

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3642  
May 8, 1992

## RESOLUTION

(RES. W-3642) HILLVIEW WATER COMPANY (HWC).  
ORDER AUTHORIZING AN INTERIM RATE INCREASE PRODUCING  
\$50,780 OR 9.11% ADDITIONAL ANNUAL REVENUE AND A  
REDUCTION IN THE SAFE DRINKING WATER BOND ACT  
(SDWBA) SURCHARGES BY \$28,092 IN ANNUAL COLLECTIONS.

BACKGROUND

By draft advice letter received by the Water Utilities Branch (Branch) on September 3, 1991, supplemented on December 6, 1992, HWC requested 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 \$50,780 or 9.11% in 1992. HWC estimates that 1992 gross revenue of \$557,420 at present rates would increase to \$608,200 in 1992 at proposed rates, which would produce a 11.24% rate of return on its 1992 estimated rate base. HWC also requests authority to reduce the \$76,318.18 in SDWBA surcharges it collects from customers by \$28,091.88 per year. The resulting \$48,226.30 annual collections would be adequate to repay the loan including interest.

HWC presently serves 1,086 metered-rate customers in the unincorporated community of Oakhurst and vicinity in Madera County.

The present rates became effective September 7, 1989, pursuant to Resolution W-3466, dated September 7, 1989, which authorized a offset rate increase of \$23,400 or 7.6% for increased water testing and power expense.

DISCUSSION

During the time since HWC filed its request, Branch has been unable to complete an independent analysis of HWC's summary of earnings. HWC maintains it is now faced with unusually large expenditures for repairs and main relocations for a highway widening project and needs immediate rate relief in order to assure adequate service. Because of the passage of time since HWC filed its request, the Branch has no objection to an interim rate increase provided the increase is made subject to refund.

with interest at the authorized rate of return should analysis later show that refunds are warranted.

HWC's records have not been audited or verified since 1985. Since then, the number of service connections has increased 38%. HWC has received considerable sums in contributions and has made large investments in mains and services, new treatment plants, sources of supply, and reservoirs. HWC has also sold part of its service territory where there was a gain on the sale. There have been numerous corrections and adjusting entries in its Commission annual reports. HWC also has collected "Supply and Storage" fees from builders and new customers, the amount of and authority for doing so are undetermined. HWC employs unapproved depreciation practices for rate-making purposes. HWC has claimed certain expenses for previously unpaid property taxes and penalties which need to be reviewed. For these reasons, a final resolution of HWC's general rate increase request was unattainable during the normal review period.

When verification of HWC's plant accounts and operating expenses are completed, the Branch will recommend a final resolution of HWC's general rate increase request.

The interim rates recommended for authorization are the rates proposed in HWC's draft advice letter. This increase will not result in a rate of return on a HWC estimated basis greater than the 11.85% which is midway between the 11.6% to 12.1% authorized for Class C water utilities (500 to 2,000 service connections) in D.92-03-093, the Commission's decision in its investigation of the risk of small water companies.

HWC estimates it is collecting \$76,318.80 annually at the present time from customers in SDWBA surcharges. The required annual payments including interest to repay the loan pursuant to D.82-12-062 are \$37,098. The resulting annual surcharge revenue, after the surcharge reductions, will be adequate to make the required loan repayments.

Service is generally satisfactory. There are no outstanding Commission orders requiring system improvements.

Under Section 2713 of the Public Utilities Code, HWC is unable to charge for public fire hydrant service without written agreement with the appropriate fire protection agencies. HWC has no such agreements; and, therefore, has requested withdrawal of its tariff schedules for this service.

Inspection of HWC's tariff schedules shows that the Title Page, Rule No. 15 are outdated and require revising. HWC should also file Rule No. 16 and the corresponding Connection Fee Data Form.

The interim increase will result in a \$2.85 per month increase or 9.25% for a customer served through a 3/4-inch meter using the system average of 13 Ccf (hundred cubic feet). The monthly bill would increase from

\$30.80 to \$33.65. SDWBA surcharges for this same customer will be reduced from \$2.80 per month to no reduction depending on the specific area from which the customer receives service.

#### NOTICE AND PROTEST

A notice of the proposed rate increase and public meeting was mailed to each customer on October 16, 1991. The Branch received three letters and two telephone calls concerning the rate increase and quality of the water. In the past two years, the Consumer Affairs Branch has resolved one informal complaint concerning HWC's service.

Eight area residents attended the public meeting in the service area on November 6, 1991. A Branch engineer conducted the meeting and HWC's manager and owner explained HWC's request and answered questions. The complaints were from customers who felt they had low water pressure and disliked the high iron content in the water which causes brown stains. HWC explained that the treatment plants that it was constructing would remove iron from its water in the future. It also indicated it would investigate the pressure problem.

#### FINDINGS

1. The rates proposed in HWC's draft advice letter received by Branch on September 3, 1991, are reasonable as interim rates and should be adopted as interim rates subject to refund plus interest at HWC's authorized rate of return should the Commission later so order.
2. The reduced SDWBA surcharges proposed in HWC's draft advice letter received by Branch on September 3, 1991, are reasonable and adequate to repay the loan including interest.
3. HWC should be authorized to withdraw its Public Fire Hydrant Service Schedules No. CH-5, GS-5, RO-5, and SL-5.
4. HWC should file a revised Title Page, revised Rules Nos. 15 and 16 in its tariff schedules along with the corresponding Connection Fee Data Form.

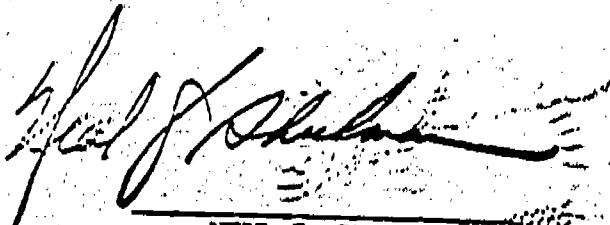
#### IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Hillview Water Company to file an advice letter incorporating Schedule Nos. 1, 4, and 4E, attached to its draft advice letter dated August 26, 1991, received on September 3, 1991, and concurrently to cancel its presently effective rate Schedules Nos. 1, 4, 4E, CH-5, CS-5, RO-5, and SL-5. The effective date of this advice letter is five days after the date of filing.

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HWC/DRAFT ADV LTR/DRP/FLC:jlj

2. Hillview Water Company shall maintain accurate records of the increase in revenue over present revenue produced by the rates authorized in Ordering Paragraph 1., above. If the Commission so orders, Hillview Water Company shall refund to customers the increased revenue plus interest at the authorized rate of return.
3. Hillview Water Company shall file a revised Title Page, revised Rules Nos. 15 and 16, and a Connection Fee Data Form in its tariff schedules.
4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 8, 1992. The following Commissioners approved it:



NEAL J. SHERMAN  
Executive Director

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