

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3635
March 31, 1992

RESOLUTION

(RESOLUTION W-3635) MOUNTAIN WATER COMPANY (MWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$28,857 OR 23.37% IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$28,857 or 23.37% for test year 1992. This increase will provide a 5.16% rate of return on rate base in test year 1992.

BACKGROUND

MWC, by an amended draft advice letter accepted by the Water Utilities Branch (Branch) on August 9, 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 \$28,857 or 23.37% in 1992. MWC's request shows 1990 gross revenue of \$123,490 at present rates increasing to \$152,347 at proposed rates to produce a rate of return on rate base of 4.81%. MWC presently serves 220 metered customers in the City of Banning, Riverside County. MWC also provides service to High Valleys Water District, a public agency located in an unincorporated region south of Banning, Riverside County.

The present rates became effective on July 22, 1985 pursuant to Resolution No. W-3350 dated March 20, 1987, which authorized a general rate increase producing \$10,410 or 15.1% additional annual revenue.

DISCUSSION

MWC 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 staffs experienced in regulatory matters.

Appendix A shows the estimated summary of earnings at present, requested, and adopted rates for test year 1992. The summary of earnings submitted with MWC's rate increase request shows a return of 4.81% at proposed rates. The principals of MWC are farmers and real estate developers within the utility's service area. They wish to keep the region's water rates as low as possible and therefore have declined to request an authorized 11% rate of return.

In the course of its field inspection, the Branch found that MWC invested in well facilities during 1990 in excess of its needs. G.O. 103, Rules Governing Water Service Including Minimum Standards for Design and Construction, calls for a source capacity of approximately 600 gallons per minute (GPM) for a water utility the size of MWC. MWC has a total source capacity of 1,360 GPM or an excess of 760 GPM. MWC installed the new well for future development and it has not been placed into service. It is unreasonable for the existing ratepayers to support the cost of this excess capacity. An adjustment in rate base of \$100,000, the amount booked to the well, is therefore appropriate. Such amount should be treated as a contribution at this time rather than plant in service. MWC should be, however, permitted to restore any unamortized amount of this contribution in its next general rate case if customer growth so warrants.

At the Branch's recommended rates shown in Appendix B, the bill for general metered service using 1,700 cubic feet of water per month would increase from \$15.33 to \$20.20.

MWC did not estimate any expense for income taxes. The Branch calculated income taxes using the standard method as shown in Appendix D.

A review of MWC's filed tariff schedules shows that the *Preliminary Statement, Rule 15, Main Extensions, Rule 16, Service Connections, Meters, and Customer's Facilities* are outdated and should be revised. *Schedule No.5, Public Fire Hydrant Service*, should be deleted because it has no contract for service as required under Section 2713 of the Public Utilities Code.

Branch has discussed these differences with MWC and the utility agrees with the Branch's adjustments.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on November 4, 1991. The Branch received four letters of protest from customers. The Commission's Consumer Affairs Branch has received no informal complaints involving MWC in the last two years.

A public meeting was held on November 22, 1991 in Banning to explain MWC's proposed rate increase. Thirty-three customers attended the meeting. Approximately half of the attendees were submetered users from High Valleys Water District. The submetered customers were very confused as to how the proposed increase would affect their water rates.

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. MWC should file revised Preliminary Statement and tariff Rules 15 and 16 in its tariff schedules showing current information and practice.
5. To adjust for its excess source capacity, MWC should record on its books of account contributions in aid of construction in the amount of \$100,000 and to reflect this as an end of year balance in its 1992 Annual Report to the Commission.
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 Mountain 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 to cancel its presently effective rate Schedule No. 1 and No. 5. 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. Mountain Water Company shall include with the filing authorized in Ordering Paragraph 1 above the revised preliminary statement, and tariff rules in its tariff schedules as outlined above.
3. Mountain Water Company shall record on its books of account \$100,000 in Account 271, Contributions in Aid of Construction, and shall reflect this balance in its 1992 Annual Report to the Commission.
4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on March 31, 1992. The following Commissioners approved it: _____

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


NEAL J. SHULMAN
Executive Director

APPENDIX A

MOUNTAIN WATER COMPANY

SUMMARY OF EARNINGS
 Test Year 1992

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Metered	\$123,490	\$152,347	\$123,490	\$152,347	\$152,347
<u>Operating Expenses</u>					
Power	60,692	60,692	60,692	60,692	60,692
Purchased Water	0	0	0	0	0
Other Vol. Rel. Exp.	0	0	0	0	0
Employee Labor	11,225	11,225	11,225	11,225	11,225
Materials	6,165	6,165	6,165	6,165	6,165
Contract Work	6,971	6,971	6,971	6,971	6,971
Transportation Exp.	1,520	1,520	1,520	1,520	1,520
Other Plant Maint.	1,357	1,357	1,357	1,357	1,357
Office Salaries	9,218	9,218	9,218	9,218	9,218
Management Salaries	6,167	6,167	6,167	6,167	6,167
Uncollectibles	0	0	0	0	0
Office Serv. & Rent	2,837	2,837	2,837	2,837	2,837
Office Suppl. & Exp.	1,509	1,509	1,509	1,509	1,509
Professional Service	2,462	2,462	2,462	2,462	2,462
Insurance	1,624	1,624	1,624	1,624	1,624
Regulatory Comm. Exp	1,739	1,739	1,739	1,739	1,739
General Expenses	423	423	423	423	423
Subtotal	113,908	113,908	113,908	113,908	113,908
Depreciation Expense	11,963	11,963	10,003	10,003	10,003
Franchise Tax	0	0	0	0	0
Property Taxes	7,467	7,467	3,523	3,523	3,523
Payroll Taxes	0	0	1,936	1,936	1,936
Income Taxes	0	0	800	4,803	4,803
Total Deductions	133,338	133,338	130,170	134,173	134,173
<u>Net Revenue</u>	(Loss)	19,009	(loss)	18,173	18,173
<u>Rate Base</u>					
Average Plant	475,118	475,118	550,118	550,118	550,118
Avr. Accum. Deprec.	79,744	79,744	105,070	105,070	105,070
Net Plant	395,374	395,374	445,048	445,048	445,048
Less: Advances	0	0	0	0	0
Contributions	0	0	100,000	100,000	100,000
Plus: Working Cash	0	0	7,248	7,248	7,248
Mat'l & Suppl.	0	0	0	0	0
Rate Base	395,374	394,374	352,296	352,296	352,296
<u>Rate of Return</u>	(Loss)	4.81%	(Loss)	5.16%	5.16%

APPENDIX B
MOUNTAIN WATER COMPANY
Schedule No. 1
METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Banning, Riverside County.

RATES

Per Meter Per Month

Quantity Rate:

All water used per 100 cu.ft. \$ 0.60 (I)
(D)

Service Charge:

For 3/4-inch meter. \$ 6.00 (D)
For 1-inch meter. 10.00 (I)
For 1-1/2-inch meter. 20.00
For 2-inch meter. 32.00
For 3-inch meter. 60.00 (I)
For 4-inch meter. 100.00 (N)
For 6-inch meter. 200.00 (N)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

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

(END OF APPENDIX B)

APPENDIX C

MOUNTAIN WATER COMPANY

COMPARISON OF RATES

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

Metered Rate Service:

	<u>Per Meter Per Month</u>			
	<u>Present</u>	<u>Recomn'ed</u>	<u>Increase</u>	
	<u>Rates</u>	<u>Rates</u>	<u>Amount</u>	<u>Percent</u>
Quantity Rates:				
High Valleys, per 100 cu.ft	\$ 0.59	-	-	-
All Others, per 100 cu.ft	0.49	-	-	-
All water, per 100 cu. ft.	-	\$0.60	-	-

Service Charge:

For	3/4-inch meter	5.00	6.00	1.00	1.8%
For	1-inch meter	7.00	10.00	3.00	42.9
For	1-1/2-inch meter	10.50	20.00	9.50	90.5
For	2-inch meter	14.00	32.00	18.00	128.6
For	3-inch mete	21.00	60.00	39.00	185.7
For	4-inch meter	28.00	100.00	72.00	257.1
For	6-inch meter	42.00	200.00	158.00	376.2

Monthly bill for a typical user with a 1-inch meter:

	<u>Per Meter Per Month</u>				
	<u>Present</u>	<u>Recomn'ed</u>	<u>Increase</u>		
	<u>Rates</u>	<u>Rates</u>	<u>Amount</u>	<u>Percent</u>	
Water					
Use					
in Ccf					
	0	\$ 7.00	\$10.00	\$ 3.00	42.86%
	3	8.47	11.80	3.33	39.32
	10	11.90	16.00	4.10	34.45
average >	17	15.33	20.20	4.87	31.77
	30	21.70	28.00	6.30	29.03
	50	31.50	40.00	8.50	26.98
	75	43.75	55.00	11.25	25.71

Note: Ccf is 100 cubic feet.

(END OF APPENDIX C)

APPENDIX D
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MOUNTAIN WATER COMPANY

ADOPTED QUANTITIES
 Test Year 1992

Federal Income Tax Rate	15.0%
California Income Tax Rate	9.3%
Uncollectible Rate	0.0%

Expenses:

1. Power

Southern California Edison Company

Rate Schedules	PA-1	GS-TP
Effective Dates	1/20/92	1/20/92
Energy Charge:		
kWh used	178,550	74,805
Rate, per kWh	\$0.0934	\$0.1217
Amount	\$16,677	\$9,104
Customer Charge:		
No. of meters	3	1
Rate, per meter per month	\$11.65	\$9.13
Amount	\$419	\$110
Service Charge:		
No. of horsepower	120	
Rate, per horsepower per month	\$1.15	
Amount	\$1,656	

City of Banning

Rate Schedule	A-T.O.U	Commerical
Effective Dates	9/1/85	7/1/91
Energy Charge:		
kWh used	360,071	77,291
Rate, per kWh	\$0.0650	\$0.1080
Amount	\$23,405	\$8,347
Street Lighting:		
No. of meters	2	2
Rate, per meter per month	\$5.60	\$2.60
Amount	\$134	\$62
Power Cost Adjustment Factor		
Rate, per kWh		\$.0071
Amount		\$562
Service Charge		
No. of meters		2
Rate, per meter per month		\$9.00
Amount		\$216

TOTAL

\$60,692

2. Purchased Water

None

APPENDIX D
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ADOPTED QUANTITIES
Test Year 1992
(Continued)

3. Ground Water Replenishment Tax			None
4. Water Testing Expenses (in Contract Work)			\$900
5. Insurance Expense			\$1,624
6. Payroll, Payroll Taxes, and Employee Benefits:			
Employee Labor			\$11,225
Office Salaries			9,218
Management Salaries			<u>6,617</u>
Amount			\$26,610
Payroll Taxes			1,936
Employee Benefits			<u>0</u>
Total			\$28,546
7. Ad Valorem Taxes:			
Tax Rate			
Assessed Valuation		1.00000%	
Total		\$352,296	\$3,523
8. Number of Services:			
Meter Size:			
3/4-inch meter		0	
1-inch meter		214	
1-1/2-inch meter		2	
2-inch meter		4	
3-inch meter		0	
4-inch meter		1	
6-inch meter		0	
Total			220
9. Metered Water Sales, Ccf:			205,751

APPENDIX D
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MOUNTAIN WATER COMPANY

ADOPTED INCOME TAX CALCULATIONS
Test Year 1992

: Line :		: State :	Federal :
: No. :	Item	: Tax :	Tax :
1.	Operating Revenue	\$ 152,347	\$ 152,347
2.	Expenses	113,908	113,908
3.	Taxes Other than Income	7,467	7,467
4.	Depreciation	10,003	10,003
5.	Interest	0	0
6.	Taxable Income for State Tax	20,969	
7.	State Tax @ 9.3% (\$800 min.)	1,950	
8.	Taxable Income for Federal Tax		19,019
9.	Federal Tax @ 15% of 1st \$50,000		2,853
10.	Total Income Taxes	\$ 4,803	

(END OF APPENDIX D)