

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3594
July 24, 1991R E S O L U T I O N

(Res W-3594) POINT ARENA WATER WORKS (PAWW) ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$12,760(26.65%) IN 1991.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$12,760 or 26.65% for test year 1991. The increase will provide an 11.00% rate of return on rate base in test year 1991.

BACKGROUND

PAWW, by draft advice letter accepted by the Water Utilities Branch (Branch) on January 11, 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 \$18,700 or 39.06% in 1991. PAWW's request shows 1991 gross revenue of \$47,880 at present rates increasing to \$66,580 at proposed rates to produce a rate of return of 10.50%. PAWW presently provides General Metered Service to approximately 164 customers and Limited Untreated Industrial Service to one customer in the City of Point Arena and Whiskey Shoals Subdivision Unit Nos. 1, 2, & 3, Mendocino County.

The present General Metered Service rates became effective on January 18, 1982 pursuant to Commission Decision 82-01-016, dated January 5, 1982, which authorized a general rate increase producing \$14,580 or 56.3% additional annual revenue.

DISCUSSION

The Branch made an independent analysis of PAWW's summary of earnings. Appendix A shows PAWW'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 expenses and rate base.

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

PAWW has been serving approximately 75 customers in the upper or higher elevation of the City of Point Arena through a pressure system consisting of two pressure tanks of 1,000 and 2,500 gallon capacity respectively, a 15 horse-power booster pump and 1-1/2 miles of 4-inch distribution main. The utility informed the Branch that both pressure tanks have recently failed and are beyond repair. Presently, water is

being supplied to the 75 customers by gravity flow at pressures of approximately 20 pounds per square inch (psi) which is lower than the 40 psi normal operating pressure required by the Commission's General Order 103, "Rules Governing Water Service Including Standards for Design and Construction". PAWW informed the 75 affected customers that the reduction in their water service pressure was due to the pressure tank failures and that efforts are under way to install a new 5,000 gallon pressure tank. The Branch recommends that PAWW be authorized to file an advice letter rate increase request to recover the new pressure tank installation costs once the tank has been placed into service.

Commission Decision Nos. 88536, 89198 and 89765, dated December 19, 1978, authorized PAWW to borrow \$185,500 from the United States Small Business Administration (SBA) to finance drilling of a new well and construction of a pipeline to connect the new well to the water system. PAWW was also authorized to assess each customer a surcharge, in direct proportion to the capacity of each customer's meter, to repay the principal and interest of the loan. Although specific treatment of rate base and depreciation was not addressed in any of the above mentioned decisions, the Branch believes that the plant financed by the SBA loan and its depreciation should not be reflected in rates because the loan is being paid off by utility customers and therefore is not a utility investment. Over the years, PAWW has commingled the loan plant items financed by this loan with the rest of the utility plant. PAWW did attempt to remove the loan plant from rate base in this request but did it improperly. The Branch's rate base estimate excludes the SBA loan-financed plant.

To prevent future inconsistencies between the figures adopted by the Commission and the figures shown in PAWW's annual reports, the Branch recommends that PAWW be directed to record on its books of account utility plant and accumulated depreciation reserve balances upon which the average amounts adopted in this resolution are based, and to reflect those balances in its 1992 annual report to the Commission. Those balances will be \$322,966 for utility plant and \$98,463 for accumulated depreciation reserve as of December 31, 1991.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on February 1, 1991. No letters protesting the increase were received by the Branch. The Commission's Consumer Affairs Branch received five informal service complaints involving PAWW over the last three years. Each complaint was immediately taken care of by PAWW without any further problems.

A public meeting was held on February 20, 1991 in Point Arena. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Ten customers attended the public meeting and expressed an understanding of the need for a rate increase. Several customers, however, complained that the water on occasion had a brown color to it. The utility owner explained that the brown color in the water was due to the presence of iron and manganese. The Branch representative stated

that the Department of Health Services was aware of the iron and manganese problem and indicated that iron and manganese are secondary health hazards and although they give water an unaesthetic appearance and unpleasant taste, the water was safe to drink. One customer expressed a concern that future expansion of the PAWW system to serve new developments would place a financial burden on existing customers. The Branch representative explained that costs associated with expanding the water system to serve future developments in the area would be borne by the developers and not by existing customers.

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. PAWW should be authorized to file an advice letter rate increase request to recover all reasonable costs associated with the installation of a new 5,000 gallon pressure tank once it has been placed into service.
5. PAWW should be required to record on its books of account the utility plant and accumulated depreciation reserve balances upon which the average amounts adopted in this resolution are based, and to reflect those balances in its 1992 annual report to the Commission. Those balances will be \$322,966 for utility plant and \$98,463 for accumulated depreciation reserve as of December 31, 1991.
6. The rate increase authorized herein is justified, and the resulting rates are just and reasonable.

IT IS ORDERED THAT:

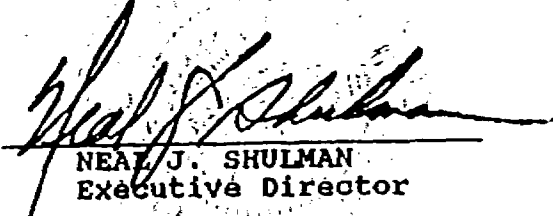
1. Authority is granted under Public Utilities Code Section 454 for Point Arena Water Works to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendix A and B respectively, and concurrently to cancel its presently effective rate Schedule No. 1 and 9-MIUL. 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.
2. Point Arena Water Works shall be authorized to file an advice letter rate increase request to recover all reasonable costs associated with the installation of new 5,000 gallon pressure tank as soon as it has been placed into service.
3. Point Arena Water Works shall record on its books of account the utility plant and accumulated depreciation reserve balances upon which the average amounts adopted in this resolution are based, and shall reflect those balances in its 1992 annual report to the Commission.

Resolution W-3594
PAWW/dr AL/ABJ:mem

4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on July 24, 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

POINT ARENA WATER WORKS

SUMMARY OF EARNINGS
Test Year 1991

Item	Utility Estimated		Branch Estimated		Adopted
	Present Charges	Requested Rates	Present Charges	Requested Rates	Adopted Rates
<u>Operating Revenue</u>					
Metered	47,880	66,580	47,880	66,580	60,640
Total Revenue	47,880	66,580	47,880	66,580	60,640
<u>Operating Expenses</u>					
Purchased Power	9,080	9,080	8,429	8,429	8,429
Other Vol. Related Exp.	100	100	100	100	100
Employee Labor	2,400	2,400	2,400	2,400	2,400
Materials	5,280	5,280	5,280	5,280	5,280
Contract Work	3,180	3,180	1,535	1,535	1,535
Transportation	2,200	2,200	1,500	1,500	1,500
Other Plant Maintenance	530	530	1,320	1,320	1,320
Office Salaries	3,000	3,000	3,000	3,000	3,000
Management Salaries	5,000	5,000	5,000	5,000	5,000
Office Supplies & Exp.	1,200	1,200	1,200	1,200	1,200
Professional Services	5,000	5,000	1,120	1,120	1,120
Regulatory Comm. Exp.	700	700	700	700	700
Insurance	3,500	3,500	1,812	1,812	1,812
General Expenses	2,000	2,000	1,635	1,635	1,635
Total Expenses	43,170	43,170	35,031	35,031	35,031
Depreciation	7,730	7,730	4,235	4,235	4,235
Property Taxes	3,317	3,317	3,317	3,317	3,317
Payroll Taxes	973	973	973	973	973
Income Taxes	300	1,260	1,327	5,273	3,913
Total Deductions	55,490	56,450	44,883	48,829	47,469
<u>Net Revenue</u>	(7,610)	10,130	2,997	17,751	13,171
Average Plant	483,190	483,190	322,966	322,966	322,966
Avg. Accum. Depreciation	138,650	138,650	95,369	95,369	95,369
Net Plant	344,540	344,540	227,597	227,597	227,597
Plus: Mat'l & Supplies	2,500	2,500	2,500	2,500	2,500
Less: Advances	6,395	6,395	12,780	12,780	12,780
Contributions	82,975	82,975	97,590	97,590	97,590
Garcia Well Proj.	161,210	161,210	0	0	0
<u>Rate Base</u>	96,460	96,460	119,727	119,727	119,727
<u>Rate of Return</u>	(loss)	10.50%	2.50%	14.83%	11.00%

(END OF APPENDIX A)

APPENDIX B
Page 1

POINT ARENA WATER WORKS

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered service.

TERRITORY

The City of Point Arena and vicinity and Whiskey Shoals Subdivision
Unit Nos. 1, 2 & 3, Mendocino County.

RATES

Quantity Rates:

All water, per 100 cu. ft..... \$ 2.59 (C)

Service Charge:

	<u>Per Meter</u> <u>Per Month</u>	
For 5/8x3/4-inch meter.....	\$ 12.05	(I)
For 3/4-inch meter.....	15.20	
For 1-inch meter.....	19.00	
For 1-1/2-inch meter.....	26.60	
For 2-inch meter.....	35.45	
For 3-inch meter.....	60.15	
For 4-inch meter.....	81.80	
For 6-inch meter.....	135.95	(I)

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

SPECIAL CONDITIONS

1. In addition to the above rates and charges rendered to all bills under this schedule, a surcharge will be added as set forth in Schedule No. 1-X, General Metered Service Surcharge.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX B
Page 2

POINT ARENA WATER WORKS

Schedule No. 9-MIUL

LIMITED UNTREATED INDUSTRIAL SERVICE

APPLICABILITY

Applicable to measured untreated industrial water service for delivery to portable tank containers of Bed Rock, Inc. and limited to one point of delivery in the Point Arena Industrial Area.

TERRITORY

The industrial area adjacent to the south side of California Street, Point Arena, California.

RATES

Quantity Rate:	Per Month	
Per 1,000 gallons.....	\$ 2.28	(I)

SPECIAL CONDITIONS

1. This service will be provided from the Garcia River Line raw water supply so the Garcia River surcharge of \$ 37.68 per month will also apply in addition to the quantity charge.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF

(END OF APPENDIX B)

APPENDIX C
POINT ARENA WATER WORKS
COMPARISON OF RATES

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

METRED SERVICE

	<u>Per Meter Per Month</u>		<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8x3/4-inch meter	\$ 9.50	\$12.05	26.8
For 3/4-inch meter	12.00	15.20	26.7
For 1-inch meter	15.00	19.00	26.7
For 1-1/2-inch meter	21.00	26.60	26.7
For 2-inch meter	28.00	35.45	26.6
For 3-inch meter	47.50	60.15	26.6
For 4-inch meter	64.60	81.80	26.6
For 6-inch meter	107.35	135.95	26.6

Quantity Rates:

Per 100 cu. ft.....		\$ 2.59	—
First 300 cu. ft. per 100 cu. ft.....	\$ 1.55		
Over 300 cu. ft. per 100 cu. ft.....	\$ 2.32		

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

<u>Usage</u> <u>100 cu. ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 9.50	\$ 12.05	\$ 2.55	26.8
5	18.79	25.00	6.21	33.0
7(Ave.)	23.43	30.18	6.75	28.8
10	30.39	37.95	7.56	24.9
20	53.59	63.85	10.26	19.1
50	123.19	141.55	18.36	14.9

(END OF APPENDIX C)

APPENDIX D

Page 1

POINT ARENA WATER WORKS

ADOPTED QUANTITIES
Test Year 1991

Federal Tax Rate:	15%
State Tax rate :	9.3%
Local Franchise tax:	0.0%

Expenses:

1. Purchased Power	
Pacific Gas and Electricity Company	
Rate Schedule	A-1
Effective Date	January 1, 1991
Kwh used:	
Summer	35,962
Winter	26,736
Rate per Kwh:	
Summer	\$0.13984
Winter	\$0.11493
Monthly Customer Charges	\$8.75
Number of pump Station	3
Energy Commission Surcharge	\$0.0002 per kwh
2. Purchased Water	None
3. Insurance Expenses	\$1,812
4. Ad Valorem Taxes:	\$3,317
5. Water Testing (Contract Work)	\$1,535
6. Number of Services:	
5/8 x 3/4-inch meter	149
3/4-inch meter	0
1-inch meter	10
1-1/2-inch meter	0
2-inch meter	4
3-inch meter	0
4-inch meter	0
6-inch meter	1
Total	164
7. Metered Water Sales	12,221 CCF

APPENDIX D
Page 2

POINT ARENA WATER WORKS
ADOPTED TAX CALCULATIONS
Test Year 1991

Line No.	Item	<u>1991 Adopted Rates</u>	
		<u>CCFT</u>	<u>FIT</u>
1.	Operating Revenue	\$60,640	\$60,640
2.	Expenses	35,031	35,031
3.	Taxes Other than Income	3,317	3,317
4.	Dépreciation	4,235	4,235
5.	Payroll	973	973
6.	Taxable Income for State Tax	17,084	
7.	State Tax	1,589	
8.	Taxable Income for FIT		15,495
9.	Federal Income Tax		2,324
10.	Total Income Tax		\$3,913

(END OF APPENDIX D)