

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3623
December 4, 1991R E S O L U T I O N

(RES. W-3623) SORSOLI WATER COMPANY (SWC). ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$2,631 (16.61%) IN 1991.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$2,631 or 16.61% for test year 1991. The increase will provide a 11.00% rate of return on rate base in test year 1991.

BACKGROUND

SWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on July 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 \$5,340 or 34.91% in 1991. SWC's request shows 1991 gross revenue of \$15,296 at present rates increasing to \$20,636 at proposed rates to produce a rate of return on rate base of 11.00%. SWC presently serves 7 flat rate customers and 66 metered customers in and around the community of Crescent Mills, Plumas County.

The present rates became effective on September 19, 1987 pursuant to Commission Decision 87-08-050 which authorized a general rate increase producing \$5,094 or 47.89% additional annual revenue.

DISCUSSION

The Branch made an independent analysis of SWC's summary of earnings. Appendix A shows SWC'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 revenues, operating expenses and rate of return.

Pursuant to Section 2713 of the Public Utilities Code, SWC 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 SWC has no such agreement, the Branch recommends that Schedule No. 5 be cancelled.

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

At the proposed rates, the typical residential customer's bill will increase from \$15.30 per month to \$17.76 per month or 16.08% for an average use of 1,200 cubic feet.

Arthur and Marion Sorsoli have retained ownership of the water rights for water that is now and has always been dedicated to the water system. This water supply is from an abandoned mining tunnel on property owned by the Sorsolis. Although the water source is on Sorsoli property, it has always supplied the water system with water, therefore, the right to water use is dedicated for public use and cannot be separated from the utility. In view of this, the Branch recommends that ownership of the water rights for water supplied to SWC should be transferred from Arthur and Marion Sorsoli to Sorsoli Water Company.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on July 24, 1991. There were no letters of response to the notice, however, one customer protested the increase by telephone. The protester felt that the utility's effort in operating the system has been minimal and doesn't warrant the increase being requested. The protester was assured that his concerns would be taken into full consideration by the Branch when making its final recommendations on this matter to the Commission. The Commission's Consumer Affairs Branch has not received any service complaints against SWC over the last three years.

A public meeting was held on August 20, 1991, in the utility'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 Plumas County Department of Health discussed new water quality requirements mandated by the current Federal Safe Drinking Water Act. Also present at the meeting was County Supervisor John Schramel who provided information about how the customers could form a water district and purchase SWC. Fourteen members of the public attended the meeting and although they all protested the magnitude of the increase, they were all satisfied with the water quality and service provided by SWC.

Several customers complained of low pressure problems. The Branch measured water pressure at various locations throughout the system and found it to vary from 54 pounds-per-square-inch (psi) at the low end of the system to 20 psi at the highest point of the system. With the exception of one customer, whose normal operating pressure was measured at 20 psi, the utility was found to be in compliance with the requirements of the Commission's General Order 103, Rules Governing Water Service Including Minimum Standards for Design and Construction, when they first constructed the system and provided water service. The standards at that time required water utilities to maintain

normal operating pressures of not less than 25 psi at the customers service connection except during peak loads where the minimum was 20 psi. By Commission Decision 84334, dated April 15, 1975, these requirements were changed to 40 psi and 30 psi respectively and did not apply retroactively; that is, a water utility was not required to replace or abandon existing facilities prior to its useful life expiring just to meet the new standards. The one customer with 20 psi pressure is at the highest delivery point in the system. The Branch interviewed this customer who had no complaints concerning water quality and utility service but only wished that he had higher water pressure. However, the customer did state that he understood the nature of the gravity distribution system and the inherent low pressure resulting from being at an elevation too high with respect to the source to receive water at pressures any greater than presently received.

Most of the meeting time was spent discussing the possibility of forming a water district by the community which could then purchase SWC. County Supervisor Schramel explained the process and offered to meet with the community at a future date to possibly begin the process. The Branch representative indicated that 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. SWC's tariff Schedule No. 5, Public Fire Hydrant Service, is no longer applicable and should be cancelled.
5. The Branch recommendation that ownership of the water rights be transferred from Arthur and Marion Sorsoli to SWC is reasonable.
6. The rate increase authorized herein is justified, and the resulting rate is just and reasonable.

IT IS ORDERED that:

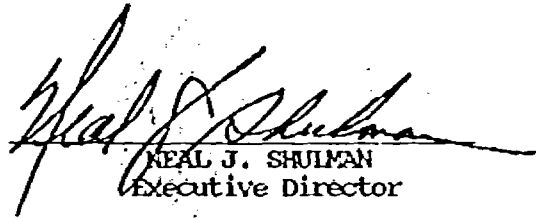
1. Authority is granted under Public Utilities Code Section 454 for Sorsoli Water Company, Inc. to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedules Nos. 1, 2R, and 2L. 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. Sorsoli Water Company's filed tariff Schedule No. 5, Public Fire Hydrant Service, is cancelled.

3. Within 60 days after the effective date of this resolution, Sorsoli Water Company shall submit to the Commission Advisory and Compliance Division a transmittal letter and two copies of documents showing transfer of water rights to the water utility.

4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on December 4, 1991. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

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

APPENDIX A

Sorsoli Water Company, Inc.

SUMMARY OF EARNINGS
Test Year 1991

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenues</u>					
Flat Rate	3,490	4,704	3,490	4,704	3,878
Metered Rate	<u>11,806</u>	<u>15,932</u>	<u>12,353</u>	<u>16,673</u>	<u>14,596</u>
Total Revenue	15,296	20,636	15,843	21,377	18,474
<u>Operating Expenses</u>					
Purchased Power	352	352	372	372	372
Materials	378	378	378	378	378
Contract Work	4,074	4,074	7,146	7,146	7,146
Transportation	355	355	355	355	355
Office Salaries	1,000	1,000	0	0	0
Management Salaries	0	0	0	0	0
Uncollectible Accts.	149	149	149	214	206
Other Plant Maint.	225	225	0	0	0
Office Supplies	4,652	4,652	942	942	942
Professional Services	619	619	619	619	619
Insurance	1,920	1,920	1,893	1,893	1,893
General	266	266	349	349	349
County Franchise Fee	<u>229</u>	<u>310</u>	<u>238</u>	<u>321</u>	<u>277</u>
Subtotal	14,219	14,300	12,440	12,588	12,537
Depreciation	1,520	1,520	1,520	1,520	1,520
Property Taxes	444	363	187	187	187
Payroll Taxes	0	0	0	0	0
Income Taxes	<u>800</u>	<u>1,348</u>	<u>1,055</u>	<u>1,742</u>	<u>1,314</u>
Total Deductions	16,983	17,530	15,202	16,037	15,558
Net Revenue	(1,687)	3,106	641	5,339	2,915
<u>Rate Base</u>					
Average Plant	53,360	53,360	53,360	53,360	53,360
Average Dep. Reserve	29,217	29,217	29,217	29,217	29,217
Net Plant	24,143	24,143	24,143	24,143	24,143
Less Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus Working Cash	3,281	3,281	1,560	1,560	1,560
Mat'l. & Supplies	800	800	800	800	800
Rate Base	28,224	28,224	26,503	26,503	26,503
Rate of Return	loss	11.00%	2.42%	20.15%	11.00%

END OF APPENDIX A

APPENDIX B
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SORSOLI WATER COMPANY, INC.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all domestic, commercial and industrial metered water service.

TERRITORY

In and in the vicinity of the Town of Crescent Mills, Plumas County.

RATES

Quantity Rates:

For all water delivered, per 100 cu.ft.. 0.93 (I)

Service Charge:

	<u>Per Meter Per Month</u>	<u>SDWBA Surcharge Per Month</u>
For 5/8 x 3/4-inch meters	\$ 4.20 (I)	\$ 5.20
For 3/4-inch meters	6.60	7.80
For 1-inch meters	11.00	13.00
For 1 1/2-inch meters	22.00	26.00
For 2-inch meters	35.20	41.60
For 3-inch meters	66.00	78.00
For 4-inch meters	110.00 (I)	130.00

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 Rates. (T)

SPECIAL CONDITIONS

1. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision No. 88-03-055. (T)
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (N)

SORSOLI WATER COMPANY, INC.

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to flat rate residential water service.

TERRITORY

In and in the vicinity of the Town of Crescent Mills, Plumas County.

RATES

	Per Service Connection	
	Per Month	
	Charge	SDWBA Surcharge
For a single-family residential unit, flat or apartment, including an irrigated area of not over 500 square feet	\$ 10.25 (I)	\$ 5.20
a. For each additional single-family residential unit on the same premises and served from the same service connection	6.90 (I)	3.50
b. For each 100 sq.ft of irrigated premises, 500 to 5,500 sq.ft., during months of irrigation	0.28 (I)	0.14
Over 5,500 sq.ft, per 100 sq.ft.	0.14 (I)	0.07

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one-inch in diameter.
2. If the utility elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.
3. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision No. 88-03-055. (T)
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (N)

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SORSOLI WATER COMPANY, INC.

Schedule No. 2L

LIMITED FLAT RATE SERVICE

APPLICABILITY

Applicable to non-residential customers presently receiving flat rate service.

TERRITORY

In and in the vicinity of the Town of Crescent Mills, Plumas County.

RATES

	Per Service Connection	
	Per Month	
	Charge	SDWBA Surcharge
Crescent Hotel	\$ 72.50 (I)	\$ 36.40
Sacramento Valley Moulding Company	136.00	69.35
Louisiana-Pacific Corporation	136.00	69.35
Restaurants, lunch counters, cafes, Drugstores, soft drink parlors, bars or saloons	15.50	7.80
Retail stores, shops, banks or other business establishments	8.50	4.35
Churches or other public buildings	7.65	3.98
Garages and service stations	25.90 (I)	13.00

SPECIAL CONDITIONS

1. The above flat rates apply to non-residential customers currently receiving flat rate service.
2. If the utility elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.
3. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision No. 88-03-055. (T)
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (N)

END OF APPENDIX B

APPENDIX C
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SORSOLI WATER COMPANY, INC.

COMPARISON OF RATES

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

FLAT RATE SERVICE

	<u>Per Connection Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
For a single-family residential unit, flat or apartment, including an irrigated area of not over 500 square feet	\$ 8.90	10.25	15.17%
a. For each additional single-family residential unit on the same premises and served from the same service connection	5.90	6.90	16.95%
b. For each 100 sq.ft of irrigated premises, 500 to 5,500 sq.ft., during months of irrigation	0.24	0.28	16.67%
Over 5,500 sq.ft, per 100 sq.ft.	0.12	0.14	16.67%

LIMITED FLAT RATE SERVICE

	<u>Per Connection Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
Crescent Hotel	\$ 62.10	72.50	16.75%
Sacramento Valley Moulding Company .	118.30	136.00	14.96%
Louisiana-Pacific Corporation	118.30	136.00	14.96%
Restaurants, lunch counters, cafes, Drugstores, soft drink parlors, bars or saloons	13.30	15.50	16.54%
Retail stores, shops, banks or other business establishments	7.40	8.50	14.86%
Churches or other public buildings .	6.65	7.65	15.04%
Garages and service stations	22.20	25.90	16.67%

APPENDIX C
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SORSOLI WATER COMPANY, INC.

COMPARISON OF RATES

Quantity Rates:

Per 100 cu.ft	0.85	0.93	8.60%
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METERED SERVICE

	<u>Per Meter Per Month</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
For 5/8 x 3/4-inch meters	\$ 2.90	4.20	44.83%
For 3/4-inch meters	5.10	6.60	29.41%
For 1-inch meters	7.25	11.00	51.72%
For 1 1/2-inch meters	9.65	22.00	127.98%
For 2-inch meters	12.10	35.20	190.91%
For 3-inch meters	22.95	66.00	187.58%
For 4-inch meters	31.40	110.00	250.32%

A monthly bill comparison for a resident with 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>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 5.10	\$ 6.60	\$ 1.50	29.41%
3	7.65	9.39	1.74	22.75%
5	9.35	11.25	1.90	20.32%
10	13.60	15.90	2.30	16.91%
12 (avg)	15.30	17.76	2.46	16.08%
15	17.85	20.55	2.70	15.13%
20	22.10	25.20	3.10	14.03%
30	30.60	34.50	3.90	12.75%
50	47.60	53.10	5.50	11.55%
70	64.60	71.70	7.10	10.99%

END OF APPENDIX C

APPENDIX D
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SORSOLI WATER COMPANY, INC.

ADOPTED QUANTITIES

Expenses:

1. Purchased Power	
Vendor	PG&E
Schedule	A-1
Effective Date	January 1, 1991
Winter	
Energy Charge, per Kwh	\$0.11493
Consumption, Kwh	1,668
Winter Charge	\$191.70
Summer	
Energy Charge, per Kwh	\$0.13984
Consumption, Kwh	534
Summer Charge	\$74.67
Monthly Service Charge	\$8.75
Total Purchased Power	\$371
2. Purchased Water	None
3. County Franchise Fee	\$268
Composite Rate	1.5%
Operating Revenue	\$17,850
4. Ad Valorem Taxes	\$187
Composite Tax Rate	1.05%
Assessed Value	\$17,810
5. Water Testing Expense	\$732

APPENDIX D
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SORSOLI WATER COMPANY, INC.

Service Connections:

Metered		
5/8 x 3/4-inch		0
3/4-inch		59
1-inch		6
1 1/2-inch		1
2-inch		<u>0</u>
Total		66
Flat		
Residential		3
Commercial		<u>4</u>
Total		7

Metered Water Sales Used to Design Rates: 9,535 Ccf

ADOPTED TAX CALCULATIONS
1991 Test Year

<u>Line No.</u>	<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1.	Operating Revenues	\$18,474	\$18,474
2.	Expenses	\$12,537	\$12,537
3.	Taxes Other Than Income	\$187	\$187
4.	Depreciation	\$1,520	\$1,520
5.	Interest	\$0	\$0
6.	Taxable Income for State Tax	\$4,230	
7.	State Tax (@ 9.3%)	\$800	\$800
8.	Taxable Income for FIT		\$3,430
9.	Federal Income Tax (@ 15.0%)		\$514
10.	Total Income Tax	\$1,314	

California Corporate Franchise Tax Minimum of \$800.