

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3600  
July 24, 1991

R E S O L U T I O N

(Res W-3600) MADDEN CREEK WATER COMPANY (MCWC) ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$13,311(50.85%) IN 1991.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$13,311 or 50.85% for test year 1991. The increase will provide a 10.89% rate of return on rate base in test year 1991.

BACKGROUND

MCWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on January 10, 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 \$13,311 or 50.85% in 1991. MCWC's request shows 1991 gross revenue of \$26,177 at present rates increasing to \$39,488 at proposed rates to produce a rate of return on rate base of 10.91%. MCWC presently serves approximately 129 flat rate and 9 metered customers in an unincorporated area located about three miles north of Meeks Bay on the west shore of Lake Tahoe, Placer County.

The present rates became effective on May 15, 1985 pursuant to Commission Resolution W-3246, which authorized an off-set rate increase producing \$1,574 or 8.36% additional annual revenue. MCWC was authorized its last general rate increase on May 16, 1984 pursuant to Commission Resolution W-3182 which granted an increase of \$9,150 or 94.5% in additional revenue.

DISCUSSION

The Branch made an independent analysis of MCWC's summary of earnings. Appendix A shows MCWC'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 revenues, operating expenses and rate base.

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

MCWC proposes to eliminate seasonal rates in its current Seasonal Flat Rate Service Schedule No. 2A, and have all flat rate customers pay the same annual flat rate whether they take service seasonally or not.

Seasonal customers currently pay only 50% of the rate annual customers pay, so abolishing the seasonal schedule would result in an increase of 192.0%. In return these customers would receive year-round service. Of MCWC's 129 flat rate customers, 40 take service for just the summer season.

The current Seasonal Flat Rate Service Schedule No. 2A allows customers to take service for only the summer season (May through October), only the winter season (November through April), or both. Since 82.3% of the utility's total revenues must be used to support the system whether its customers are connected during the off-season or not, a strong argument can be made that it is inequitable in this case to allow seasonal customers to pay an amount so much less than the fixed costs of serving them. At present rates, the seasonal customers are paying \$86.70 per year while fixed costs to provide the service are approximately \$208.20 per customer. Even though current Commission policy requires that no customer should receive more than twice the system average increase, the Branch believes that the utility's request to alleviate inequities in collection of fixed cost is reasonable. However, in order to reduce the impact of the large increase, the Branch recommends that the rates for seasonal customers be increased 116.84% at this time instead of 192.0% requested by the utility.

MCWC proposes to refurbish its 10,000 gallon concrete storage tank. Since the cost of refurbishment is not included in this rate increase request, the Branch recommends that MCWC be allowed to file an advice letter rate increase request to recover all reasonable costs associated with the refurbishment after the project is completed and the tank is back in service.

#### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on February 16, 1991. Ten letters protesting the increase were received by the Branch. All of the protests, without exception, were from seasonal customers who complained about the consolidation of the seasonal rate into an annual rate. The Commission's Consumer Affairs Branch has not received any service complaints against MCWC over the last three years.

A public meeting was held on March 12, 1991, in Tahoe City, approximately ten miles north of MCWC's service area. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Six customers attended the public meeting, in addition to the utility owner and his wife, the utility maintenance manager, and two Branch engineers. None of the customers present at the meeting brought any service complaints against MCWC. The main concern, as with the protest letters, was the consolidation of the seasonal rate into an annual rate. The utility owner explained that elimination of the seasonal rate was necessary to insure that all customers paid their fair share of fixed costs which are used to support the system whether its customers are connected during the offseason or not. Several customers who currently receive summer seasonal service raised a concern that they were not hooked up to a winterized main and, therefore, cannot receive winter service.

The utility owner responded that all streets in the system either have winterized mains in use or running parallel to the smaller non-winterized mains, and that he would immediately hook customers up to the winterized mains if seasonal rates were removed.

FINDINGS AND CONCLUSIONS

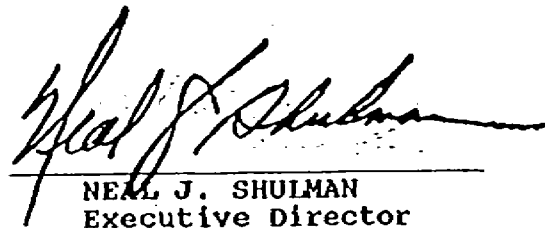
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) is reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. MCWC should be authorized to file an advice letter rate increase request to recover all reasonable costs associated with the refurbishing of the 10,000 gallon concrete storage tank once the project is completed and the tank is back in service.
5. 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 Madden Creek Water Company 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 2S. 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. Madden Creek Water Company is authorized to file an advice letter rate increase request to recover all reasonable costs associated with the refurbishing of the 10,000 gallon concrete storage tank once the project is completed and the tank is back 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 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

Madden Creek Water Company

SUMMARY OF EARNINGS  
Test Year 1991

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Flat Rate	18,310	30,660	18,310	30,660	29,121
Metered Rate	<u>7,867</u>	<u>8,828</u>	<u>7,867</u>	<u>8,828</u>	<u>10,367</u>
Total Revenue	26,177	39,488	26,177	39,488	39,488
<u>Operating Expenses</u>					
Purchased Power	3,728	3,728	3,600	3,600	3,600
Materials	1,300	1,300	1,300	1,300	1,300
Contract Work	3,350	3,350	3,350	3,350	3,350
Transportation	900	900	1,035	1,035	1,035
Employee Labor	3,600	3,600	3,600	3,600	3,600
Office Salaries	600	600	600	600	600
Management Salaries	3,900	3,900	3,900	3,900	3,900
Employee Benefits	0	0	315	315	315
Office Svcs. and Rent	900	900	900	900	900
Office Supplies	460	460	460	460	460
Insurance	1,313	1,313	1,000	1,000	1,000
General	250	250	250	250	250
Regulatory	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Subtotal	20,401	20,401	20,410	20,410	20,410
Depreciation	3,366	3,366	3,365	3,365	3,365
Property Taxes	246	246	240	240	240
Payroll Taxes	757	757	755	755	755
Income Taxes	<u>322</u>	<u>3,371</u>	<u>890</u>	<u>3,370</u>	<u>3,370</u>
Total Deductions	25,092	28,141	25,660	28,140	28,140
Net Revenue	1,085	11,347	517	11,348	11,348
<u>Rate Base</u>					
Average Plant	136,560	136,560	136,025	136,025	136,025
Average Dep. Reserve	33,390	33,390	33,250	33,250	33,250
Net Plant	103,170	103,170	102,775	102,775	102,775
Less Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus Working Cash	0	0	0	0	0
Mat'l. & Supplies	750	750	1,400	1,400	1,400
Rate Base	103,920	103,920	104,175	104,175	104,175
Rate of Return	1.04%	10.92%	0.50%	10.89%	10.89%

APPENDIX B  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Homewood and vicinity, Placer County.

RATES

Quantity Rate

For all water, per 100 cu. ft.....	\$ 0.78	(C)
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Service Charge

Per Meter Per Month

For 5/8x3/4-inch meter.....	\$ 6.00	(I)
For 3/4-inch meter.....	9.00	
For 1-inch meter.....	15.00	
For 1-1/2-inch meter.....	18.00	
For 2-inch meter.....	24.00	

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS:

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

APPENDIX B  
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Schedule No. 2A

SEASONAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished on a seasonal or annual basis.

TERRITORY

Homewood and vicinity, Placer County.

RATES

	<u>Per Service Connection</u>		
	<u>Per Season</u>	<u>Per Year</u>	
1. For a single-family residential unit or the first unit of a multiple occupancy dwelling, including premises .....	\$188.00	\$253.00	(C)
a. For each additional single-family residential or multiple occupancy unit on the same premises and served from the same service connection ...	\$108.00	\$145.00	(C)

SPECIAL CONDITIONS

1. The season shall be the eight-month period March 1 through November 1. (C)  
(C)
2. Each annual charge and each seasonal charge is due in advance. (C)  
(D)
3. The above flat rates apply to services not larger than one-inch in diameter. (N)  
(N)
4. All schedules are subject to the reimbursement fee set forth in Schedule No. UF. (L)

End of Appendix B

APPENDIX C

COMPARISON OF RATES

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

METERED 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	\$ 6.00	\$ 6.00	0.00%
For 3/4-inch meter	6.60	9.00	36.36%
For 1-inch meter	9.00	15.00	66.67%
For 1-1/2-inch meter	12.00	18.00	50.00%
For 2-inch meter	16.00	24.00	50.00%

Quantity Rates:

Per 100 cu. ft.....		\$ 0.78	---
First 300 cu. ft. per 100 cu. ft.....	\$ 0.475		
Over 300 cu. ft. per 100 cu. ft.....	\$ 0.625		

Usage for a typical commercial customer on a one-inch meter using an average of 103 Ccf/mo:

<u>Usage</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
100 cu. ft. 103	\$ 72.93	\$ 95.34	\$ 22.41	30.73%

ANNUAL FLAT RATE SERVICE

	<u>Per Connection Per Year</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
1. For a single-family residential unit or a first unit of a multiple occupancy dwelling, including premises .....	\$173.40	\$253.00	45.91%
a. For each additional single-family residential or multiple occupancy unit on the same premises and served from the same service connection ...	99.60	145.00	45.58%

SEASONAL FLAT RATE SERVICE

	<u>Per Connection Per Season</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
1. For a single-family residential unit or a first unit of a multiple occupancy dwelling, including premises .....	\$86.70	\$188.00	116.84%
a. For each additional single-family residential or multiple occupancy unit on the same premises and served from the same service connection .....	49.80	108.00	116.87%

Madden Creek Water Company

ADOPTED QUANTITIES  
Test Year 1991

Expenses:

1. Purchased power	
Vendor	Sierra Pacific Power Company
Schedule	A-1
Effective Date	January 1, 1991
Energy Charge, per kWh	\$0.07546
Consumption, kWh	46760
Monthly Service Charges	\$5.00
Number of well stations	1
Energy Commission Surcharge	\$0.0002 per kWh
Total Cost	\$3,600
2. Purchased water	None
3. Insurance Expenses	\$1,000
4. Ad Valorem Taxes	\$242
Composite Tax Rate	1.00%
Assessed Value	\$24,200
5. Water Testing Expenses	\$660

Service Connections

Flat Rate	
Annual Flat Rate	82
Seasonal Flat Rate	38
Annual Flat Rate Additional Unit	7
Seasonal Flat Rate Additional Unit	2
Total Flat Rate	129
Metered Rate	
5/8x3/4-inch meter	0
3/4-inch meter	0
1-inch meter	8
1-1/2-inch meter	1
2-inch meter	0
Total	9
Metered Water Sales Used to Design Rates	11,168 Ccf



Appendix D  
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Madden Creek Water Company

ADOPTED TAX CALCULATIONS  
Test Year 1991

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$39,488	\$39,488
2.	O & M Expenses	\$20,410	\$20,410
3.	Taxes Other Than Income	\$995	\$995
4.	Depreciation	\$3,365	\$3,365
5.	Interest	\$0	\$0
6.	Taxable Income for State Tax	\$14,718	
7.	State Tax	\$1,368	\$1,368
8.	Taxable Income for FIT		\$13,350
9.	Federal Income Tax		\$2,002
10.	Total Income Tax		\$3,370
	California Corporate Franchise Rate	9.3%	
	Federal Income Tax Rates on first \$50,000 taxable income	15%	

End of Appendix D