

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3648
June 3, 1992

RESOLUTION

(Res W-3648) BENBOW WATER COMPANY (BWC). ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$14,533 (32.3%) IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$14,533 or 32.3% for test year 1992. The increase will provide a 14.4% rate of return on rate base in test year 1992.

BACKGROUND

BWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on January 3, 1992, 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 \$31,748 or 76.0% in 1992. BWC's request shows 1992 gross revenue of \$41,774 at present rates increasing to \$73,522 at proposed rates to produce a rate of return on rate base of 13.76%. BWC presently serves approximately 83 metered customers in the unincorporated community of Benbow, and vicinity located about a mile south of Garberville, Humboldt County.

The present rates became effective on November 20, 1989, pursuant to Commission Resolution W-3469, which authorized a general rate increase producing \$8,148 or 19.6% additional annual revenue. BWC customers also pay a surcharge to amortize a Safe Drinking Water Bond Act Loan, which was authorized by Decision (D.) 93798 dated December 1, 1981.

DISCUSSION

The Branch made an independent analysis of BWC's summary of earnings. Appendix A shows BWC'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 revenues, operating expenses and rate base.

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

BWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 13.76%. The summary of earnings in Appendix A shows a rate of return of 14.40% at the Branch's recommended rates. This rate of return is at the high end of the 13.90% to 14.40% standard rate of return range recommended by the Branch for small, 100% equity financed water utilities.

BWC's filed tariffs do not contain the recent revisions to its Title Page, Rules 15, and 16, and the Connection Fee data form. The Branch recommends that BWC be ordered to file these revisions to its tariffs.

BWC has a metered rate schedule (Schedule No. 1, General Metered Service). The Branch's proposed metered rate design attempts to conform with current rate design policy for small water companies, as stated in D.92-03-093 dated March 31, 1992, which calls for the recovery of up to 100% of fixed costs through the service charge and a single block quantity rate. However, in this case, this rate design conflicts with the Commission policy that no customer should receive an increase of more than twice the system's average. Therefore, in order not to increase any customer's billing by more than twice the system average, the service charge revenue change was limited to recovering only 74% of the fixed operating costs.

BWC has not been greatly affected by California's recent drought. The water levels in its infiltration galleries 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.

At the Branch's recommended rates shown in Appendix B, the bill for a typical metered residential customer with a 5/8 by 3/4-inch meter using an average of 690 cubic feet of water per month would increase from \$15.31 to \$18.94, or 32.7%, per month. A comparison of customer bill as present and recommended rates is shown in Appendix C.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on March 1, 1992. Six letters protesting the increase were received by the Branch. Two of the letters were from a hotel and a recreational vehicle park which have large meters. They were concerned that they would receive an increase over twice the system average increase. Branch's recommended rate design takes these concerns into consideration. The other four letters state that they feel the increase is too large. The Commission's Consumer Affairs Branch has not received any service complaints against BWC over the last three years.

A public meeting was held on March 19, 1992, in BWC's service area. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Twenty-six 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 BWC provides good water service.

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. BWC's filed tariffs do not contain the recent revisions to its Title Page, Rules 15 and 16, and the Connection Fee data form. BWC should be ordered to file the most recent revisions to these tariffs when it files its revised rate schedules.
5. 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 Benbow Water Company 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. 1, 4, and 5PR. It shall also file the recent revisions to its Title Page, Rules 15 and 16, and the Connection Fee data form. 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. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 3, 1992. The following Commissioners approved it:



NEAL J. SHUMAN
Executive Director

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

APPENDIX A

BENBOW 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					
Metered	\$ 41,199	\$ 72,558	\$44,306	\$76,596	\$58,695
Fire Protection	475	864	576	720	720
Others	100	100	75	75	75
Total Revenue	41,774	73,522	44,957	77,391	59,490
Operating Expense					
Purchased Power	5,728	5,728	6,725	6,725	6,725
Other Vol. Rel.	400	400	300	300	300
Employee Labor	4,000	4,000	2,000	2,000	2,000
Materials	1,500	1,500	1,000	1,000	1,000
Contract Work	1,500	1,500	1,000	1,000	1,000
Transportation	2,905	2,905	4,400	4,400	4,400
Other Plant Maint.	1,500	1,500	800	800	800
Management Salary	9,000	9,000	9,000	9,000	9,000
Office Serv & Rent	2,600	2,600	2,200	2,200	2,200
Office Supplies	3,600	3,600	3,100	3,100	3,100
Professional Serv.	1,900	1,900	1,900	1,900	1,900
Insurance	2,800	2,800	2,800	2,800	2,800
General Expense	700	700	210	210	210
Reg Comm Exp	1,000	1,000	430	430	430
Subtotal	39,133	39,133	35,865	35,865	35,865
Depreciation	3,861	3,861	3,928	3,928	3,928
Non Income Taxes	3,466	3,466	3,364	3,364	3,364
Income Taxes	5	5	950	7,840	3,740
Total Deductions	46,465	46,465	44,107	50,997	46,897
Net Revenue	(4,691)	27,057	850	26,394	12,593
Rate Base					
Average Plant	262,380	262,380	165,290	165,290	165,290
Avg Dep Res	52,460	52,460	56,860	56,860	56,860
Net Plant	209,920	209,290	108,430	108,430	108,430
Less Advances	0	0	0	0	0
Contributions	23,126	22,580	24,640	24,640	24,640
Plus Working Cash	7,810	7,810	3,526	3,526	3,526
Mat'l & Supp	1,500	1,500	150	150	150
Rate Base	196,104	196,650	87,466	87,466	87,466
Rate of Return	(Loss)	13.76%	0.97%	30.18%	14.40%

(END OF APPENDIX A)

APPENDIX B
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BENBOW WATER COMPANY

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a monthly basis.

TERRITORY

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

RATES

Quantity Rate:

All water, per 100 cu.ft. \$ 1.15 (I)

Service Charge:

	Per Meter Per Month	SDWBA Yearly Surcharge
For 5/8 x 3/4-inch meter	\$ 11.00 (I)	\$ 60.00
For 3/4-inch meter	16.50	90.00
For 1-inch meter	27.50	150.00
For 1-1/2-inch meter	55.00	300.00
For 2-inch meter	88.00	480.00
For 3-inch meter	165.00	900.00
For 4-inch meter	275.00 (I)	1,500.00

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

SPECIAL CONDITIONS

1. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 93798. (L)
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)

BENBOW WATER COMPANY

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

RATE

For each inch of diameter of service connection Per Month
\$ 10.00 (I)

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost shall be paid by the applicant. Such payment shall not be subject to refund.
5. The utility undertakes to supply such water at such pressure as may be available at any time through the normal operation of its system.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Appendix B
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BENBOW WATER COMPANY

Schedule No. 5PR

PRIVATE FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to hydrants owned by individuals other than municipalities, organized fire districts, and other political subdivisions of the State.

TERRITORY

Benbow and vicinity, approximately three miles south of Garberville, Humboldt County.

RATE

	Per Month	
For each hydrant	\$ 10.00	(I)

SPECIAL CONDITIONS

1. Water delivered for the purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of a written request from an individual. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type, and size.
4. The utility undertakes to supply only such water at such pressures as may be available at any time through the normal operation of its system.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX B)

Appendix C

BENBOW WATER COMPANY

COMPARISON OF RATES

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

MEASURED SERVICE

Service Charge:

	<u>Per Meter Per Month</u>		<u>Amount Increase</u>	<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>		
For 5/8x3/4-inch meter	\$ 8.00	\$ 11.00	\$ 3.00	37.50%
For 3/4-inch meter	9.00	16.50	7.50	83.33%
For 1-inch meter	12.00	27.50	15.50	129.17%
For 1-1/2-inch meter	16.00	55.00	39.00	243.75%
For 2-inch meter	21.00	88.00	67.00	319.05%
For 3-inch meter	40.00	165.00	125.00	312.50%
For 4-inch meter	54.00	275.00	221.00	409.26%

Quantity Rate:

Per 100 cu.ft.	\$ 1.06	\$ 1.15	\$ 0.09	8.49%
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A monthly bill comparison for a resident with a 5/8 x 3/4-inch meter is shown below:

<u>Monthly Usage</u> <u>100 cu. ft.</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
0	\$ 8.00	\$ 11.00	3.00	37.50%
3	11.18	14.45	3.27	29.25%
5	13.30	16.75	3.45	25.94%
6.9 (avg)	15.31	18.94	3.63	23.71%
10	18.60	22.50	3.90	20.97%
20	29.20	34.00	4.80	16.44%
30	39.80	45.50	5.70	14.32%
50	61.00	68.50	7.50	12.30%

Large Users:

2-inch

332.6	373.56	470.49	96.93	25.95%
148.2	178.09	258.43	80.34	45.11%
248 (avg)	283.88	373.20	89.32	31.46%

4-inch

805	907.30	1,200.75	293.45	32.34%
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END OF APPENDIX C

APPENDIX D
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BENBOW WATER COMPANY

ADOPTED QUANTITIES

Expenses:

1. Purchased Power

Vendor	PG&E
Schedule No.	A-I P
Effective Date	January 1, 1992
Winter	
Energy Charge per kWh	\$ 0.12279
Consumption	16,283 kWh
Summer	
Energy Charge per kWh	\$ 0.14940
Consumption	28,788 kWh
Energy Commission Surcharge	\$.00012 per kWh
Service Charges	\$ 35.00 per mo.
Total Cost	\$6725 per year

2. Purchased Water

None

3. Insurance Expense

\$2,800

4. Ad Valorem Taxes

Composite Tax Rate	\$1774
Assessed Value	1.00%
	\$177,382

Service Connections

Metered Rate:

5/8x3/4-inch meter	23
3/4-inch meter	48
1-inch meter	8
1-1/2-inch meter	1
2-inch meter	2
4-inch meter	1

Total 83

Metered Water Sales Used to Design Rates 32,560 Ccf

APPENDIX D
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BENBOW WATER COMPANY

ADOPTED TAX CALCULATIONS
Test Year 1992

Federal Tax Rate: 15%
California corporate Franchise Rate: 9.3%
Local Franchise Rate: 0.0%

ITEM	State Tax	Federal Tax
1. Operating Revenue	\$59,490	\$59,490
2. O & M Expense	\$35,865	\$35,865
3. Taxes Other Than Income	\$ 3,364	\$ 3,364
4. Depreciation	\$ 3,928	\$ 3,928
5. Interest	\$ 0	\$ 0
6. Taxable Income for CcFT	\$16,333	
7. CcFT @ 9.3%	\$ 1,519	\$ 1,519
8. Taxable Income for FIT		\$14,814
9. Federal Income Tax @ 15%		\$ 2,222
10. Total Income Tax	\$3,741	

END OF APPENDIX D