

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3611
September 6, 1991R E S O L U T I O N

(Res W-3611) HAWKINS WATER SERVICE (HWS) ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$8,860 (66.50%) IN 1991.

S U M M A R Y

This Resolution grants an increase in gross annual revenue of \$8,860 or 66.50% for test year 1991. The increase will provide a 11.00% rate of return on rate base in test year 1991.

B A C K G R O U N D

HWS, by draft advice letter accepted by the Water Utilities Branch (Branch) on May 14, 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 \$9,561 or 69.79% in 1991. HWS's request shows 1991 gross revenue of \$13,699 at present rates increasing to \$23,260 at proposed rates to produce a rate of return on rate base of 11.00%. HWS presently serves approximately 51 metered customers in the subdivision known as Broadmoor Acres, and vicinity, located approximately 2-1/2 miles south of Santa Rosa, Sonoma County.

The present rates became effective on April 19, 1988 pursuant to Commission Resolution W-3394, which authorized a general rate increase producing \$4,426 or 40.0% additional annual revenue.

D I S C U S S I O N

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

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

HWS's water supply is high in sulfur, manganese and iron. The County of Sonoma Public Health Department has assured the Branch that the water is safe to drink, although the sulfur may at times cause an offensive odor and the manganese and iron (hard water) may cause discoloration and an unpleasant taste. HWS plans to install a 12,000 gallon concrete storage tank within the next year which will allow the sulfur, manganese and iron more time to precipitate out before the water is delivered to customers. The tank will also allow aeration of the sulfurous odor. The Branch believes this to be a prudent investment and recommends that HWS be authorized to file an advice

letter rate increase request to recover all reasonable costs associated with the installation of the 12,000 gallon concrete storage tank once it is been placed into service.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on June 1, 1991. Three response letters were received by the Branch, two protesting the magnitude of the increase and the third endorsing the increase requested. One of the two customers who protested the magnitude of the increase also complained about the offensive odor and taste of the water. The Branch has mailed a response letter to the complainant explaining the reason for the odor and taste problems as discussed earlier. The Commission's Consumer Affairs Branch has not received any service complaints against HWS over the last three years.

A public meeting was held on June 19, 1991, in the vicinity of HWS'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 Sonoma County Health Department discussed new state water quality requirements mandated by the current Federal Safe Drinking Water Act. Eight customers attended the public meeting and although most felt that the requested increase was too high, they all expressed an understanding of the need for a rate increase. All of the customers at the meeting also agreed that HWS provides excellent water service. Mr. and Mrs. Hawkins, owners of HWC, indicated that they would like to retire from the water business and would be willing to sell HWS to its customers. A discussion then followed concerning the pros and cons of the customers forming a mutual and taking over ownership of the utility. The Branch representative indicated that if the community was interested in pursuing the formation of a mutual and taking over ownership of HWS, the Branch would assist in any way it could to expedite the process.

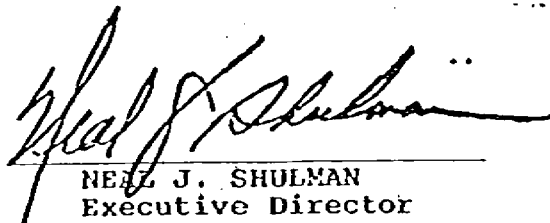
FINDINGS AND CONCLUSIONS

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. HWS should be authorized to file an advice letter rate increase request to recover all reasonable costs associated with the installation of a 12,000 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 Hawkins Water Service 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. 1. 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. Hawkins Water Service is authorized to file an advice letter rate increase request to recover all reasonable costs associated with the installation of a 12,000 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 September 6, 1991. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

PATRICIA M. ECKERT
President
JOHN B. OGANIAN
DANIEL WM. FESSLER
NORMAN D. SHUMWAY
Commissioners

I abstain.

G. MITCHELL WILK
Commissioner

Appendix A

Hawkins Water Service

SUMMARY OF EARNINGS
Test Year 1991

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Metered Rate	13,699	23,260	13,323	22,635	22,183
Total Revenue	13,699	23,260	13,323	22,635	22,183
<u>Operating Expenses</u>					
Purchased Power	1,574	1,574	1,776	1,776	1,776
Materials	300	300	300	300	300
Contract Work	3,500	3,500	2,900	2,900	2,900
Transportation	121	121	121	121	121
Office Salaries	0	0	2,000	2,000	2,000
Management Salaries	4,000	4,000	2,000	2,000	2,000
Uncollectible Accts.	6	11	6	11	11
Office Svcs. and Rent	600	600	600	600	600
Office Supplies	800	800	700	700	700
Professional Services	350	350	350	350	350
Insurance	1,500	1,500	1,000	1,000	1,000
General	553	553	553	553	553
Reg. Comm. Exp.	246	246	246	246	246
Subtotal	13,550	13,555	12,552	12,557	12,557
Depreciation	2,360	2,360	2,387	2,387	2,387
Property Taxes	460	460	470	470	470
Payroll Taxes	0	0	300	300	300
Income Taxes	0	1,710	0	1,585	1,482
Total Deductions	16,370	18,085	15,709	17,299	17,196
Net Revenue	(2,671)	5,175	(2,386)	5,336	4,987
<u>Rate Base</u>					
Average Plant	72,580	72,580	73,480	73,480	73,480
Average Dep. Reserve	27,450	27,450	29,820	29,820	29,820
Net Plant	45,130	45,130	43,660	43,660	43,660
Less Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus Working Cash	1,627	1,627	1,380	1,380	1,380
Mat'l. & Supplies	300	300	300	300	300
Rate Base	47,057	47,057	45,340	45,340	45,340
Rate of Return	loss	11.00%	loss	11.77%	11.00%

APPENDIX B
Schedule No. 1
METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Broadmoor Acres Subdivision and vicinity near the intersection of Stony Point Road and Yuba Avenue, Santa Rosa, Sonoma County.

RATES

Quantity Charge

All water, per 100 cu.ft..... 1.57 (I)

Per Meter
Per Month

Service Charge:

For 5/8x3/4-inch meter..... \$ 17.05 (I)
For 3/4-inch meter..... 18.65 |
For 1-inch meter..... 25.55 (I)

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

SPECIAL CONDITIONS

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

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</u> <u>Present</u> <u>Rates</u>	<u>Per Month</u> <u>Recommended</u> <u>Rates</u>	<u>Percent</u> <u>Increase</u>
For 5/8x3/4-inch meter	\$10.25	\$17.05	66.3
For 3/4-inch meter	11.20	18.65	66.5
For 1-inch meter	15.35	25.55	66.5

Quantity Rates:

Per 100 cu.ft.	\$ 0.94	\$ 1.57	67.0
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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 cu. ft.</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	\$10.25	\$17.05	\$ 6.80	66.3
5	14.95	24.90	9.95	66.6
10	19.65	32.75	13.10	66.7
15	24.35	40.60	16.25	66.7
20	29.05	48.45	19.40	66.8
50	57.25	95.55	38.30	66.9

END OF APPENDIX C

ADOPTED QUANTITIES
Test Year 1991

Expenses:

1. Purchased power		
Vendor		Pacific Gas and Electric Company
Schedules		1XB
Effective Date		May 1, 1991
Energy Charge, per Kwh		
Tier I	\$0.10924	
Tier II	\$0.13682	
Consumption, Kwh		
Tier I	4,087	
Tier II	9,694	
Energy Commission Tax	.02%	
Total Cost	\$1,776	
2. Purchased water		None
3. Insurance Expenses		\$1,000
4. Ad Valorem Taxes		\$470
Assessed Value	\$45,340	
Tax Rate	1.035%	
5. Water Testing Expenses		\$500
<u>Service Connections</u>		
5/8x3/4-inch meter		51
3/4-inch meter		0
1-inch meter		0
Total		51
Metered Water Sales Used to Design Rates		7,500 Ccf

ADOPTED TAX CALCULATIONS
Test Year 1991

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$22,183	\$22,183
2.	O & M Expenses	12,557	12,557
3.	Taxes Other Than Income	770	770
4.	Depreciation	2,387	2,387
5.	Interest	\$0	\$0
6.	Taxable Income for State Tax	6,469	
7.	State Tax	602	602
8.	Taxable Income for FIT		5,867
9.	Federal Income Tax		880
10.	Total Income Tax	\$1,482	
	California Corporate Franchise Rate	9.3%	
	Federal Income Tax Rates On first \$50,000 taxable income	15%	

END OF APPENDIX D