

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3608
August 7, 1991

R E S O L U T I O N

(Res W-3608) RIVERVIEW ACRES WATER COMPANY (RAWC)
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$8,617(108.58%) IN 1991.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$8,617 or 108.58% for test year 1991. The increase will provide a 10.28% rate of return on rate base in test year 1991.

BACKGROUND

RAWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on May 31, 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 \$8,617 or 108.58% in 1991. RAWC's request shows 1991 gross revenue of \$7,936 at present rates increasing to \$16,553 at proposed rates to produce a rate of return on rate base of 11.00%. RAWC presently serves approximately 53 metered customers in Riverview Acres subdivision and vicinity, located approximately one mile east of Salyer, Trinity County.

The present rates became effective on September 6, 1978 pursuant to Commission Resolution W-2422, which authorized a general rate increase producing \$190 or 7.0% additional annual revenue.

DISCUSSION

At the request of RAWC, the Branch assisted the utility in the preparation of this rate increase request. The Branch made an independent analysis of RAWC's summary of earnings. Appendix A shows RAWC'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 operating expenses and rate of return.

RAWC's draft advice letter requested rates which it estimates would produce a rate of return on rate base of 11.00%. The summary of earnings in Appendix A shows a rate of return of 10.28% at the Branch's recommended rates. This rate of return, although lower than the 10.50% to 11.00% standard rate of return range recommended by the Accounting and Financial Branch of the Commission Advisory and Compliance Division for small, 100% equity financed utilities, results in RAWC being granted the total revenue increase requested.

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

In recent years, with the increasing number of part-time customers becoming full-time customers, RAWC has had difficulty furnishing enough water to its customers during the summer months when water consumption is high. To alleviate the problem RAWC plans to install a 15,000 gallon concrete storage tank within the next year. The Branch believes this to be a prudent investment and recommends that RAWC be authorized to file an advice letter rate increase request to recover all reasonable costs associated with the installation of the 15,000 gallon concrete storage tank once it is been placed into service.

In February, 1982 the Commission adopted a policy of capping small water company rate increases at 100% per year with the deferred revenues being made up, with interest, through rates approved for the subsequent year. Rates are lowered to their final level in the third year when all deferred revenues and interest have been recovered. The Branch's proposal deviates from this policy by recommending the full increase be granted now rather than 100% now, the remainder (8.58% plus interest) in twelve months, and then dropping rates to their final level in 24 months. In this case the current rates were established thirteen years ago and are exceptionally low; the proposed rates are not so high as to be burdensome; and imposing two rate increases and then a decrease would result in more complication for this small company and its customers than was intended by the Commission's policy.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on June 5, 1991. Two response letters were received by the Branch, one protesting the magnitude of the increase and the other endorsing the increase requested. The Commission's Consumer Affairs Branch has not received any service complaints against RAWC over the last three years.

A public meeting was held on June 27, 1991, in Salyer, approximately one mile west of RAWC's service area. The Branch's representative explained Commission rate setting procedures, the utility owner explained the need for the rate increase, and a representative from the California Department of Health Services (DHS) discussed new state water quality requirements mandated by the current Federal Safe Drinking Water Act. Ten customers attended the public meeting and although several customers felt that the requested increase was too high, they all expressed an understanding of the need for a rate increase. The main concern at the meeting was in response to the DHS representative's opening remarks concerning the financial impact the new water quality standards could have on RAWC customers. Although the exact dollar impact on customers was not determined, the DHS representative speculated that in order for RAWC to comply with the new water quality requirements, it could mean a minimum monthly water bill of at least \$50.00 per month per customer within a few years. Both the Branch and DHS representatives explained that their respective departments will do everything in their power to lessen the

financial burden that the new water quality standards will have on small water companies. The representatives also indicated that RAWC customer could help the situation by writing to their legislators expressing their concerns about how the new water quality standards will impact them financially.

FINDINGS AND CONCLUSIONS

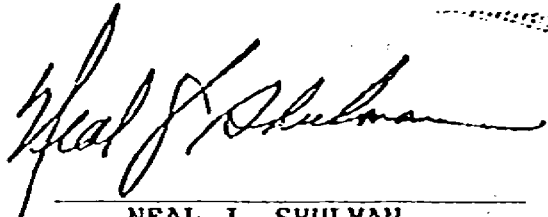
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) is reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. RAWC should be authorized to file an advice letter rate increase request to recover all reasonable costs associated with the installation of a 15,000 gallon concrete storage tank once it has been placed into 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 Riverview Acres 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 concurrently to cancel its presently effective rate Schedule No. 1A. 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. Riverview Acres Water Company is authorized to file an advice letter rate increase request to recover all reasonable costs associated with the installation of a 15,000 gallon concrete storage tank once it has been placed into service.
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:

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


NEAL J. SHULMAN
Executive Director

Commissioner Daniel Wm. Fessler, being 3-
necessarily absent, did not participate.

Appendix A

Riverview Acres Water Company

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>					
Metered Rate	7,936	16,553	7,936	16,553	16,250
Total Revenue	7,936	16,553	7,936	16,553	16,553
<u>Operating Expenses</u>					
Purchased Power	3,600	3,600	3,822	3,822	3,822
Other Vol. Related Exp.	250	250	250	250	250
Materials	200	200	200	200	200
Contract Work	950	950	950	950	950
Transportation	565	565	565	565	565
Employee Labor	1,500	1,500	1,500	1,500	1,500
Office Salaries	1,800	1,800	1,800	1,800	1,800
Management Salaries	1,500	1,500	1,500	1,500	1,500
Uncollectible Accts.	200	200	79	165	165
Office Svcs. and Rent	300	300	300	300	300
Office Supplies	150	150	150	150	150
Professional Services	150	150	150	150	150
Insurance	1,000	1,000	1,000	1,000	1,000
General	100	100	100	100	100
Subtotal	12,265	12,265	12,366	12,452	12,452
Depreciation	635	635	635	635	635
Property Taxes	300	300	300	300	300
Payroll Taxes	516	516	516	516	516
Income Taxes	0	650	0	607	607
Total Deductions	13,716	14,366	13,817	14,510	14,510
Net Revenue	(5,780)	2,187	(5,881)	2,043	2,043
<u>Rate Base</u>					
Average Plant	30,250	30,250	30,250	30,250	30,250
Average Dep. Reserve	10,569	10,569	10,569	10,569	10,569
Net Plant	19,681	19,681	19,681	19,681	19,681
Less Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus Working Cash	0	0	0	0	0
Mat'l. & Supplies	200	200	200	200	200
Rate Base	19,881	19,881	19,881	19,881	19,881
Rate of Return	loss	11.00%	loss	10.28%	10.28%

APPENDIX B

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Riverview Acres subdivision and vicinity, located approximately one mile east of Salyer, Trinity County.

RATES

Quantity Rate

For all water, per 100 gallons.....	0.16	(I)
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Annual Service Charge

Per Meter Per Year

For 5/8x3/4-inch meter.....	\$112.00	(I)
For 3/4-inch meter.....	134.40	
For 1-inch meter.....	182.95	(I)

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. (T)
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(T)

(continued)

APPENDIX B

Schedule No. 1A
(continued)

ANNUAL METERED SERVICE

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the areas has been a customer of the utility for at least 12 months, s/he may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.
2. The opening bill for metered service, except upon conversion from flat rate service, shall be established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the calendar year. The balance of payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.
3. The established billing period is monthly except that meters may be read and quantity charges billed at intervals greater than monthly during the winter season.
4. All bills are subject to the reimbursement fee set for in Schedule No. UF.

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(T)

(N)
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(N)

(L)

END OF APPENDIX B

APPENDIX C

COMPARISON OF RATES

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

ANNUAL METERED SERVICE

	<u>Per Meter Per Year</u>		<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8x3/4-inch meter	\$36.00	\$112.00	211.11%
For 3/4-inch meter	43.20	\$134.40	211.11%
For 1-inch meter	58.80	\$183.95	212.84%

Quantity Rates:

Per 100 gallons.....	\$ 0.09	\$ 0.16	77.78%
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Monthly bill comparison for various usage levels for a typical residential customer on a 5/8 x 3/4-inch meter:

<u>Usage</u> <u>100 gallons</u>	<u>Present</u> <u>Bill</u>	<u>Recommended</u> <u>Bill</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 3.00	\$ 9.33	\$ 6.33	211.1
20	4.80	12.53	7.73	161.1
50	7.50	17.33	9.83	131.1
100	12.00	25.33	13.33	111.1
105(Ave.)	12.45	26.13	13.68	109.9
125	14.25	29.33	15.08	105.8
150	16.50	33.33	16.83	102.0
200	21.00	41.33	20.33	96.8

END OF APPENDIX C

Appendix D
Page 1

ADOPTED QUANTITIES
Test Year 1991

Expenses:

1. Purchased power	
Vendor	Pacific Gas and Electric Company
Schedules	A-1
Effective Date	January 1, 1991
Energy Charge, per Kwh	
Summer	\$0.13984
Winter	\$0.11493
Consumption, Kwh	
Summer	18,046
Winter	10,378
Monthly Service Charges	\$8.75
Number of well stations	1
Total Cost	\$3,822

2. Purchased water	None
3. Insurance Expenses	\$1,000
4. Ad Valorem Taxes	\$300
5. Water Testing Expenses	\$950

Service Connections

5/8x3/4-inch meter	53
3/4-inch meter	0
1-inch meter	8
Total	53
Metered Water Sales Used to Design Rates	66,980 gallons

Appendix D
page 2

ADOPTED TAX CALCULATIONS
Test Year 1991

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$16,553	\$16,553
2.	O & M Expenses	12,452	12,452
3.	Taxes Other Than Income	816	816
4.	Depreciation	635	635
5.	Interest	\$0	\$0
6.	Taxable Income for State Tax	2,650	
7.	State Tax	246	246
8.	Taxable Income for FIT		2,404
9.	Federal Income Tax		361
10.	Total Income Tax		\$607
	California Corporate Franchise Rate	9.3%	
	Federal Income Tax Rates On first \$50,000 taxable income	15%	

END OF APPENDIX D