERVICE, INC.

ADOPTED QUANTITIES
Test Year 1991

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

Expenses:

1. Power

Southern California Edison Company:

Rate Schedule No. PA-1 (Effective date, January 20, 1991):

Kwh used	391,205	
Rate, per Kwh	\$ 0.09180	
Amount		\$ 35,913

Customer Charge:

Number of meters	2	
Rate, per meter per month	\$ 11.40	
Amount		\$ 273

Energy Charge:

Number of Horsepower	175	
Rate, per Horsepower per mo.	\$ 1.15	
Amount		\$ 2,415

Total Power		\$ 38,601
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2. Purchased Water

None

3. Payroll and Employee Benefits:

Employee Labor	\$ 16,640
Office Salaries	0
Management Salaries	<u>16,800</u>

Total	\$ 33,440
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Payroll Taxes	\$ 5,310
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APPENDIX D
 Page 2

ADOPTED QUANTITIES
 Test Year 1990
 (continued)

4.	Ad Valorem Tax:		
	Tax Rate		1.098%
	Assessed Valuation		\$ 141,027
	Tax Paid		\$ 1,548
5.	Water Testing Expense (in Contract Work)		\$ 3,000
6.	Groundwater Replenishment Charges:		\$ 2,932
7.	Number of Services:		
	General Metered Rate	336	
	Irrigation	<u>1</u>	
	Total		337
8.	Metered Water Sales, Ccf:		117,273

ADOPTED INCOME TAX CALCULATIONS
 Test Year 1991

: Line :	:	: State :	: Federal :
: No. :	Item	: Tax :	: Tax :
1	Operating Revenue	\$ 133,980	\$ 133,980
2	Expenses	99,565	99,565
3	Taxes Other than Income	7,823	7,823
4	Depreciation	6,462	6,462
5	Interest	0	0
6	Taxable Income for State Tax	20,130	
7	State Tax @ 9.3% (\$800 min.)	1,872	
8	Taxable Income for Federal Tax		18,258
9	Federal Tax @ 15% of 1st \$50,000		2,739
10	Total Income Taxes	\$ 4,611	

(END OF APPENDIX D)