

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3607
August 7, 1991R E S O L U T I O N

(Res W-3607) BIG LAGOON WATER COMPANY (BLWC)
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$4,676(53.87%) IN 1991.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$4,676 or 53.87% for test year 1991. Even though this resolution grants the full rate increase requested by the utility, this increase will not generate enough revenue to cover operating expenses in test year 1991.

BACKGROUND

BLWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on April 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 \$4,676 or 53.87% in 1991. BLWC's request shows 1991 gross revenue of \$8,680 at present rates increasing to \$13,356 at proposed rates. BLWC presently serves approximately 36 metered customers in Big Lagoon Park Subdivision-Block A and vicinity, Humboldt County.

The present rates became effective on January 30, 1986 pursuant to Resolution No. W-3298 dated January 23, 1986, which authorized a general rate increase producing \$3,652 or 100.0% additional annual revenue.

DISCUSSION

The Branch made an independent analysis of BLWC's summary of earnings. Appendix A shows BLWC'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. It was not necessary to analyze rate base in this investigation because the utility's requested increase will not cover minimum operating expenses.

At the time BLWC submitted its rate increase request, the Branch advised the utility that it was entitled to request a higher increase so that the revenues generated could cover reasonable operating expenses and earn a reasonable return on investment. The utility indicated that it only wished to raise its rates to generate the revenues requested and no more.

Pursuant to Section 2713 of the Public Utilities Code, BLWC is prohibited from charging any rates for service under Schedule No. 5, Public Fire Hydrant Service, without a formal agreement with a local fire protection agency. Because BLWC has no such agreement, the Branch recommends that Schedule No. 5 should be cancelled. Branch notes that tariff book title sheet is outdated and should be updated.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on May 1, 1991. There were no letters of response to the notice.

A public meeting was held on May 16, 1991 at Big Lagoon School in Big Lagoon. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Two customers attended the public meeting and both indicated that they felt that BLWC's rate increase request was justified. They both also stated that BLWC provides good service. BLWC's owner indicated that he would eventually like to sell the system to the customers and a discussion followed concerning the possibility of the customers forming a mutual and taking over ownership of the utility. One of the customers said that he would pursue this possibility with the community. The Branch representative indicated that the Commission staff would assist the community in any way it could to form a mutual.

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 tariff book title sheet is outdated and should be updated and Schedule No. 1, General Metered Service, should be cancelled.
4. BLWC's tariff Schedule No. 5, Public Fire Hydrant Service is no longer applicable and should be cancelled.
5. The rate increase authorized herein is justified, and the resulting rate is just and reasonable.

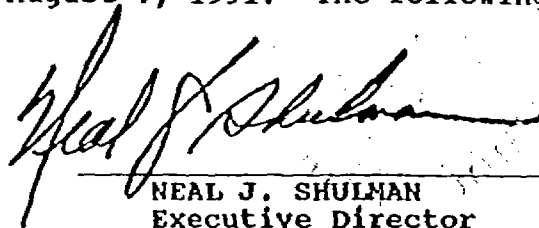
IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Big Lagoon Water Company to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendix A and B respectively and a revised tariff book title sheet, and concurrently to cancel its presently effective rate Schedule No. 1 and title sheet. 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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BLWC/DrAL/ABJ:mem

2. Big Lagoon Water Company's filed tariff Schedule No. 5, Public Fire Hydrant Service is cancelled.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on August 7, 1991. The following commissioners approved it:


NEAL J. SHULMAN
Executive Director

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
NORMAN D. SHUMWAY
Commissioners

Commissioner Daniel Wm. Fessler, being necessarily absent, did not participate.

APPENDIX A

BIG LAGOON WATER COMPANY, 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	\$ 8,680	\$ 13,356	\$ 8,680	\$ 13,356	\$ 13,356
Total Revenue	8,680	13,356	8,680	13,356	13,356
<u>Operating Expenses</u>					
Power	1,000	1,000	1,334	1,334	1,334
Materials	4,000	4,000	2,100	2,100	2,100
Contract Work	0	0	735	735	735
Transportation Expense	3,150	3,150	2,264	2,264	2,264
Other Plant Maintenance	0	0	333	333	333
Management Salaries	6,000	6,000	6,000	6,000	6,000
Office Services & Rentals	1,200	1,200	1,200	1,200	1,200
Professional Services	500	500	500	500	500
Insurance	1,700	1,700	1,000	1,000	1,000
General Expense	1,962	1,962	500	500	500
Subtotal	19,512	19,512	15,966	15,966	15,966
Depreciation Expense	0	0	0	0	0
Payroll Taxes	0	0	525	525	525
CCFT	0	0	0	0	0
FTT	0	0	0	0	0
Total Deductions	19,512	19,512	16,491	16,491	16,491
<u>Net Revenue</u>	(10,832)	(6,156)	(7,811)	(3,135)	(3,135)

APPENDIX B

BIG LAGOON WATER COMPANY, INC.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Big Lagoon Park Subdivision-Block A and vicinity, Humboldt County.

RATES

Quantity Rate:		(T)
All water used per 100 cubic feet	\$ 2.41	(I)

Service Charge:	Per Meter Per Month	(T)
For 5/8 x 3/4-inch meter	\$ 17.70	(I)
For 3/4-inch meter	19.40	
For 1-inch meter	26.60	
For 1-1/2-inch meter	36.90	
For 2-inch meter	47.70	

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 Rate. (T)
|
(T)

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

BIG LAGOON WATER COMPANY

COMPARISON OF RATES

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

General Metered Rate Service:

<u>Per Meter Per Month</u>			
<u>Present</u>	<u>Recomm'ed</u>	<u>Increase</u>	
<u>Rates</u>	<u>Rates</u>	<u>Amount</u>	<u>Percent</u>

Quantity Rates:

First 300 cu. ft. or less	\$1.15	--	--	--
Over 300 cu. ft., per 100 cu. ft.	1.63	--	--	--
All Water, per 100 cubic feet	--	2.41	--	--

Service Charge:

For 5/8 x 3/4-inch meter	\$ 11.50	\$ 17.70	\$ 6.20	53.91
For 3/4-inch meter	12.60	19.40	6.80	53.97
For 1-inch meter	17.30	26.60	9.30	53.76
For 1-1/2-inch meter	24.00	36.90	12.90	53.75
For 2-inch meter	31.00	47.70	16.70	53.87

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

<u>Usage</u>	<u>Present</u>	<u>Recommended</u>	<u>Amount</u>	<u>Percent</u>
<u>100 cu. ft.</u>	<u>Bills</u>	<u>Bills</u>	<u>Increase</u>	<u>Increase</u>
0	\$ 12.60	\$ 19.40	\$ 6.80	53.97
3	16.05	26.63	10.58	65.92
5	19.31	31.45	12.14	62.87
10	27.46	43.50	16.04	58.41

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(END OF APPENDIX C)

APPENDIX D

BIG LAGOON WATER COMPANY, INC.

ADOPTED QUANTITIES

Test Year 1991

Expenses:

1. Power

Pacific Gas and Electric Company:

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

kwh used		
Summer	4,259	
Winter	3,754	
Total	8,013	
Rate, per kwh		
Summer	\$ 0.13984	
Winter	\$ 0.11493	
Customer Charge:		
Number of meters	1	
Rate, per meter per month	\$ 8.75	
Amount	\$ 105	
Energy Charge:	\$ 1.60	
Total Power		\$ 1,133
2. Purchased Water		None
3. Payroll and Employee Benefits:		
Management Salaries		\$ 6,000
Payroll Taxes		\$ 525
4. Ad Valorem Tax:		None
5. Water Testing Expense (in Contract Work)		\$ 735
7. Number of Services:		
General Metered Rate		
3/4".....	36	
Total		36
8. Metered Water Sales, Ocf:		2,064

(END OF APPENDIX D)