

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3616  
October 11, 1991R E S O L U T I O N

(RESOLUTION W-3616) CENTRAL WATER SYSTEM (CWS)  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$5,544 (100.0%) IN 1992  
AND \$3,024 (27.3%) IN 1993.

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SUMMARY

This Resolution grants an increase in gross annual revenue of \$5,544, or 100.0% for test year 1992 and \$3,024, or 27.3% for test year 1993. These increases will provide a 2.59% rate of return on rate base in test year 1992 and a 10.88% rate of return in 1993.

BACKGROUND

CWS, by draft advice letter accepted by the Water Utilities Branch (Branch) on January 24, 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 \$5,328 or 100.0% in 1992 and by \$2,906 or 27.3% in 1993. The increase is spread over two years in order not to exceed the maximum permitted under the Commission's CAPS policy adopted in 1982 which limits Class D water utilities to a 100% rate increase in any one year. CWS's request shows 1992 gross revenue of \$5,328 at present rates increasing to \$10,656 in 1992 at proposed rates to produce a rate of return on rate base of 3.39%. Its request also shows 1993 gross revenue of \$10,656 increasing to \$13,562 in 1993 at 1993 proposed rates to produce a rate of return on rate base of 12.78%.

CWS presently serves 42 customers in the unincorporated community of Plainview, eight miles northwest of Porterville in Tulare County.

The present rates became effective on February 24, 1982 pursuant to Resolution No. W-2937 dated February 17, 1982, which authorized a general rate increase producing \$1,840 or 49.9% additional annual revenue.

DISCUSSION

The Branch assisted CWS in preparing its request for a rate relief under the Branch's outreach program. CWS did not request an allowance for income taxes, however, income tax expense is included in the Branch estimates. CWS agrees with this and other Branch estimates. Appendix A shows the estimated summary of earnings at present, requested, and adopted rates for test years 1992 and 1993.

Inspection of CWS's service territory noted that it has only one well supplying water. General Order No. 103, "Rules Governing Water Service Including Minimum Standards for Design and Construction." requires that each separately operated water system shall have not less than two independent sources of supply.

CWS should obtain a second source of supply. It should consider drilling and equipping an additional well along with other options such as interconnection with another water purveyor. CWS should be required to prepare and submit for Branch approval an analysis of alternatives before proceeding with construction.

CWS has no outstanding Commission orders requiring system improvement. The Tulare County Department of Health Services has indicated that CWS water meets all primary and secondary drinking water standards currently in effect.

CWS has filed rate schedules for flat-rate service and general metered-rate service. All customers presently receive service under Schedule No. 2, Flat Rate Service. The Branch recommends that the flat rate schedule be increased by the system average increase.

The Branch also recommends that the metered rate schedule be revised to conform to the Commission's metered rate design policy established by Decision No. 86-05-064. The recommended metered schedule has service charges which would recover 50% of CWS's fixed costs and a single quantity rate which would recover the balance. The customer charges would be approximately the same under the metered-rate schedule as under the flat-rate schedule for a customer who uses an average of 16 Ccf per month (one Ccf is one hundred cubic feet).

In reviewing CWS's other filed tariff schedules, the Branch found that the title page and preliminary statement contain outdated information and should be revised. Rule 12, Rates and Optional Rates; Rule 14, Shortage of Supply and Interruption of Delivery; Rule 18, Meter Tests and Adjustment of Bills for Meter Error; Rule 19, Service to Separate Premises and Multiple Units, and Resale of Water; Rule 20, Water Conservation; and Rule 21, Fire Protection; should also be revised to reflect current conditions.

At the Branch's recommended rates shown in Appendix B, the bill for residential flat-rate customer would increase from \$11.00 to \$22.00 per month for test year 1992 and to \$28.00 for test year 1993.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on January 8, 1991. No letters protesting the increase were received by the Branch. The Commission's Consumer Affairs Branch has not received any informal complaints involving CWS in the last three years.

A public meeting was held on January 24, 1991 in the home of one of the customers in the service area. The Branch representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase and service improvements it proposed to make. Five customers attended the meeting and expressed understanding for the need to increase rates but were concerned over the the magnitude of the increase at this time.

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 C) used to develop the Branch's recommendations are reasonable and should be adopted.
4. The rate increase authorized herein is justified and the resulting rates are just and reasonable.
5. CWS should be ordered to comply with G.O. 103 by installing or otherwise obtaining an additional water supply source. CWS should prepare an analysis of all options for meeting this requirement and submit it to the Branch for approval prior to beginning any construction work.
6. CWS's tariffs have outdated sheets. They are the title page, preliminary statement, and Rules No. 12, 14, 18, 19, 20, and 21. These should be revised.

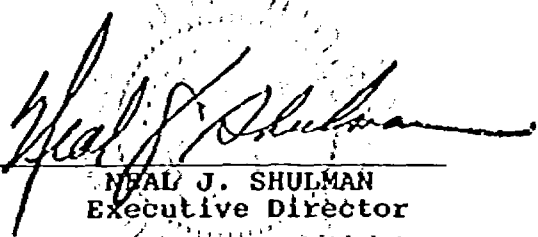
**IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 for Central Water System to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendix A and B respectively; concurrently to cancel its presently effective rate Schedules No. 1, and 2; and file the tariff revisions noted in Finding No. 6. Its filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be five (5) days after the date of filing.

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2. Central Water System shall install or otherwise obtain an additional water supply source within one year of the effective date of this order. Central Water System shall submit an analysis of alternatives to the Water Utilities Branch for approval prior to commencing any construction work to comply with this requirement.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on October 11, 1991. The following Commissioners approved it:



NEAL J. SHULMAN  
Executive Director

JOHN B. OHANIAN  
DANIEL Wm. FESSLER  
NORMAN D. SHUMWAY  
Commissioners

Commissioner Patricia M. Eckert,  
being necessarily absent, did  
not participate.

APPENDIX A  
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CENTRAL WATER SYSTEM

SUMMARY OF EARNINGS  
Test Year 1992

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
<u>Operating Revenue</u>					
Flat Rate Service	\$ 5,328	\$10,656	\$ 5,544	\$11,088	\$11,088
General Metered Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenue	5,328	10,656	5,544	11,088	11,088
<u>Operating Expenses</u>					
Power	2,000	2,000	1,934	1,934	1,934
Purchased Water	0	0	0	0	0
Other Vol. Related Expense	0	0	0	0	0
Employee Labor	0	0	0	0	0
Materials	250	250	250	250	250
Contract Work	2,000	2,000	1,966	1,966	1,966
Transportation Expense	837	837	837	837	837
Other Plant Maintenance	226	226	226	226	226
Office Salaries	0	0	0	0	0
Management Salaries	0	0	0	0	0
Uncollectibles	0	53	28	55	55
Office Services & Rentals	1,200	1,200	1,200	1,200	1,200
Office Supplies	264	264	264	264	264
Professional Services	259	259	184	184	184
Insurance	1,000	1,000	1,000	1,000	1,000
Regulatory Expense	0	0	0	0	0
General Expense	<u>357</u>	<u>357</u>	<u>273</u>	<u>273</u>	<u>273</u>
Subtotal	8,393	8,446	8,160	8,188	8,188
Depreciation Expense	809	809	809	809	809
Franchise Tax	0	0	0	0	0
Property Taxes	319	319	319	319	319
Payroll Taxes	0	0	0	0	0
Income Taxes	<u>0</u>	<u>0</u>	<u>800</u>	<u>946</u>	<u>946</u>
Total Deductions	9,520	9,574	10,088	10,262	10,262
<u>Net Revenue</u>	(4,192)	1,082	(4,544)	826	826
Average Plant	34,746	34,746	34,746	34,746	34,746
Avg. Accum. Depreciation	3,235	3,235	3,235	3,235	3,235
Net Plant	33,916	31,916	31,916	31,916	31,916
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l & Supplies	0	0	0	0	0
<u>Rate Base</u>	31,916	31,916	31,916	31,916	31,916
<u>Rate of Return</u>	(loss)	3.39%	(loss)	2.59%	2.59%

APPENDIX A  
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CENTRAL WATER SYSTEM

SUMMARY OF EARNINGS  
 Test Year 1993

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
<u>Operating Revenue</u>					
Flat Rate Service	\$10,656	\$13,562	\$11,088	\$14,112	\$14,112
General Metered Service	0	0	0	0	0
Total Revenue	10,656	13,562	11,088	14,112	14,112
<u>Operating Expenses</u>					
Power	2,000	2,000	1,934	1,934	1,934
Purchased Water	0	0	0	0	0
Other Vol. Related Expense	0	0	0	0	0
Employee Labor	0	0	0	0	0
Materials	250	250	250	250	250
Contract Work	2,000	2,000	1,966	1,966	1,966
Transportation Expense	837	837	837	837	837
Other Plant Maintenance	226	226	226	226	226
Office Salaries	0	0	0	0	0
Management Salaries	0	0	0	0	0
Uncollectibles	53	68	55	71	71
Office Services & Rentals	1,200	1,200	1,200	1,200	1,200
Office Supplies	264	264	264	264	264
Professional Services	259	259	184	184	184
Insurance	1,000	1,000	1,000	1,000	1,000
Regulatory Expense	0	0	0	0	0
General Expense	357	357	273	273	273
Subtotal	8,446	8,460	8,188	8,203	8,203
Depreciation Expense	809	809	809	809	809
Franchise Tax	0	0	0	0	0
Property Taxes	319	319	319	319	319
Payroll Taxes	0	0	0	0	0
Income Taxes	0	0	946	1,397	1,397
Total Deductions	9,573	9,588	10,261	10,728	10,728
<u>Net Revenue</u>	1,083	3,974	827	3,384	3,384
Average Plant	34,746	34,746	34,746	34,746	34,746
Avg. Accum. Depreciation	3,639	3,639	3,639	3,639	3,639
Net Plant	31,107	31,107	31,107	31,107	31,107
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l & Supplies	0	0	0	0	0
<u>Rate Base</u>	31,107	31,107	31,107	31,107	31,107
<u>Rate of Return</u>	3.38%	12.78%	2.66%	10.88%	10.88%

END OF APPENDIX A

APPENDIX B  
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CENTRAL WATER SYSTEM

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract No. 247, and vicinity, adjacent to Cairns Road approximately four miles west of the community of Strathmore, Tulare County.

RATES

Quantity Rate:	Prior to Jan. 1, 1993	On or After Jan. 1, 1993	
All water used per 100 cubic feet . .	\$ 0.90	\$ 1.20	(C)
Service Charge:	Prior to Jan. 1, 1993	On or After Jan. 1, 1993	
	Per Meter	Per Month	
For 5/8 x 3/4-inch meter . . . . .	\$ 8.50	\$ 10.50	
For 3/4-inch meter . . . . .	12.75	15.75	
For 1-inch meter . . . . .	21.25	26.25	
For 1-1/2-inch meter . . . . .	42.50	52.50	
For 2-inch meter . . . . .	68.00	84.00	(C)

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 Rates. (C)

SPECIAL CONDITIONS

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

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CENTRAL WATER SYSTEM

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Tract No. 247, and vicinity, adjacent to Cairns Road approximately four miles west of the community of Strathmore, Tulare County. (T)

RATES

	Prior to Jan. 1, 1993	On or After Jan. 1, 1993	(C)
	<u>Per Month</u>		
For each single family residence . . .	\$ 22.00	\$ 28.00	(C)

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications will be furnished only on a metered basis.
3. Meters may be installed at the option of the utility in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service. (D)  
(N)  
|  
(N)
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (N)  
(N)

END OF APPENDIX B



APPENDIX C

CENTRAL WATER SYSTEM

COMPARISON OF RATES

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

General Metered Rate Service:

There are presently no metered rate customers. If a customer were to use the system-wide average of 16 Ccf per month and receive service under the metered rate schedule, the rates recommended will produce approximately the same monthly bill as if billed under the flat rate schedule.

Flat Rate Service:

Prior to January 1, 1993:

	<u>Per Connection 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>
Single Family Residences	\$ 11.00	\$ 22.00	\$ 11.00	100.0

On or after January 1, 1993:

	<u>Per Connection 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>
Single Family Residences	\$ 22.00	\$ 28.00	\$ 6.00	27.3

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