

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3644  
May 20, 1992

## R E S O L U T I O N

(Res W-3644) ELYWOOD WATER SUPPLY INC. (EWS) ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$3,079 (58.05%) IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$3,079 or 58.05% for test year 1992. The increase will provide a 6.97% rate of return on rate base in test year 1992.

BACKGROUND

EWS, by draft advice letter accepted by the Water Utilities Branch (Branch) on December 27, 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 \$3,079 or 58.05% in 1992. EWS's request shows 1992 gross revenue of \$5,304 at present rates increasing to \$8,383 at proposed rates to produce a rate of return on rate base of 10.99%. EWS presently serves 26 flat rate customers in Treasure Creek Woods, and vicinity, located near the north end of Clair Engle Lake, Trinity County.

The present rates became effective on September 8, 1982 pursuant to Commission Resolution W-3019, which authorized a general rate increase producing \$2,100 or 70.0% additional annual revenue.

DISCUSSION

The Branch made an independent analysis of EWS's summary of earnings. Appendix A shows EWS's and the Branch's estimated summary of earnings at present, requested, and adopted rates for test year 1992. Appendix A also shows differences in operating expenses and rate base.

EWS was informed of the Branch's differing views of expenses and rate base and has stated that it accepts the Branch's estimates.

Since its last general rate increase in 1982, EWS has been depreciating plant at rates which far exceed the 3.0% depreciation rate authorized in 1982. This has resulted in the accumulated depreciation reserve in EWS's rate increase request to be significantly overstated thus understating its 1992 rate base estimate. The Branch's estimate of accumulated depreciation reserve of \$14,230, as shown in Appendix A, is an adjusted amount which reflects plant depreciating at a more reasonable rate of 3.0% since 1982. For ratemaking purposes, the Branch believes its estimate to be reasonable.

To prevent future inconsistencies between the figures adopted by the Commission and the figures shown in EWS's annual reports, the Branch recommends that EWS be directed to record on its books of account the accumulated depreciation reserve balance upon which the average amount adopted in this resolution is based, and to reflect that balance in its 1992 annual report to the Commission. The balance for accumulated depreciation reserve will be \$13,775 as of December 31, 1991.

EWS's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 10.99%. The summary of earnings in Appendix A shows a rate of return of 6.97% at the Branch's recommended rates. This rate of return, although lower than the 13.90% to 14.40% standard rate of return range recommended by the Branch for small, 100% equity financed utilities, results in EWS's being granted the total increase requested.

The authorized rate of return in the utility's last rate case is generally used to determine whether a utility's earnings are excessive when the Commission is considering rate relief for offsettable items. The Branch therefore recommends that the Commission find a rate of return on rate base not exceeding 14.40% to be reasonable for the purpose of future earnings tests for EWS.

Although all of its customers receive flat rate service (Schedule No. 2A, Annual Flat Rate Service), EWS has a metered rate schedule (Schedule No. 1, General Metered Service) in its filed tariffs with the Commission which should also be increased. The Branch's proposed metered rate design conforms with current rate design policy for small water companies which calls for the recovery of up to 100% of fixed costs through the service charge and a single block quantity rate.

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

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

At Branch's recommended rates shown in Appendix B, the bill for a residential customer would increase from \$204 to \$322.40 (58.04%) per year.

#### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on January 11, 1992. No letters protesting the increase were received by the Branch. The Commission's Consumer Affairs Branch has not received any service complaints against EWS over the last three years.

A public meeting was held on February 19, 1992 in EWS's service area. The Branch's representative explained Commission rate setting

procedures, and the utility owner explained the need for the rate increase. Twelve customers attended the public meeting and although some felt that the requested increase was too high, they all expressed an understanding of the need for a rate increase. All of the customers at the meeting also agreed that EWS provides good water service. Mr. George W. Ely, owner of EWS, indicated that he is interested in selling the water system to its customers. A discussion then followed concerning the pros and cons of the customers forming a mutual and taking over ownership of the utility. Mr. Ely stated that he would assist the customers in forming the mutual. The Branch representative also indicated that if the community was interested in pursuing the formation of a mutual and taking over ownership of EWS, the Branch would assist in any way it could to expedite the process.


#### 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. EWS should be required to record on its books of account the accumulated depreciation reserve balance upon which the average amount adopted in this resolution is based, and to reflect that balance in its 1992 annual report to the Commission. That balance will be \$13,775 for accumulated depreciation reserve as of December 31, 1991.
5. EWC's tariff Schedule No. 5, Public Fire Hydrant Service is no longer applicable and should be cancelled.
6. The rate increase authorized herein is justified, and the resulting rate is just and reasonable.

IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Elywood Water Supply, Inc. to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendix A and B respectively, and concurrently to cancel its presently effective rate Schedule Nos. 1A and 2A. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall be five days after the date of filing.
2. Elywood Water Supply, Inc. shall record on its books of account the accumulated depreciation reserve balance upon which the average amount adopted in this resolution is based, and shall reflect that balance in its 1992 annual report to the Commission.
3. For the purpose of earnings tests in any future offset rate increase requests for Elywood Water Supply, Inc., a rate of return on rate base not exceeding 14.40% shall be considered reasonable.
4. Elywood Water Supply, Inc.'s filed tariff Schedule No. 5, Public Fire Hydrant Service is cancelled.
5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 20, 1992. The following Commissioners approved it:

  
NEAL J. SHULMAN  
Executive Director

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

Commissioner Patricia M. Eckert,  
being necessarily absent, did not  
participate.

APPENDIX A

ELYWOOD WATER SUPPLY, INC.

SUMMARY OF EARNINGS  
Test Year 1992

ITEM	Utility Estimated Present Rates	Requested Rates	Branch Estimated Present Rates	Requested Rates	Adopted Rates
<b>Operating Revenue</b>					
Flat Rate	5,304	8,383	5,304	8,383	8,383
Metered Rate	0	0	0	0	0
Total Revenue	5,304	8,383	5,304	8,383	8,383
<b>Operating Expenses</b>					
Purchased Power	1,300	1,300	1,110	1,110	1,110
Other Volume Related	300	300	300	300	300
Materials	400	400	400	400	400
Contract Work	300	300	435	435	435
Other Plant Maint.	400	400	400	400	400
Management Salaries	1,080	1,080	1,080	1,080	1,080
Office Salaries	300	300	300	300	300
Profess. Services	400	400	400	400	400
Office Serv. & Rent	300	300	300	300	300
Office Supp. & Exp	400	400	400	400	400
General Expenses	500	500	500	500	500
Subtotal	5,680	5,680	5,625	5,625	5,625
Depreciation	900	900	900	900	900
Non-Income Taxes	500	500	265	265	265
Income Taxes	0	300	0	365	365
Total Deductions	7,080	7,380	6,790	7,155	7,155
Net Revenue	(1,776)	1,003	(1,486)	1,228	1,228
<b>Rate Base</b>					
Average Plant	31,650	31,650	31,650	31,650	31,650
Average Depr Resrv	22,720	22,720	14,230	14,230	14,230
Net Plant	8,930	8,930	17,420	17,420	17,420
Less Advances	0	0	0	0	0
Contribution	0	0	0	0	0
Plus Working Cash	0	0	0	0	0
Materials	200	200	200	200	200
RATE BASE	9,130	9,130	17,620	17,620	17,620
Rate of Return	(Loss)	10.99%	(Loss)	6.97%	6.97%

APPENDIX B  
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ELYWOOD WATER SUPPLY, INC.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Treasure Creek Woods, and vicinity, located near the north end of Clair Engle Lake, Trinity County.

RATES

Quantity Rates:

All water per 100 cu. ft ..... \$ 0.47 (C)

Service Charge:

	Per Meter Per Month	
For 5/8 x 3/4-inch meter .....	\$22.15	(I)
For 3/4-inch meter .....	\$33.25	(I)
For 1-inch meter .....	\$55.50	(I)

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

SPECIAL CONDITIONS

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

(continued)

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ELYWOOD WATER SUPPLY, INC.

Schedule No. 2A

ANNUAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Treasure Creek Woods, and vicinity, located near the north end of Clair Engle Lake, Trinity County.

RATES

	<u>Per Service Connection per year</u>	
A. For a single-family residential unit, including premises .....	\$322.40	(I)
For each additional single-family residential unit on the same premises and served from the same service connection .....	\$161.20	(I)
B. For each Hotel, Apartment or Motel including first unit .....	\$322.40	(I)
For each additional unit .....	\$161.20	(I)

SPECIAL CONDITIONS

1. The above residential flat rates apply to a service connection not larger than one inch in diameter.
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1A, Metered Service effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the appropriate difference between such flat payment and the service charge for the same period shall be made on or before that day.

(continued)

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ELYWOOD WATER SUPPLY, INC.

Schedule No. 2A  
(continued)

ANNUAL FLAT RATE SERVICE

3. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance of service. If a permanent resident of the area 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 flat rate charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods.
4. The opening bill for flat rate service shall be the established annual flat rate 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 initial annual charges shall be due the customer.

End of Appendix B



APPENDIX C

ELYWOOD WATER SUPPLY, INC.

COMPARISON OF RATES

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

METERED SERVICE <sup>1</sup>

Quantity Rates:	<u>Present rates</u>	<u>Branch rates</u>	<u>% increase</u>
First 300 cu ft, per 100 cu ft.....	\$0.80		
Over 300 cu ft, per 100 cu ft.....	\$1.20		
All water, per 100 cu ft.....		\$0.47	
Service Charge:			
For 5/8 x 3/4-inch meter.....	\$5.95	\$22.15	272.3%
For 3/4-inch meter.....	\$6.80	\$33.25	389.3%
For 1-inch meter.....	\$8.50	\$55.40	551.8%

ANNUAL FLAT RATE SERVICE

A. For a single-family residential unit including premises.....	\$204	\$322.40	58.04%
For each additional single-family residential unit on the same premises and served from the same service connection.....	\$102	\$161.20	58.04%
B. For each Hotel, Apartment, or Motel including first unit.....	\$204	\$322.40	58.04%
For each additional unit.....	\$102	\$161.20	58.04%

<sup>1</sup> There are currently no customers under the metered service schedule.

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ELYWOOD WATER SUPPLY, INC.

ADOPTED QUANTITIES

Expenses:

1. Purchased Power

A) Electricity

Vendor	Pacific Gas & Electric		
Effective Date	January 1, 1992		
Schedules	A-1	A-1 P	E-1 Y H
Winter - Energy Charge, per KWh	.12279 X	.12279 X	.11107 X
Consumption, KWh	200 X	752 X	244 X
Meter Charge, per month	\$7.50 X	\$8.75 X	\$5/min X
Total Winter Charge	\$62.05 X	\$136.10 X	\$31.55 X
Summer - Energy Charge, per KWh	.14940 X	.14940 X	.11107 X
Consumption, KWh	0 X	4252 X	270 X
Meter Charge, per month	\$7.50 X	\$8.75 X	\$5/min X
Total Summer Charge	\$52.50 X	\$696.50 X	\$30.00 X
Total Electricity Charges	\$1,010		

B) Propane

Vendor	Campora Propane Service
Yearly consumption	85.0 gallons
Per gallon charge	\$1.109
Yearly Propane Charges (with tax)	\$100.00
Total purchased power	\$ 1,110

2. Purchased Water

NONE

3. Ad Valorem Taxes (1991-92 bill)

Composite rate	\$264.52
Assessed Value	1.0018%
	\$26,405

4. Water Testing Expense

\$ 435

5. Service Connections:

Metered: No metered connections at this time.

Flat rate: 26 Residential flat rate customers.

APPENDIX D  
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ELYWOOD WATER SUPPLY, INC.

ADOPTED QUANTITIES

ADOPTED TAX CALCULATIONS  
1992 test year

Item	State Tax	Federal Tax
Operating Revenue	\$8,383	\$8,383
Expenses	\$5,625	\$5,625
Taxes other than income	\$265	\$265
Depreciation	\$900	\$900
Interest	\$0	\$0
Taxable Income for State	\$1,593	
State Tax (@9.3%)	\$148	\$148
Taxable Income for FIT		\$1,445
Federal Income Tax (@15.0%)		\$217
Total Income Tax		\$365

End of Appendix D