

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3627
December 18, 1991R E S O L U T I O N

(RES. W-3627), TAHOE PARK WATER COMPANY (TPWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$21,154 (28.09%) IN
1991.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$21,154 or 28.09% for test year 1991. This increase will provide an 11.00% rate of return on rate base in test year 1991.

BACKGROUND

TPWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on June 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 \$26,092 or 34.64% in 1991. TPWC's request shows 1991 gross revenue of \$75,324 at present rates increasing to \$101,416 at proposed rates to produce a rate of return on rate base of 11.00%. TPWC presently serves 418 flat rate customers and 28 metered customers in an area located about one mile south of Tahoe City on the west shore of Lake Tahoe, along State Highway 89 in Placer County.

The present rates became effective on May 26, 1989, pursuant to Commission Resolution W-3447, which authorized an offset rate increase producing \$3,988 or 5.90% additional annual revenue. TPWC's last general rate increase was granted on December 12, 1988, pursuant to Commission Resolution W-3425, which authorized an increase of \$20,466 or 43.4%.

DISCUSSION

The Branch made an independent analysis of TPWC's summary of earnings. Appendix A shows TPWC'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, rate base and rate of return.

TPWC was informed of the Branch's differing estimates of operating expenses and rate base, and has stated that it accepts the Branch's estimates.

TPWC currently provides flat rate water service to four customers with 1-inch service for which it has no filed tariffs. These customers are billed for the annual service charge for 1-inch metered service. In order to alleviate this problem, the Branch concurs with the utility's proposal to include 1-inch flat rate service in its filed tariffs.

The Branch's proposed rate design for metered customers is intended to recover approximately 50% of fixed expenses. This is consistent with the Commission's rate design policy for water companies established by Decision (D.) 86-05-064 which permits recovery of the fixed expenses through the service charge.

At Branch's recommended rates shown in Appendix B, the bill for an average residential customer would increase from \$140.65 to \$180.00 (27.98%) per year. 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 July 24, 1991. Three letters protesting the magnitude of the increase were received by the Branch. Two of the letters also complained of the disparity between metered and flat rates. The Branch has responded to all three protesters by mail assuring them that their 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 TPWC over the last three years.

A public meeting was held on June 30, 1991, in Tahoe City. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Six 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 TPWC. One customer complained of low pressure at certain times of the day, and the utility owner agreed to evaluate the problem.

Most of the meeting time was spent discussing complaints of disparity between flat and metered rates. During the discussion, the Branch representative explained that equitable rates are a major goal in any rate increase investigation conducted by the Commission staff, and assured the audience that the final rates recommended to the Commission in this matter, by the Branch, would be fair and equitable. In order to eliminate this disparity, the Branch is recommending only a 9.74% rate increase to an average residential metered customer as opposed to a 28.09% system increase.

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.

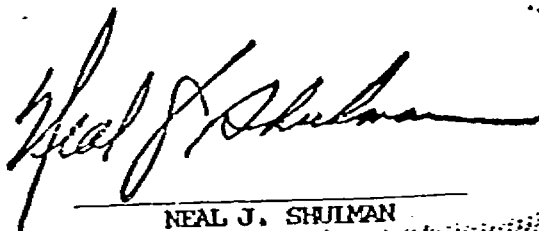
4. The rate increase authorized herein is justified, and the resulting rates are just and reasonable.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Tahoe Park 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, and concurrently to cancel its presently effective rate Schedule Nos. 1A, 2RA, and 4. Its filing shall comply with General Order 96-A. The effective date of the revised rate schedules shall be five days after the date of filing.

2. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on December 18, 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

Tahoe Park Water Company

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	\$58,603	\$79,152	\$58,603	\$79,152	\$75,208
Metered Rate	15,663	21,074	15,663	21,074	20,104
Private Fire	380	504	380	504	480
Public Fire	536	536	528	528	528
Other Revenue	150	150	150	150	150
Total Revenue	75,324	101,416	75,316	101,408	96,470
<u>Operating Expenses</u>					
Purchased Power	7,300	7,300	7,065	7,065	7,065
Other Volume Related	2,000	2,000	2,000	2,000	2,000
Materials	9,000	9,000	9,000	9,000	9,000
Contract Work	0	0	1,200	1,200	1,200
Transportation	5,675	5,675	5,675	5,675	5,675
Employee Labor	5,200	5,200	5,200	5,200	5,200
Other Plant Maintenance	2,000	2,000	365	365	365
Office Salaries	1,800	1,800	1,800	1,800	1,800
Management Salaries	19,200	19,200	19,200	19,200	19,200
Employee Benefits	2,776	2,776	1,750	1,750	1,750
Office Svcs. and Rent	4,000	4,000	0	0	0
Office Supplies	0	0	2,850	2,850	2,850
Professional Services	4,000	4,000	4,000	4,000	4,000
Insurance	6,000	6,000	4,860	4,910	4,910
General	1,000	1,000	700	700	700
Regulatory	0	0	350	350	350
Subtotal	69,951	69,951	66,015	66,015	66,015
Depreciation	7,608	7,608	6,509	6,509	6,509
Property Taxes	2,700	2,700	2,650	2,650	2,650
Payroll Taxes	2,800	2,800	2,650	2,650	2,650
Income Taxes	800	4,200	800	5,200	4,070
Total Deductions	83,859	87,259	78,624	83,074	81,944
Net Revenue	(8,535)	14,157	(3,300)	18,342	14,526
<u>Rate Base</u>					
Average Plant	311,765	311,765	290,436	290,436	290,436
Average Dep. Reserve	77,260	77,260	55,562	55,562	55,562
Net Plant	234,505	234,505	234,874	234,874	234,874
Less Advances	91,590	91,590	91,590	91,590	91,590
Contributions	2,500	2,500	15,173	15,173	15,173
Plus Working Cash	0	0	0	0	0
Mat'l. & Supplies	5,000	5,000	4,000	4,000	4,000
Rate Base	145,415	145,415	132,111	132,111	132,111
Rate of Return	(loss)	9.74%	(loss)	13.88%	11.00%

END OF APPENDIX A

APPENDIX B
Page 1

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated areas including Tahoe Park, Miramar Heights and Tahoe Sierra Estates Subdivision, and vicinity, located adjacent to State Highway 89 approximately 1 to 2 miles south of the community of Tahoe City, Placer County.

RATES

Quantity Rate:

All water, per 100 cu. ft..... 0.67

Service Charge

	<u>Per Meter Per Year</u>	
	:	SDWBA
	<u>Charge</u>	<u>Surcharge</u>
For 5/8x3/4-inch meter.....	\$110.00	(I) \$ 95.40
For 3/4-inch meter.....	165.00	143.40
For 1-inch meter.....	275.00	238.80
For 1-1/2-inch meter.....	550.00	476.00
For 2-inch meter.....	880.00	763.20
For 3-inch meter.....	1650.00	(I) 1431.00

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 Charge.

(continued)

APPENDIX B

Page 2

Schedule No. 1A

(continued)

ANNUAL METERED SERVICE

SPECIAL CONDITIONS

1. The annual service charge and surcharge apply to service during the 12-month period commencing January 1, and are due in advance. When a customer has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charge and surcharge in advance at intervals of less than one year in accordance with the utility's established billing periods. (T)
|
(T)
(D)
2. The opening bill for metered service, except upon conversion from flat rate service, shall be established annual service charge and surcharge for the service. Where initial service is established after the first day of any year, the portion of such annual charge and surcharge applicable to the current year shall be determined by multiplying the annual charge and surcharge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge and surcharge 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 annual charges and surcharge shall be due the customer.
3. The established billing cycle for water used is every six months. Meters will be read and quantity charges billed in accordance with this billing cycle, except that meters may be read and quantity charges billed during the winter season at greater intervals due to weather. (L)
|
(L)
4. 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. 85-12-068. (T)
|
(T)
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (N)

APPENDIX B
Page 3

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

The unincorporated areas including Tahoe Park, Miramar Heights and Tahoe Sierra Estates Subdivision, and vicinity, located adjacent to State Highway 89 approximately 1 to 2 miles south of the community of Tahoe City, Placer County.

RATES

	<u>Per Service Connection</u>		
	<u>Per Year</u>		
	:	SDWBA	
	<u>Charge</u>	<u>Surcharge</u>	
For a single-family residential unit or small business establishment served by a 3/4" or smaller service connection, including premises	\$180.00 (I)	\$ 95.40	(C)
For each additional single-family residential unit or small business establishment on the same premises and served from the same 3/4" or smaller diameter service connection.....	\$146.00 (I)	\$ 75.75	(C)
For 1" diameter flat rate service.....	\$300.00 (N)	\$238.80	(N)

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. 85-12-068. (T)

(continued)

APPENDIX B

Page 4

Schedule No. 2RA
(continued)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (continued)

2. The above flat rates and surcharge apply to a service connection not larger than one-inch in diameter.
3. The service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge and surcharge for a period have been paid in advance, refund of the prorated difference between such flat rate payment and surcharge payment and the service charge and surcharge for the same period shall be made on or before that day.
4. The annual flat rate service charge and surcharge apply to service during the 12-month period commencing January 1, and are due in advance. When a customer has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charge and surcharge in advance at intervals of less than one year in accordance with the utility's established billing periods. (T)
|
(T)
(D)
5. The opening bill for flat rate service, shall be established annual flat rate service charge and surcharge for the service. Where initial service is established after the first day of any year, the portion of such annual charge and surcharge applicable to the current year shall be determined by multiplying the annual charge and surcharge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge and surcharge 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 annual charges and surcharge shall be due the customer.
6. The established billing cycle for water service is every six months. (L)
(L)
7. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (N)

Schedule No. 4

ANNUAL PRIVATE FIRE PROTECTION SERVICE

(C)

APPLICABILITY

Applicable to all water service furnished to private fire systems and to private fire hydrants.

TERRITORY

The unincorporated areas including Tahoe Park, Miramar Heights and Tahoe Sierra Estates Subdivision, and vicinity, located adjacent to State Highway 89 approximately 1 to 2 miles south of the community of Tahoe City, Placer County.

RATES

	<u>Per Service Per Year</u>	(C)
For each inch of diameter of service connection.....	\$79.92	(C)

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of the private fire facilities.
2. The private fire service facilities shall be installed by the utility or under the utility's direction and shall be the sole property of the applicant but subject to the control of the utility, with the right to alter, repair, replace, and the right to remove upon discontinuance of service.
3. The minimum diameter for the private fire service connection will be 4 inches. The maximum diameter shall not be larger than the diameter of the water main to which the private fire service facilities are connected.
4. If a water main of adequate size is not available adjacent to the premises to be served, then a new main from the nearest existing main of adequate size will be installed by the utility at the cost of the customer. Such cost shall not be subject to refund.

(continued)

APPENDIX B

Page 6

Schedule No. 4

(continued)

ANNUAL PRIVATE FIRE PROTECTION SERVICE

10. The utility will supply only such water at such pressure as may be available from time to time as a result of its operation of the system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule. Section 774 of the Public Utilities Code limits the liability of the utility resulting from a claim regarding adequacy of pressure or supply for fire protection service.
11. The customer shall be responsible for the periodic testing of any backflow prevention devices as required by public authority or the utility. Any repair or replacement of such devices or of any other facilities installed to provide private fire service shall be done at the customer's expense. Any refusal to comply with the above requirements may be grounds for the utility's discontinuing private fire service without liability to the utility.
12. The annual private fire protection service charge apply to service during the 12-month period commencing January 1, and are due in advance. When a customer has been a customer of the utility for at least 12 months, 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. (T)
|
(T)
(D)
13. The opening bill for private fire protection service, shall be established annual 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 the 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 annual charges and surcharge shall be due the customer.
14. The established billing cycle for water is every six months. (L)
15. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (N)

END OF APPENDIX B

APPENDIX C

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

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	\$ 87.70	\$110.00	25.43%
For 3/4-inch meter	139.80	165.00	18.03%
For 1-inch meter	203.30	275.00	35.27%
For 1-1/2-inch meter	305.00	550.00	80.33%
For 2-inch meter	419.40	880.00	109.82%
For 3-inch meter	552.00	1650.00	198.91%

Quantity Rates:

Per 100 cu. ft.....	\$ 0.67	\$ 0.67	0.00%
---------------------	---------	---------	-------

Usage for a typical residential customer on a 5/8x3/4" meter using an average of 211 Ccf/yr:

<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>
211	\$229.07	\$251.37	\$ 21.30	9.74%

Usage for a typical commercial customer on a 2" meter using an average of 1,954 Ccf/yr:

<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>
1,954	\$1,728.58	\$2,189.18	\$460.60	26.65%

Usage for a typical commercial customer on a 3" meter using an average of 4,860 Ccf/yr:

<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>
4,860	\$3,808.20	\$4,906.20	\$1,098.00	28.83%

ANNUAL FLAT RATE SERVICE

	<u>Per Connection Per Year</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
1. For a single-family residential unit or a small business establishment served by a 3/4" service, including premises	\$140.65	\$180.00	27.98%
a. For each additional single-family residential or small business establishment on the same premises and served from the same 3/4" service connection	\$115.00	146.00	26.96%
2. For a 1" diameter flat rate service	\$203.30	300.00	47.57%

END OF APPENDIX C

Appendix D
Page 1

Tahoe Park Water Company

ADOPTED QUANTITIES
Test Year 1991

Expenses:

1. Purchased power	
Vendor	Sierra Pacific Power
Schedules	A-1
Effective Date	January 1, 1991
Energy Charge, per kWh	\$0.07546
Consumption, kWh	91000
Monthly Service Charges	\$5.00
Number of Pump Stations	3
Energy Commission Surcharge	\$0.0002 per kWh
Total Cost	\$7,065
2. Purchased water	None
3. Insurance Expenses	
General Liability Insurance	\$1,470
Truck and Auto insurance	\$1,780
Worker's Compensation	\$1,660
Total Cost	\$4,910
4. Ad Valorem Taxes	\$2,650
Composite Tax Rate	1.116%
Assessed Value	\$235,357
5. Water Testing Expenses	
EPA Mandated Testing (in contract work)	\$1,030
Bacteriological Tests (in other volume)	\$ 600
Total Cost	\$1,630

Appendix D
Page 2

Tahoe Park Water Company

ADOPTED QUANTITIES
Test Year 1991

Service Connections

Flat Rate

Flat Rate 3/4" Service	385
Flat Rate Additional Unit	28
Flat Rate 1" Service	4
Total Flat Rate	417

Fire Protection

Private Fire Service	1
Public Fire Hydrant	22

Metered Rate

5/8x3/4-inch meter	12
3/4-inch meter	0
1-inch meter	6
1-1/2-inch meter	7
2-inch meter	3
3-inch meter	1

Total Metered Rate	29
--------------------	----

Metered Water Sales Used to Design Rates	14,725 Ccf
--	------------

Appendix D
Page 3

Tahoe Park Water Company

ADOPTED TAX CALCULATIONS
Test Year 1991

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$96,470	\$96,470
2.	O & M Expenses	\$66,065	\$66,065
3.	Taxes Other Than Income	\$5,309	\$5,300
4.	Depreciation	\$6,509	\$6,509
5.	Interest	\$820	\$820
6.	Taxable Income for State Tax	\$17,776	
7.	State Tax	\$1,653	\$1,653
8.	Taxable Income for FIT		\$16,123
9.	Federal Income Tax		\$2,418
10.	Total Income Tax		\$4,072

California Corporate Franchise Rate 9.3%

Federal Income Tax Rates
On first \$50,000 taxable income 15%

END OF APPENDIX D