

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3617  
September 25, 1991R E S O L U T I O N

(RES W-3617) BEASORE MEADOWS WATER COMPANY (BMWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$3,817 (167.7%) IN 1991  
AND \$2,305 (37.8%) IN 1992.

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SUMMARY

This resolution grants an increase in gross annual revenue of \$3,817 or 167.7% in 1991 to cover only operating expenses, and \$2,305 or 37.8% in 1992 to provide an 11.0% estimated rate of return on rate base in test year 1992.

BACKGROUND

BMWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on April 1, 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 \$6,481 or 285.0% in 1991. BMWC's request shows 1991 gross revenue of \$2,275 at present rates increasing to \$8,756 at proposed rates to produce a rate of return on rate base of 11.0%. BMWC presently serves approximately 62 flat rate customers in Beasore Meadows Subdivision Number 1, located approximately thirteen miles northeast of the unincorporated community of Bass Lake, Madera County.

The present rates became effective on April 24, 1975 pursuant to Decision No. 83582 dated October 16, 1974, which also authorized the present owners to buy the system.

DISCUSSION

The Branch made an independent analysis of BMWC's summary of earnings. Appendices A-1 and A-2 show BMWC's and the Branch's estimated summary of earnings at present, requested, and adopted rates for test years 1991 and 1992. Appendices A-1 and A-2 also show differences in expenses.

The major differences in expense estimates are in materials, contract work (water testing expense), other plant maintenance, management salaries, general expense, property taxes, payroll taxes and income taxes. The main reason for these differences is due to the Branch having access to later information which was not available to BMWC when it prepared its estimate.

BMWC was informed of the Branch's differing views of revenues, expenses and rate base and has stated that it accepts the Branch's estimate.

September 25, 1991

BMC's draft advice letter requested rates which it estimated would produce a return on rate base of 11.0%. The Branch recommended summary of earnings would produce no rate of return in test year 1991, and 11.00% in test year 1992, at the Branch's recommended rates. This 11.00% rate of return is the high point of the 10.50% to 11.00% standard rate of return range recommended by the Finance Branch of the Commission Advisory and Compliance Division for small, 100% equity financed water utilities.

The Commission's CAPS policy, approved on August 18, 1982, provides that when there is a need to increase revenue for a small water utility over 100%, the portion of the increase in excess of 100% should be deferred to the following year. The exception is that sufficient revenues should be provided in the first year to at least meet operating expenses for that year. In compliance with that policy, the Branch recommends that BMC be granted a general rate increase of \$3,817 or 167.7% in 1991 to eliminate the negative rate of return, and \$2,305 or 37.8% in 1992 to provide an 11.0% estimated rate of return on rate base in test year 1992.

Pursuant to Section 2713 of the Public Utilities Code, BMC 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 BMC has no such agreement, the Branch recommends that Schedule No. 5 should be canceled. Branch also notes that tariff Rules 1, 10, 15 and 19; and Forms 4, 10 and A to E are outdated and should be updated.

At the Branch's recommended rates shown in Appendix B, the bill for an average residential flat rate service would increase from \$35.00 to \$94.00 (169%) in 1991 and to \$129.00 (37%) in 1992 per summer season. A comparison of customer bills at present and recommended rates is shown in Appendix C.

#### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on April 22, 1991. Two letters protesting the increase were received by the Branch. One customer complained about the magnitude of the proposed increase since he uses his property only a limited time each year. The other customer complained service should improve before an increase should be granted. No other complaints were received by the Commission's Consumers Affairs Branch (CAB) in 1990 or 1991.

A public meeting was held on June 6, 1991 at the Pines Resort meeting room in Bass Lake, close to the service area. The Branch's representative explained Commission rate setting procedures and a utility representative explained the need for the rate increase. Thirty-two members of the public, representing about twenty customers attended the public meeting, in addition to the utility owner, and a Branch representative. There were numerous complaints regarding leaks and alleged lack of the owner's attention to the system. Many customers acknowledged their relatively low rates and expressed little hesitation at paying increased rates if they see a commensurate improvement in the owner's attention.

A month after the public meeting, the owner informed the Branch engineer that much deferred maintenance work had been accomplished and the leaks in the tank were under control. When the Branch Engineer made his field inspection of the system, he confirmed these statements and acknowledges that BMC has taken

care of the worst of the deferred maintenance problems. The water system is in general compliance with General Order 103.

According to the Madera County Department of Public Health, BWC meets all drinking water standards currently in effect.

FINDINGS

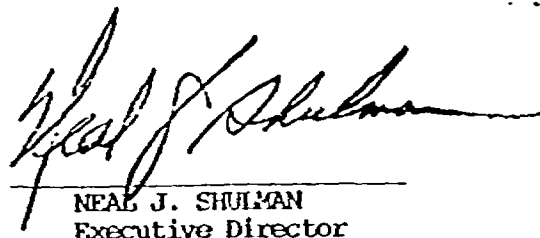
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. BWC's tariff Schedule No. 5, Public Fire Hydrant Service is no longer applicable and should be canceled.
5. Various tariff sheets should be revised. Tariff Rules 1, 10, 15 and 19; and Forms 4, 10 and A to E are outdated and should be updated.
6. The rate increase authorized herein is justified and the resulting rates are just and reasonable.

IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Beasore Meadows 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; revised tariff Rules 1, 10, 15 and 19; Forms 4, 10 and A to E; and concurrently to cancel its presently effective rate Schedules Nos. 1-S and 2-RS. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five (5) days after the date of filing.
2. Beasore Meadows Water Company's filed tariff Schedule No. 5, Public Fire Hydrant Service is canceled.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 25, 1991. The following Commissioners approved it:

PATRICIA M. ECKERT  
President  
JOHN B. OHANIAN  
DANIEL W. FESSLER  
NORMAN D. SHUMWAY  
Commissioners

  
NEAL J. SHULMAN  
Executive Director

I abstain

G. MITCHELL WILK  
Commissioner

APPENDIX A-1

BEASORE MEADOWS 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 Revenues</u>		284.88%			167.78%
Flat Rate	\$2,275	\$8,756	\$2,275	\$8,756	\$6,092
Other	0	0	0	0	0
Total Revenue	2,275	8,756	2,275	8,756	6,092
<u>Operating Expenses</u>					
Power	0	0	0	0	0
Other Vol. Related Ex	0	0	0	0	0
Employee Labor	0	0	0	0	0
Materials	500	500	0	0	0
Contract Work	136	136	385	385	385
Other Plant Maint.	0	0	350	350	350
Office Salaries	0	0	0	0	0
Management Salaries	2,400	2,400	1,200	1,200	1,200
Transportation Exp	600	600	600	600	600
Uncollectibles	0	0	0	0	0
Office Rent	300	300	300	300	300
Office Supplies	200	200	200	200	200
Professional Services	0	0	0	0	0
Insurance	1,000	1,000	1,000	1,000	1,000
General Exp	390	390	0	0	0
Regulatory Exp	30	30	0	0	0
Subtotal	5,556	5,556	4,035	4,035	4,035
Franchise Tax	0	0	0	0	0
Depreciation Exp	577	577	577	577	577
Property Taxes	0	0	180	180	180
Payroll Taxes	0	0	110	110	110
Other Taxes	0	0	390	390	390
Income Taxes	0	601	800	1,200	800
Total Deductions	6,133	6,734	6,092	6,492	6,092
<u>Net Revenue</u>	(3,858)	2,022	(3,817)	2,264	0
<u>Rate Base</u>					
Avg. Plant	30,898	30,898	30,898	30,898	30,898
Avg. Accum. Deprec	12,509	12,509	12,509	12,509	12,509
Net Plant	18,389	18,389	18,389	18,389	18,389
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
Rate Base	18,389	18,389	18,389	18,389	18,389
<u>Rate of Return</u>	(LOSS)	11.00%	(LOSS)	12.31%	0.00%

(END OF APPENDIX A-1)

APPENDIX A-2

BEASORE MEADOWS WATER COMPANY

SUMMARY OF EARNINGS  
 Test Year 1992

Item	:Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
<u>Operating Revenues</u>					37.84%
Flat Rate	\$6,092				\$8,397
Other	0				0
Total Revenue	6,092				8,397
<u>Operating Expenses</u>					
Power	0				0
Other Vol. Related Ex	0				0
Employee Labor	0				0
Materials	0				0
Contract Work	385				385
Other Plant Maint.	350				350
Office Salaries	0				0
Management Salaries	1,200				1,200
Transportation Exp	600				600
Uncollectibles	0				0
Office Rent	300				300
Office Supplies	200				200
Professional Services	0				0
Insurance	1,000				1,000
General Exp	0				0
Regulatory Exp	0				0
Subtotal	4,035				4,035
Franchise Tax	0				0
Depreciation Exp	577				577
Property Taxes	180				180
Payroll Taxes	110				110
Other Taxes	390				390
Income Taxes	800				1,146
Total Deductions	6,092				6,438
<u>Net Revenue</u>	0				1,959
<u>Rate Base</u>					
Avg. Plant	30,898				30,898
Avg. Accum. Deprec	13,085				13,085
Net Plant	17,813				17,813
Less: Advances	0				0
Contributions	0				0
Plus: Working Cash	0				0
Mat'l & supplies	0				0
Rate Base	17,813				17,813
<u>Rate of Return</u>	0.00%				11.00%

(END OF APPENDIX A-2)

Appendix B  
Page 1

BEASORE MEADOWS WATER COMPANY

Schedule No. 1S

SEASONAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a seasonal basis. Service is limited to the period of access to the subdivision and assumed to be June 1 through October 30.

TERRITORY

Beasore Tracts and vicinity, northeast of Bass Lake, Madera County.

RATES

	<u>Effective</u> <u>9/5/91</u>	<u>Effective</u> <u>6/1/92</u>	(C)
Quantity Rate:			
All water per 100 cu. ft. . . . .	\$ 0.80	\$ 1.00	
	<u>Per Meter</u>	<u>Per Season</u>	
Service Charge:	<u>Effective</u> <u>9/25/91</u>	<u>Effective</u> <u>6/1/91</u>	
For 5/8 x 3/4-inch meter. . . . .	80.00	110.00	
For 3/4-inch meter. . . . .	107.00	147.00	
For 1-inch meter. . . . .	160.00	220.00	

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.

(C)

SPECIAL CONDITIONS

1. Service may be taken under this schedule for summer season only.
2. The seasonal service charge is payable in advance on or before the initial day of the season, or the day service is begun. (T)
3. Meters may be read monthly, bi-monthly or seasonal at the option of the utility. Bills will be rendered accordingly. (T)

(Continued)

Appendix B  
Page 2

BEASORE MEADOWS WATER COMPANY

Schedule No. 1S

SEASONAL METERED SERVICE  
(Continued)

4. The opening bill for metered service, except upon conversion from flat rate service, shall be the established seasonal service charge for the connection. Where initial service is established after the first day of any season, the portion of such seasonal charge applicable to the current season shall be determined by multiplying the seasonal charge by one one-hundred-fiftieth ( $1/150$ ) of the number of days remaining in the season. The balance of the payment of the initial seasonal charge shall be credited against the charges for the succeeding seasonal period in which service is taken. If service is not continued for at least five months of the first year after the date of initial service, no refund of the initial seasonal charges shall be due the customer. (T)
  
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)  
(L)

Appendix B  
Page 3

BEASORE MEADOWS WATER COMPANY

Schedule No. 2RS

SEASONAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on a seasonal basis. Service is limited to the period of access to the subdivision and assumed to be June 1 through October 30.

TERRITORY

Beasore Tracts and vicinity, northeast of Bass Lake, Madera County.

RATES

	<u>Effective</u> <u>9/25/91</u>	<u>Effective</u> <u>6/1/92</u>	(T) (T)
	<u>Per Service Connection</u>		
	<u>Per Summer Season</u>		
	<u>6/1 through 10/30</u>		
For a single-family residential unit, including premises . . . . .	\$ 94.00	\$129.00	(I)
For each additional single-family residential unit on the same premises and served from the same service connection . . . . .	13.40	18.50	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than 3/4-inch in diameter.
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1S, Seasonal Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.
3. Service may be taken under this schedule for summer season only.

(Continued)



Appendix B  
Page 4

BEASORE MEADOWS WATER COMPANY

Schedule No. 2RS

SEASONAL RESIDENTIAL FLAT RATE SERVICE  
(Continued)

4. The opening bill for flat rate service shall be the established seasonal flat rate charge for the service. Where initial service is established after the first day of any season, the portion of such seasonal charge applicable to the current season shall be determined by multiplying the seasonal charge by one one-hundred-fiftieth ( $1/150$ ) of the number of days remaining in the season. The balance of the payment of the initial seasonal charge shall be credited against the charges for the succeeding seasonal period in which service is taken. If service is not continued for at least five months of the first year after the date of initial service, no refund of the initial seasonal charges shall be due the customer.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)  
(L)

(End of Appendix B)

APPENDIX C  
 Page 1

BEASORE MEADOWS WATER COMPANY

COMPARISON OF RATES

A comparison of present and Branch's recommended rates for metered service for test years 1991 and 1992 is shown below:

Metered Service

Quantity Rate:

First 600 cu.ft. or less . . . . .	\$30.00	--	--
Next 1,400 cu.ft., per 100 cu.ft. . . . .	0.50	--	--
Next 4,000 cu.ft., per 100 cu.ft. . . . .	0.40	--	--
Over 6,000 cu.ft., per 100 cu.ft. . . . .	0.30	--	--
All Water, per 100 cu.ft. . . . .	--	0.80	1.00

Service Charge/Minimum Charge

	<u>Per Meter Per Summer Season :</u>		
	<u>Recommended :</u>		
	<u>Present :</u>	<u>Rates :</u>	
	<u>Rates :</u>	<u>1991 :</u>	<u>1992 :</u>
For 5/8 x 3/4-inch meter . . . . .	\$30.00	\$ 80.00	\$110.00
For 3/4-inch meter . . . . .	40.00	107.00	147.00
For 1-inch meter . . . . .	60.00	160.00	220.00

Comparison of monthly customer bills at present and Branch recommended rates for 1991 and 1992 test years for a 3/4-inch meter is shown below:

<u>Usage</u> <u>100 cu.ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>		<u>Increase - 1992</u>	
		<u>1991</u>	<u>1992</u>	<u>Amount</u>	<u>Percentage</u>
0	\$ 8.00	\$21.40	\$29.40	\$21.40	167.5%
3	8.00	23.80	32.40	24.40	205.0%
6	8.00	26.20	35.40	27.40	242.5%
20	16.00	37.40	49.40	33.40	108.8%
60	32.00	69.40	89.40	57.40	70.4%
100	44.00	101.40	129.40	85.40	94.0%

Flat Rate Service

<u>Per Service Connection :</u>	
<u>Per Summer Season :</u>	
<u>Present :</u>	<u>Recommended : Increase :</u>
<u>Rates :</u>	<u>Rates : 1992 :</u>
<u>Rates :</u>	<u>1991 : 1992 : Amount : % :</u>

For a single-family residential unit,  
 including premises . . . . . \$ 35.00 \$94.00 \$129.00 \$94.00 168%

For each additional single-family  
 residential unit on the same premises  
 and served from the same service  
 connection . . . . . 5.00 13.40 18.50 13.50 170%

APPENDIX D  
 Page 1

BEASORE MEADOWS WATER COMPANY

ADOPTED QUANTITIES  
 Test Year 1991

Federal Income Tax Rate: 15.0%  
 California Income Tax Rate: 9.6%  
 Business License: 0.0%  
 Uncollectible Rates: 0.0%

Expenses:

	<u>Amount</u>
1. Payroll and Employee Benefits:	
Management Salary	\$ 1,200
Total Payroll	\$ 1,200
Employees' Pensions and Benefits	\$ 0
Payroll Taxes	\$ 110
2. Ad Valorem Taxes:	
Ad Valorem Taxes	\$ 180
Tax Rate	0.583%
Assessed Value	\$30,898
3. Water Testing (in other plant maint.):	\$ 385
4. Flat Rate Customers	65

ADOPTED TAX CALCULATIONS

: In.:	: 1992 :	
:No.:	: <u>Adopted Rates</u> :	
Item	: State Tax :	FIT :
1 Operating Revenues	\$ 8,397	\$8,397
2 Expenses	4,035	4,035
3 Taxes other than Income	680	680
4 Depreciation	577	577
5 Interest	0	0
6 Taxable Income for State Tax	3,105	
7 State Tax (9.3%; \$800 min.)	800	800
8 Taxable Income for Fed Tax		2,305
9 Federal Income Tax (15.0)		346
10 Total Income Tax		1,146

(END OF APPENDIX D)