

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3580
June 19, 1991R E S O L U T I O N

(RESOLUTION W-3580) JOHNSON PARK WATER WORKS. (JPWW)
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$22,366 (41.9%) IN 1991.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$22,366, or 41.9% for test year 1991. This increase will provide an 11.00% rate of return on rate base in test year 1991.

BACKGROUND

JPWW, by draft advice letter accepted by the Water Utilities Branch (Branch) on November 13, 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 \$31,562 or 59.2% in 1991. JPWW's request shows 1991 gross revenue of \$53,354 at present rates increasing to \$84,916 at proposed rates to produce a rate of return on rate base of 25.58%. JPWW presently serves approximately 326 customers in the unincorporated community of Johnson Park three miles east of Burney on State Route 299 in Shasta County.

The present rates became effective on April 24, 1986 pursuant to Resolution No. W-3309 dated April 16, 1986, which authorized a general rate increase producing \$15,402 or 39.5% additional annual revenue.

DISCUSSION

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

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

Inspection of JPWW's wells, from which it serves untreated water to its customers, revealed that measuring devices were missing on the discharge lines. General Order No. 103, "Rules Governing Water Service Including Minimum Standards for Design and Construction."

requires that the utility shall install a suitable measuring device, or otherwise determine production, at each source of supply in order that a record may be maintained of the quantity of water produced by each source. JPWW should be required to install these measuring devices.

JPWW has no outstanding Commission orders requiring system improvement. The Department of Health Services has indicted that JPWW water meets all primary and secondary drinking water standards currently in effect.

In reviewing JPWW's tariff schedules, the Branch has found that JPWW 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, the title page contains outdated information and should be revised.

At the Branch's recommended rates shown in Appendix B, the bill for typical general metered service using 1,700 cubic feet of water per month would increase from \$13.96 to \$19.50.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on February 11, 1991. One letter protesting the increase was received by the Branch. The Commission's Consumer Affairs Branch has not received any informal complaints involving JPWW in the last two years.

A public meeting was held on March 5, 1991 in Burney. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase and service improvements it proposed to make. Twenty-four 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. The rate increase authorized herein is justified and the resulting rates are just and reasonable.

5. JPWW should be ordered to comply with G.O. 103 by installing suitable measuring devices or otherwise determining production at each source of supply. JPWW should be authorized to file an advice letter to begin recovering the reasonable costs of its installations after they have been placed in service.

7. JPWW's tariffs have outdated sheets. They are the title page and Schedule No. 5, Public Fire Hydrant Service. These should be revised or cancelled.

IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Johnson Park Water Works 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, and 5; and also to file a revised title page. Its filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be five (5) days after the date of filing.

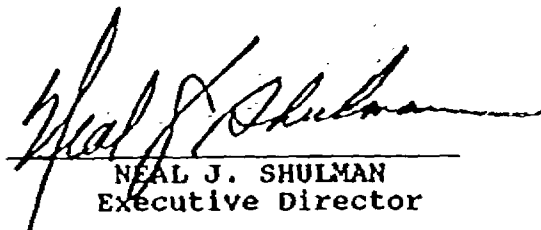
2. Johnson Park Water Works shall install suitable measuring devices to determine production at each source of supply within one year of the effective date of this order. Johnson Park Water Works is authorized to file an advice letter to begin recovering the reasonable costs of its installations after they have been completed and placed in service.

3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 19, 1991. The following Commissioners approved it:

PATRICIA M. ECKERT
President

G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners


NEAL J. SHULMAN
Executive Director

APPENDIX A

JOHNSON PARK WATER WORKS

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	\$53,354	\$84,916	\$53,354	\$84,916	\$75,720
Irrigation Service	0	0	0	0	0
Total Revenue	53,354	84,916	53,354	84,916	75,720
<u>Operating Expenses</u>					
Power	12,000	12,000	13,138	13,138	13,138
Purchased Water	0	0	0	0	0
Other Vol. Related Expense	0	0	0	0	0
Employee Labor	0	0	0	0	0
Materials	2,000	2,000	1,350	1,350	1,350
Contract Work	3,000	3,000	3,000	3,000	3,000
Transportation Expense	1,820	1,820	1,820	1,820	1,820
Other Plant Maintenance	0	0	0	0	0
Office Salaries	0	0	0	0	0
Management Salaries	25,304	25,304	25,304	25,304	25,304
Uncollectibles	0	0	267	425	379
Office Services & Rentals	2,400	2,400	2,400	2,400	2,400
Office Supplies	1,750	1,750	3,250	3,250	3,250
Professional Services	2,500	2,500	2,500	2,500	2,500
Insurance	3,335	3,335	2,161	2,161	2,161
Regulatory Expense	0	0	0	0	0
General Expense	1,850	1,850	1,850	1,850	1,850
Subtotal	55,959	55,959	57,040	57,198	57,152
Depreciation Expense	3,446	3,446	3,509	3,509	3,509
Franchise Tax	0	0	534	849	757
Property Taxes	2,400	2,400	798	798	798
Payroll Taxes	1,999	1,999	4,018	4,018	4,018
Income Taxes	800	4,836	800	4,247	2,173
Total Deductions	64,604	68,640	66,698	70,619	68,407
<u>Net Revenue</u>	(11,250)	16,276	(13,344)	14,296	7,313
Average Plant	160,789	160,789	163,289	163,289	163,289
Avg. Accum. Depreciation	107,162	107,162	108,948	108,948	108,948
Net Plant	53,627	53,627	54,341	54,341	54,341
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	10,000	10,000	10,158	10,158	10,158
Mat'l & Supplies	0	0	2,000	2,000	2,000
<u>Rate Base</u>	63,627	63,627	66,499	66,499	66,499
<u>Rate of Return</u>	(loss)	25.58%	(loss)	21.50%	11.00%

APPENDIX B

JOHNSON PARK WATER WORKS

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Johnson Park and vicinity, Shasta County

RATES

Quantity Rate:

All water used per 100 cubic feet \$ 0.75 (C)

Service Charge:

	Per Meter Per Month	(T)
For 5/8 x 3/4-inch meter	\$ 6.75	(I)
For 3/4-inch meter	10.10	
For 1-inch meter	16.85	
For 1-1/2-inch meter	33.75	
For 2-inch meter	54.00	(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 Rates.

SPECIAL CONDITIONS

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

(N)
|
(N)

APPENDIX C

JOHNSON PARK WATER WORKS

COMPARISON OF RATES

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

General Metered Rate Service:

Per Meter Per Month				
Present Rates	Recomm'd Rates	Increase Amount	Percent	

Quantity Rates:

First 300 cu. ft., per 100 cu. ft.	\$0.49	\$0.75	\$0.26	53.1
Over 300 cu. ft., per 100 cu. ft.	0.56	\$0.75	\$0.19	33.9

Service Charge:

For 5/8 x 3/4-inch meter	\$ 4.65	\$ 6.75	\$ 2.10	45.2
For 3/4-inch meter	5.60	10.10	4.50	80.4
For 1-inch meter	7.70	16.85	9.15	118.8
For 1-1/2-inch meter	10.50	33.75	23.25	221.4
For 2-inch meter	13.95	54.00	40.05	287.1

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'd Rates	Increase Amount	Percent	
0	\$ 4.65	\$ 6.75	\$ 2.10	45.16	
3	6.12	9.00	2.88	47.06	
5	7.24	10.50	3.26	45.03	
8	8.92	12.75	3.83	42.94	
Average Residential > 10	10.04	14.25	4.21	41.93	
17	13.96	19.50	5.54	39.68	
20	15.64	21.75	6.11	39.07	
30	21.24	29.25	8.01	37.71	
50	32.44	44.25	11.81	36.41	
75	46.44	63.00	16.56	35.66	

Note: Ccf is 100 cubic feet.

APPENDIX D
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JOHNSON PARK WATER WORKS

ADOPTED QUANTITIES
Test Year 1991

Federal Income Tax Rate	15.0%
California Income Tax Rate	9.3%
Uncollectible Rate	0.5%

Expenses:

1. Power

Pacific Gas and Electric Company:

Rate Schedule No. A-10 (Effective date, May 1, 1991):

Winter:

kWh used	43,069	
Rate, per kWh	\$ 0.07497	
Amount		\$ 3,229

Summer:

kWh used	71,059	
Rate, per kWh	\$ 0.09673	
Amount		\$ 6,874

Customer Charge:

Number of meters	1	
Rate, per meter per month	\$ 63.00	
Amount		\$ 756

Demand Charge:

Number of kW per year	570	
Rate, per kW	\$ 4.00	
Amount		\$ 2,280

Total Power \$13,138

2. Purchased Water None

3. Payroll and Employee Benefits:

Employee Labor	\$ 0
Office Salaries	0
Management Salaries	<u>25,304</u>

Total \$ 25,304

Payroll Taxes \$ 4,018

APPENDIX D
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ADOPTED QUANTITIES
 Test Year 1990
 (continued)

4.	Ad Valorem Tax:		
	Tax Rate		1.200%
	Assessed Valuation	\$	66,499
	Tax Paid	\$	798
5.	Water Testing Expense (in Contract Work)	\$	2,000
6.	Groundwater Replenishment Charges:	\$	0
7.	Number of Services:		
	General Metered Rate	326	
	Flat Rate	<u>0</u>	
	Total		326
8.	Metered Water Sales, Ccf:		63,113

ADOPTED INCOME TAX CALCULATIONS
 Test Year 1991

: Line :	:	: State :	: Federal :
: No. :	: Item :	: Tax :	: Tax :
1	Operating Revenue	\$ 75,720	\$ 75,720
2	Expenses	57,152	57,152
3	Taxes Other than Income	5,573	5,573
4	Depreciation	3,509	3,509
5	Interest	0	0
6	Taxable Income for State Tax	9,486	
7	State Tax @ 9.3% (\$800 min.)	882	
8	Taxable Income for Federal Tax		8,604
9	Federal Tax @ 15% of 1st \$50,000		1,291
10	Total Income Taxes	\$ 2,173	

(END OF APPENDIX D)