

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3633
March 11, 1992

RESOLUTION

(RES. W-3633) LARKSPUR MEADOWS WATER COMPANY (LMWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$3,371 OR 53.2% IN 1992.

SUMMARY

This Resolution grants LMWC an increase in gross annual revenue of \$3,371 or 53.2% for test year 1992. This increase will provide an 11.00% rate of return on rate base in test year 1992.

BACKGROUND

LMWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on April 29, 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 \$3,371 or 53.2% in 1992. LMWC's request shows 1992 gross revenue of \$6,336 at present rates increasing to \$9,707 at proposed rates, to produce a rate of return on rate base of 11.00%. LMWC presently serves about 32 flat rate customers in Larkspur Meadows subdivision, near Red Bluff, in Tehama County.

The present rates became effective on March 27, 1981, pursuant to Resolution No. W-2789, dated February 18, 1981, which authorized a general rate increase producing \$1,720 or 65.0% additional annual revenue.

DISCUSSION

LMWC is a small water utility that the Branch assisted in preparing its request for rate relief. The Branch did this under its outreach program whereby the Branch offers its assistance to small water utilities that do not have staff experienced in regulatory matters.

Appendix A shows the estimated summary of earnings at present, requested, and adopted rates for test year 1992.

LMWC's manager performs all employee labor and office functions of the utility for which he receives a management salary. There are no employee benefits or payroll taxes expensed.

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An inspection of IMWC's service territory noted that it has only one well supplying water. G.O. 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.

IMWC 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. IMWC should be required to prepare and submit for Branch approval an analysis of alternatives before proceeding with construction.

The field inspection also showed that IMWC failed to have installed a production meter on its well. G.O. 103 requires a measuring device at each source of supply in order that a record may be maintained of the quantity of water produced.

IMWC has not been greatly affected by California's current drought. The level in its well has remained constant over the past several years. For this reason, the Branch believes that no further conservation measures should be ordered at this time.

A review of IMWC's filed tariff schedules shows that some of the tariff rules and sample forms are outdated and require revisions. They are Rule No. 1 - Definitions, Rule No. 10 - Disputed Bills, Rule No. 15 - Main Extensions, Rule No. 16, Service Connections, Meters, and Customer's Facilities, Rule No. 17 - Measurement of Service, Rule No. 19 - Service to Separate Premises and Multiple Units, and Resale of Water, Form No. 4 - Main Extension Contract-Individuals, Form No. A - Main Extension Contract-Fire Flow, Form No. B - Main Extension Contract-Fire Flow, Form No. C - Main Extension Contract-Fire Flow, Form No. D - Main Extension Contract-Fire Flow, Form No. E - Main Extension Contract-Fire Flow, Form No. 10 - Main Extension Contract-Special Facilities, and Form No. 11 - Main Extension Contract-Uniform Fire Hydrant Service Agreement.

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

At the Branch's recommended rates shown in Appendix B, the monthly bill for residential flat rate service would increase from \$16.50 to \$25.28.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on June 24, 1991. The Branch received no letters of protest from customers. The Commission's Consumer Affairs Branch has received one informal complaint involving IMWC in the last two years. The complaint has been resolved satisfactorily.

A public meeting was held on July 10, 1991, in Red Bluff. No customers attended the meeting.

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. IMWC should file the revised Rules Nos. 1, 10, 15, 16, 17, and 19, and also Forms Nos. 4, A, B, C, D, E, 10 and 11 in its tariff schedules showing current information and practice. Tariff Schedule No. 5, Public Fire Hydrant Service, is no longer applicable and should be cancelled.
5. IMWC should be ordered to comply with G.O. 103 by installing or otherwise obtaining an additional water supply source. IMWC 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. IMWC should be authorized to file an advice letter to begin recovering the reasonable cost of its installation after it has been completed and placed in service.
6. IMWC should be ordered to comply with G.O. 103 by installing a suitable measuring device or otherwise determining production at each source of supply. IMWC should be authorized to file an advice letter to begin recovering the reasonable cost of its installation after it has been completed and placed in service.
7. 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 Larkspur Meadows Water Company to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate Schedule No. 2R. Its filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be five (5) days after the date of filing.
2. Larkspur Meadows Water Company shall include with the filing authorized in Ordering Paragraph 1 above the revised tariff rules and forms in its tariff schedules as noted in Finding No. 4, and concurrently cancel its presently outdated material of like title. Its filed tariff Schedule No. 5, Public Fire Hydrant Service, is cancelled.
3. Larkspur Meadows Water Company shall install or otherwise obtain an additional water supply source within one year of the effective date of this order. Larkspur Meadows Water Company shall submit an analysis of alternatives to the Water Utilities Branch for approval prior to commencing any construction work to comply with this requirement. Larkspur Meadows Water Company is authorized to file an advice letter to begin recovering the

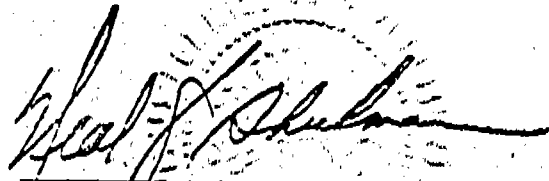
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reasonable cost of its installation after it has been completed and placed in service.

4. Larkspur Meadows Water Company shall install a suitable measuring device to determine production at the source of supply within one year from the effective date of this order. Larkspur Meadows Water Company is authorized to file an advice letter to begin recovering the reasonable cost of its installation after it has been completed and placed in service.

5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on March 11, 1992. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

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

APPENDIX A

LARKSPUR MEADOWS WATER COMPANY

SUMMARY OF EARNINGS
 Test Year 1992

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	Rates	Rates	Rates	Rates	Rates
Operating Revenue					
Flat Rate	\$ 6,336	\$ 9,707	\$ 6,336	\$ 9,707	\$ 9,707
Operating Expenses					
Power	1,870	1,870	1,870	1,870	1,870
Purchased Water	0	0	0	0	0
Other Vol. Rel. Exp.	0	0	0	0	0
Employee Labor	0	0	0	0	0
Materials	0	0	0	0	0
Contract Work	204	204	204	204	204
Transportation Exp.	0	0	0	0	0
Other Plant Maint.	1,364	1,364	1,364	1,364	1,364
Office Salaries	0	0	0	0	0
Management Salaries	1,000	1,000	1,000	1,000	1,000
Employee Benefits	0	0	0	0	0
Uncollectibles	63	97	63	97	97
Office Serv. & Rent	0	0	0	0	0
Office Suppl. & Exp.	0	0	0	0	0
Professional Service	300	300	300	300	300
Insurance	1,035	1,035	1,035	1,035	1,035
Regulatory Comm. Exp	0	0	0	0	0
General Expenses	75	75	75	75	75
Subtotal	5,911	5,945	5,911	5,945	5,945
Depreciation Expense	320	320	320	320	320
Franchise Tax	300	300	300	300	300
Property Taxes	120	120	120	120	120
Payroll Taxes	0	0	0	0	0
Income Taxes	800	1,133	800	1,133	1,133
Total Deductions	7,451	7,818	7,451	7,818	7,818
Net Revenue	(1,115)	1,889	(1,115)	1,889	1,889
Rate Base					
Average Plant	27,910	27,910	27,910	27,910	27,910
Aver. Accum. Deprec.	12,340	12,340	12,340	12,340	12,340
Net Plant	15,570	15,570	15,570	15,570	15,570
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	1,600	1,600	1,600	1,600	1,600
Mat'l & Suppl.	0	0	0	0	0
Rate Base	17,170	17,170	17,170	17,170	17,170
Rate of Return	(Loss)	11.00%	(Loss)	11.00%	11.00%

APPENDIX B

LARKSPUR MEADOWS WATER COMPANY

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Larkspur Meadows Subdivision and vicinity, located approximately one mile south of the City of Red Bluff, Tehama County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For a single-family residence, including premises not exceeding 10,000 sq.ft. in area. .	\$25.28	(I)
For each 100 sq.ft. of area in excess of 10,000 sq.ft.	0.08	(I)

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than one inch in diameter.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (L)
(L)

(END OF APPENDIX B)

APPENDIX C

LARKSPUR MEADOWS WATER COMPANY

COMPARISON OF RATES

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

Residential Flat Rate Service:

<u>Per Service 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>

Rates:

For a single-family residence, including premises not exceed- ing 10,000 sq-ft. in area. . .	\$16.50	\$25.28	\$ 8.78	53.2%
For each 100 sq-ft. of area in excess of 10,000 sq-ft.	0.05	0.08	0.03	60.0

(END OF APPENDIX C)

APPENDIX D
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LARKSPUR MEADOWS WATER COMPANY

ADOPTED QUANTITIES
Test Year 1992

Federal Income Tax Rate	15.0%
California Income Tax Rate	9.3%
Uncollectible Rate	1.0%

Expenses:

1. Power

Pacific Gas and Electric Company

Rate Schedule	A-1-P	
Effective Date	1/1/92	
<u>Energy Charge:</u>		
kWh used	12,543	
Rate, per kWh		
Summer (8,336 kWh)	\$0.14960	\$1,247
Winter (4,207 kWh)	0.12299	518
<u>Customer Charge:</u>		
No. of meters	1	
Rate, per Meter per Month, for Polyphase Service	\$ 8.75	105
Total Power Cost		<u>\$1,870</u>

2. Purchased Water

None

3. Water Testing Expenses

\$ 204

4. Payroll

Employee Labor	\$ 0	
Office Salaries	0	
Management Salaries	1,000	
Total		\$1,000

5. Insurance

\$1,035

6. Ad Valorem Taxes:

Tax Rate	1.01700%	
Assessed Valuation	\$11,790	
Total		\$ 120

7. Number of Services:

Flat Rate, single-family	32
Number of 100 sq.ft. units of excess area	0

8. Franchise Tax

\$ 300

APPENDIX D
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LARKSPUR MEADOWS WATER COMPANY
ADOPTED INCOME TAX CALCULATIONS
Test Year 1992

: Line :		: State :	: Federal :
: No. :	Item	: Tax :	: Tax :
1.	Operating Revenue	\$ 9,707	\$ 9,707
2.	Expenses	5,945	5,945
3.	Taxes Other than Income	420	420
4.	Depreciation	320	320
5.	Interest	0	0
6.	Taxable Income for State Tax	3,022	
7.	State Tax @ 9.3% (\$800 min.)	800	
8.	Taxable Income for Federal Tax		2,222
9.	Federal Tax @ 15% of 1st \$50,000		333
10.	Total Income Taxes	\$ 1,133	

(END OF APPENDIX D)