

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION      RESOLUTION NO. W-3636  
 Water Utilities Branch                                      March 31, 1992

RESOLUTION

(RESOLUTION W-3636) MULLEN WATER COMPANY (MWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
 ADDITIONAL ANNUAL REVENUES OF \$6,040 OR 200% IN 1992.

SUMMARY

This Resolution grants the full amount of MWC's rate increase request for an increase in gross annual revenues of \$6,040 or 200% for test year 1992. This increase provides revenue to meet all reasonable operating expenses and generates a rate of return on rate base of 0.32%.

BACKGROUND

MWC requested the assistance of the Water Utilities Branch (Branch) on April 1, 1991 to obtain 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 \$6,040 or 200% in 1992. The increase is greater than normally permitted under the Commission's CAPS policy adopted in 1982 which limits Class D water utilities to a 100% rate increase in any one year. The policy permits an exception when there is a need to provide sufficient revenues to at least meet operating expenses during the test year. MWC's request shows 1992 gross revenue of \$3,020 at present rates increasing to \$9,060 at proposed rates to produce a 0.32% rate of return on rate base. MWC presently serves 43 flat rate customers in an unincorporated subdivision approximately 1-1/2 miles southeasterly of the City of Porterville in Tulare County.

The present rates became effective on January 15, 1971 pursuant to Resolution No. W-1285 dated January 5, 1971, which authorized a general rate increase producing \$280 or 25.0% additional annual revenue.

DISCUSSION

MWC is a small water utility that the Branch assisted in preparing its request for rate relief. The Branch provided this assistance under its outreach program where it offers 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.

MWC serves its system with only one well supplying water. General Order (G.O.) No. 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. MWC should obtain the required second source of supply. It should consider drilling and equipping an additional well along with other options such as interconnection with another water purveyor. MWC should be required to prepare and submit for Branch approval an analysis of alternatives before proceeding with construction.

G.O. 103 also requires that each water utility shall install a suitable measuring device, or otherwise determine production, at each source of supply in order that a record may be maintained of the quantity of water produced by each source. MWC should be required to meet this requirement.

The Tulare County Department of Health Services indicated that MWC's water quality meets all primary and secondary drinking water standards currently in effect.

MWC reports that the water level in its well has remained relatively constant during the past several years of drought conditions. No water conservation measures other than those presently contained in MWC's tariff rules are required at this time.

MWC's filed tariff schedules show that some of the tariff rules along with sample forms are outdated and require revision. They are the Title Page; Preliminary Statement; Schedule No. UF; Rule No. 1, Definitions; Rule No. 10, Disputed Bills; Rule No. 15, Main Extensions; Rule No. 16, Service Connections; Rule No. 17, Measurement of Service; Rule No. 19, Resale of Water; Uniform Fire Hydrant Agreement; Connection Fee Data Form; and Sample Forms Nos. 3, 4, 5, 6, 7, 8, 9, 10 for main extensions.

At the Branch's recommended rates shown in Appendix B, the monthly bill for a residential flat-rate service would increase from \$5.00 to \$15.00.

#### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on October 10, 1991. The Branch received one letter in response to the notice. The customer did not oppose the proposed rate increase, but expressed a concern over having a water system without a back-up well. The Commission's Consumer Affairs Branch

has received one informal complaint involving MWC in the last two years. The complaint has been resolved satisfactorily.

A public meeting was held on October 22, 1991 in Porterville. Seventeen customers attended the meeting. No one expressed opposition to the rate 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. MWC should be ordered to comply with G.O. 103 by installing or otherwise obtaining an additional water supply source. MWC should prepare an analysis of all available options for meeting this requirement and submit it to the Branch for approval prior to beginning any construction work. Upon approval, MWC should be authorized to file an advice letter to begin recovering the reasonable costs of its installation after it has been placed in service.
5. MWC should be ordered to comply with G.O. 103 by installing suitable measuring devices or otherwise determining production at each source of supply. MWC should be authorized to file an advice letter to begin recovering the reasonable costs of its installation after it has been placed in service.
6. MWC should file the revised tariff schedules and rules along with current sample forms as discussed previously.
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 Mullen Water Company to file an advice letter incorporating the summary of earnings and revised rates schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rates Schedules Nos. 1 and 2R. This filing shall also contain updated tariff schedules including the Title Page, Preliminary Statement, Schedule No. UF; Rules Nos. 1, 10, 15, 16, 17 and 19; Uniform Fire Hydrant Service Agreement; Connection Fee Data Form; and Sample Forms Nos. 3, 4, 5, 6, 7, 8, 9, 10. Mullen Water Company shall concurrently cancel its presently outdated material of like title. Its filing shall comply with General Order No. 96-A. The

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Mullen Wtr Co/DrAL/DRP

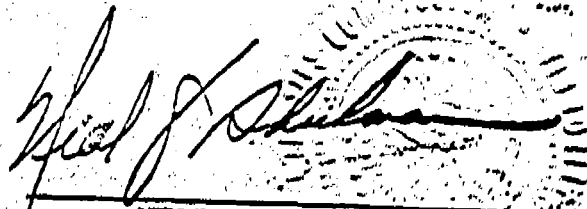
effective date of the revised schedule shall be five (5) days after the date of filing.

2. Mullen Water Company shall investigate the feasibility of installing or otherwise obtaining an additional water supply source. Mullen Water Company shall submit an analysis of alternatives to the Water Utilities Branch for approval within 180 days of the effective date of this order and shall not commence any construction work without staff approval. Upon approval, Mullen Water Company is authorized to file an advice letter to begin recovering the reasonable costs of its installation after it has been placed in service.

3. Mullen Water Company shall install suitable measuring devices or otherwise determining production at each source of supply within one year from the effective date of this order. Mullen Water Company is authorized to file an advice letter to begin recovering the reasonable costs of its installations after they have been placed in service.

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:



NEAL J. SHULMAN  
Executive Director

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

APPENDIX A

MULLEN 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>					
Flat Rate	\$ 3,020	\$ 9,060	\$ 3,020	\$ 9,060	\$ 9,060
<u>Operating Expenses</u>					
Power	2,350	2,350	2,374	2,374	2,374
Purchased Water	0	0	0	0	0
Other Vol. Rel. Exp.	0	0	0	0	0
Employee Labor	1,000	1,000	1,000	1,000	1,000
Materials	1,100	1,100	1,100	1,100	1,100
Contract Work	2,460	2,460	2,460	2,460	2,460
Transportation Exp.	0	0	0	0	0
Other Plant Maint.	0	0	0	0	0
Office Salaries	0	0	0	0	0
Management Salaries	0	0	0	0	0
Employee Benefits	0	0	0	0	0
Uncollectibles	0	0	0	0	0
Office Serv. & Rent	0	0	0	0	0
Office Suppl. & Exp.	200	200	200	200	200
Professional Service	260	260	260	260	260
Insurance	0	0	0	0	0
Regulatory Comm. Exp	0	0	0	0	0
General Expenses	300	300	300	300	300
Subtotal	<u>7,670</u>	<u>7,670</u>	<u>7,694</u>	<u>7,694</u>	<u>7,694</u>
Depreciation Expense	445	445	445	445	445
Franchise Tax	0	0	0	0	0
Property Taxes	130	130	100	100	100
Payroll Taxes	0	0	0	0	0
Income Taxes	800	803	800	803	803
Total Deductions	<u>9,045</u>	<u>9,048</u>	<u>9,039</u>	<u>9,042</u>	<u>9,042</u>
<u>Net Revenue</u>	(6,025)	12	(6,019)	18	18
<u>Rate Base</u>					
Average Plant	17,460	17,460	17,460	17,460	17,460
Avr. Accum. Deprec.	<u>12,130</u>	<u>12,130</u>	<u>12,130</u>	<u>12,130</u>	<u>12,130</u>
Net Plant	5,330	5,330	5,330	5,330	5,330
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l & Suppl.	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>
Rate Base	5,580	5,580	5,580	5,580	5,580
<u>Rate of Return</u>	(Loss)	0.21%	(Loss)	0.32%	0.32%

APPENDIX B  
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MULLEN WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated subdivision known as Tract No. 288, and vicinity adjacent to the intersection of Worth Road and County Road 258, approximately 1-1/2 miles southeasterly of the City of Porterville, Tulare County.

RATES

Quantity Rate:

All water per 100 cu. ft. . . . . \$ 0.75 (C)

Service Charge:

	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter . . . . .	\$ 7.50	(I)
For 3/4-inch meter . . . . .	11.25	
For 1-inch meter . . . . .	18.75	
For 1 1/2-inch meter . . . . .	37.50	
For 2-inch meter . . . . .	60.00	(I)

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

SPECIAL CONDITIONS

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

APPENDIX B  
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MULLEN WATER COMPANY

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated subdivision known as Tract No. 288, and vicinity, adjacent to the intersection of Worth Road and County Road 258, approximately 1-1/2 miles southeasterly of the City of Porterville, Tulare County.

RATES

	<u>Per Service Connection Per Month</u>	
For a single-family residence, including premises not exceeding 10,000 sq.ft. in area . . . . .	\$ 15.00	(I)
For each 100 sq. ft. of area in excess of 10,000 sq-ft. . . . .	0.09	(I)

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. Meters may be installed at option of the utility for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (L)  
(L)

(END OF APPENDIX B)

APPENDIX C  
MULLEN WATER COMPANY  
COMPARISON OF RATES

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

General Metered Rate Service:

There are presently no metered rate customers. If a customer were to use the system-wide average consumption per month and receive service under the metered rate schedule, the recommended rates will produce approximate the same monthly bill as if billed under the flat rate schedule.

Residential Flat Rate Service:

	<u>Per Service Connection 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>
For a single-family residence, including premises not exceeding 10,000 sq. ft. in area . . . .	\$ 5.00	\$ 15.00	\$ 10.00	200%
For each 100 sq. ft. of area in excess of 10,000 sq. ft. . . .	0.03	0.09	0.06	200%

\* \* \*

(END OF APPENDIX C)



APPENDIX D  
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MULLEN WATER COMPANY

ADOPTED QUANTITIES  
Test Year 1992

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

Expenses:

1. Power:

Southern California Edison Company		
Rate Schedule	PA-1	
Effective Date	1/20/92	
Energy Charge:		
kWh used	21,130	
Rate, per kWh	\$ 0.09277	
Amount		\$ 1,960
Customer Charge:		
No. of meters	1	
Rate, per meter per month	\$ 11.50	
Amount		138
Service Charge:		
No. of horsepower	20	
Rate, per horsepower per month	\$ 1.15	
Amount		276
Total Power		\$ 2,374

2. Purchased Water

0

3. Payroll and Employee Benefits:

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

Payroll Taxes

0

4. Ad Valorem Taxes:

Tax Rate	1.00120%
Assessed Valuation	\$ 10,000
Total	\$ 100

APPENDIX D  
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MULLEN WATER COMPANY

ADOPTED QUANTITIES  
Test Year 1992  
(continued)

5.	Water Testing Expense (in Contract Work)	\$ 1,240
6.	Groundwater Replenishment Charges	0
7.	Number of Services:	
	Residential Flat Rate	43
	General Metered Rate	0
8.	Metered Water Sales	0

ADOPTED INCOME TAX CALCULATIONS  
Test Year 1992

: Line :	:	: State :	: Federal :
: No. :	Item	: Tax	: Tax
1.	Operating Revenue	\$ 9,060	\$ 9,060
2.	Expenses	7,694	7,694
3.	Taxes Other than Income	100	100
4.	Depreciation	445	445
5.	Interest	.0	0
6.	Taxable Income for State Tax	821	
7.	State Tax @ 9.3% (\$800 min.)	800	
8.	Taxable Income for Federal Tax		21
9.	Federal Tax @ 15% of 1st \$50,000		3
10.	Total Income Taxes		\$ 803

(END OF APPENDIX D)