

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3650
June 17, 1992

R E S O L U T I O N

(Res W-3650) CAZADERO WATER COMPANY (CWC) ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$8,854 (63.18%) IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$8,854 or 63.18% for test year 1992. The increase will provide a 14.40% rate of return on rate base in test year 1992.

BACKGROUND

CWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on December 23, 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 \$12,610 or 87.78% in 1992. CWC's request shows 1992 gross revenue of \$14,365 at present rates increasing to \$26,975 at proposed rates to produce a rate of return on rate base of 11.00%. CWC presently serves 146 metered rate and 4 flat rate customers in Cazadero and vicinity, Sonoma County.

The present rates became effective on March 26, 1987 pursuant to Commission Resolution W-3348, which authorized a general rate increase producing \$7,517 or 95.8% additional annual revenue.

DISCUSSION

The Branch made an independent analysis of CWC's summary of earnings. Appendix A shows CWC'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.

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

Since its last general rate increase in 1987, CWC has been inadvertently booking capital improvement and plant addition expenditures into its "Materials" and "Contract Work" expense accounts. This has resulted in CWC understating the utility plant in its rate increase request thus understating its 1992 rate base estimate. The Branch's estimates of utility plant and accumulated depreciation reserve, as shown in Appendix A, are adjusted amounts which include the capital expenditures which were incorrectly recorded as explained above. For ratemaking purposes the Branch believes that

its estimates, which are based on accounting principles reflected in the Commission's Uniform System of Accounts, should be used.

To prevent future inconsistencies between the figures adopted by the Commission and the figures shown in CWC's annual reports, the Branch recommends that CWC be directed to record on its books of account the utility plant and accumulated depreciation reserve balances upon which the average amounts adopted in this resolution are based, and to reflect that balance in its 1992 annual report to the Commission. The balances will be \$70,336 for utility plant and \$32,330 for accumulated depreciation reserve as of December 31, 1991.

CWC has not been greatly affected by California's current drought. The water levels of its two wells, which are its main sources of water, 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.

CWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 11.00%. The Branch is currently recommending a 13.90% to 14.40% standard rate of return range for small, 100% equity financed water utilities. Because CWC is well managed, the Branch recommends that CWC be allowed to earn a rate of return on rate base of 14.40%, which is the upper end of the recommended rate of return range. Although this recommended rate of return is higher than the 11.00% requested by CWC, the total increase granted will still be lower than the increase requested.

At Branch's recommended rates shown in Appendix B, the monthly bill for a residential metered customer using 500 cubic feet of water would increase from \$7.70 to \$12.45 (61.7%).

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on January 15, 1992. No letters protesting the increase were received by the Branch. The Commission's Consumer Affairs Branch has not received any service complaints against CWC over the last three years.

A public meeting was held on February 6, 1992, in CWC's service area. The Branch's representative explained Commission rate setting procedures, the utility owner explained the need for the rate increase, and a representative of the Sonoma County Health Department discussed new state water quality requirements mandated by the current Federal Safe Drinking Water Act. Eight 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 CWC provides good water service.

FINDINGS AND CONCLUSIONS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.

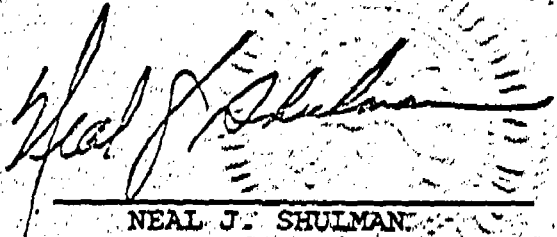
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CWC/DrAL/ABJ:mem

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. CWC should be required to record on its books of account the utility plant and accumulated depreciation reserve balances upon which the average amounts adopted in this resolution are based, and to reflect those balances in its 1992 annual report to the Commission. Those balances will be \$70,336 for utility plant and \$32,330 for accumulated depreciation reserve as of December 31, 1991.
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 Cazadero 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. 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. Cazadero Water Company shall record on its books of account the utility plant and accumulated depreciation reserve balances upon which the average amounts adopted in this resolution are based, and shall reflect those balances in its 1992 annual report to the Commission.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 17, 1992. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

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

APPENDIX A

CAZADERO 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					
Flat Rate	450	846	450	846	734
Metered Rate	13,915	26,129	13,564	25,463	22,134
Total Revenue	14,365	26,975	14,014	26,309	22,868
Operating Expenses					
Purchased Power	4,978	4,978	3,527	3,527	3,527
Materials	4,730	4,730	1,442	1,442	1,442
Contract Work	3,031	3,031	1,261	1,261	1,261
Transportation	600	600	600	600	600
Management Salaries	3,000	3,000	3,000	3,000	3,000
Office Salaries	1,920	1,920	1,920	1,920	1,920
Profess. Services	375	375	375	375	375
Office Serv. & Rent	600	600	600	600	600
Office Supp. & Exp	259	259	959	959	959
Insurance	248	248	248	248	248
General Expenses	1,099	1,099	103	103	103
Subtotal	20,840	20,840	14,035	14,035	14,035
Depreciation	1,196	1,196	1,142	1,142	1,142
Non-Income Taxes	853	853	674	674	674
Income Taxes	0	936	0	2,395	1,601
Total Deductions	22,889	23,825	15,851	18,246	17,452
Net Revenue	(8,524)	3,150	(1,837)	8,063	5,391
Rate Base					
Average Plant	60,480	60,480	70,336	70,336	70,336
Average Depr Resrv	31,839	31,839	32,902	32,902	32,902
Net Plant	28,641	28,641	37,434	37,434	37,434
Less Advances	0	0	0	0	0
Contribution	0	0	0	0	0
Plus Working Cash	0	0	0	0	0
Materials	0	0	0	0	0
RATE BASE	28,641	28,641	37,434	37,434	37,434
Rate of Return	(Loss)	11.00%	(Loss)	21.54%	14.40%

APPENDIX B
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CAZADERO WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all domestic, commercial and industrial metered water service.

TERRITORY

Cazadero and vicinity, Sonoma County.

RATES

Monthly Quantity Rates

	Per Meter Per Month	
Per 100 cu. ft.....	\$.84	(I)

Service Charge

	Per Meter Per Year	
For 5/8 X 3/4-inch meters.....	\$ 99.00	(I)
For 3/4-inch meters.....	109.80	
For 1-inch meters.....	149.20	
For 1 1/2-inch meters.....	208.80	
For 2-inch meters.....	268.50	(I)

The annual service charge is a readiness-to-serve charge which is applicable to all metered service and is in addition to monthly quantity rates computed at the above quantity rate billed additionally.

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. 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 service charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods. Meters will be read and quantity charges billed monthly, bimonthly or quarterly in accordance with the utility's established billing periods except that meters may be read and quantity charges billed during the winter season at intervals greater than three months.

(continued)

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Schedule No. 1A

GENERAL METERED SERVICE

SPECIAL CONDITIONS (continued)

2. The opening bill for metered service, except upon conversion from flat rate service shall be the established annual service 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.

2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(L)
(L)

APPENDIX B
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CAZADERO WATER COMPANY

Schedule No. 2A

ANNUAL GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water residential service

TERRITORY

Cazadero and vicinity, Sonoma County.

RATES

	Per Service Connection	
	Per Year	
1. For a single -family residential unit, including premises	\$ 163.00	(I)
2. For "Sawmill"	\$ 244.50	(I)

SPECIAL CONDITIONS

1. Service under this schedule shall be limited to the premises now being served hereunder as of the effective date of this tariff sheet.

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

End of Appendix B

APPENDIX C
 CAZADERO WATER COMPANY
COMPARISON OF RATES

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

<u>FLAT RATE SERVICE</u>	<u>PRESENT PER SERVICE</u>	<u>PROPOSED PER YEAR</u>	<u>PERCENT INCREASE</u>
Single Family Residential	\$100.00	\$163.00	63%
Sawmill	\$150.00	\$244.50	63%

<u>METERED SERVICE</u>	<u>PER METER PER YEAR</u>	<u>PERCENT INCREASE</u>	
For 5/8 x 3/4 inch meter.....	\$43.80	\$ 99.00	126.00%
For 3/4 inch meter.....	\$48.60	\$109.80	126.00%
For 1 inch meter.....	\$66.00	\$149.00	126.00%
For 1-1/2 inch meter.....	\$92.40	\$208.80	126.00%
For 2 inch meter.....	\$118.80	\$268.50	126.00%

QUANTITY RATES

Monthly Quatity Rates

	<u>Per Meter Per Month</u>	<u>PERCENT INCREASE</u>	
Per 100 cu. ft.....	\$.81	\$.84	3.7%

A monthly bill comparison for a resident with 5/8 x 3/4-inch meter is shown below:

<u>Usage 100 cu.ft</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
0	\$ 3.65	\$ 8.25	\$ 4.60	126.0%
3	6.08	10.77	4.69	77.1%
5 avg	7.70	12.45	4.75	61.7%
6	8.51	13.29	4.78	56.2%
10	11.75	16.65	4.40	41.7%
15	15.80	20.85	5.05	32.0%
20	19.85	25.05	5.20	26.2%
50	44.15	50.25	6.10	13.8%

APPENDIX D
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CAZADERO WATER COMPANY

ADOPTED QUANTITIES

EXPENSES

1. Purchased Power	
Vendor	PG&E
Schedule	A-1
Effective Date	January 1, 1992
Winter Charge, per Kwh	
Energy Charge, per Kwh	\$0.12279
Avg. Power Consumption in Kwh	8,451
Winter Charge	\$1,039
Summer Energy Charge	
Energy Charge, per Kwh	\$0.14940
Avg. Power Consumption in Kwh	15,962
Summer Charge	\$2385
Monthly Service Charge	\$8.57
Total Yearly Service Charge	\$103
TOTAL PURCHASED POWER	\$3,527
2. Purchased Water	None
3. Ad Valorem Taxes	
Composite Tax Rate	1.0147
Assessed Value	\$6,515
4. Water Testing Expense	\$725
5. Service Connections	
Metered	
5/8 X 3/4-inch meters.....	139
3/4-inch meters.....	0
1-inch meters.....	6
1 1/2-inch meters.....	0
2-inch meters.....	1
Total Metered	146
Flat	
Residential.....	3
Sawmill.....	1
Total Flat	4
6. Metered Water Sales Used to Design Rates	8,594 Ccf

APPENDIX D
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CAZADERO WATER COMPANY

ADOPTED INCOME TAX CALCULATIONS
Test Year 1992

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenues	\$22,868	\$22,868
2.	Expenses	\$14,060	\$14,060
3.	Taxes Other Than Income	\$ 674	\$ 674
4.	Depreciation	\$ 1,142	\$ 1,142
5.	Interest	0	0
6.	State Taxable Income	\$ 6,992	
7.	State Tax(@9.3%)	\$ 650	\$ 650
8.	Federal Taxable Income		\$ 6,342
9.	Federal Income Tax (@15%)		\$ 951
10.	TOTAL INCOME TAX	\$ 1,601	

End of Appendix D