

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3651
JUNE 17, 1992

RESOLUTION

(Res W-3651) INTERSTATE 5 UTILITY COMPANY, INC, (WATER)
(I-5) ORDER AUTHORIZING A GENERAL WATER RATE INCREASE
PRODUCING ADDITIONAL ANNUAL REVENUE OF \$6,043 (17.56%)
IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$6,043 or 17.56% for test year 1992. The increase will provide a 14.15% rate of return on rate base in test year 1992.

BACKGROUND

On June 18, 1991, I-5 requested Water Utilities Branch (Branch) assistance in obtaining authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase its rates for water service. I-5 is a water utility and a sewer utility under common ownership and operation. It's water operation presently serves 19 commercial customers located in an unincorporated Kern County area near Buttonwillow at the interchange of Interstate Route 5 and State Route 58, approximately 23 miles west of the City of Bakersfield.

The present rates have been in effect since January 1, 1980, pursuant to Resolution No. W-2585, dated October 19, 1979, which authorized a general rate increase producing \$13,320 or 37.0% additional revenue for combined water and sewer service.

DISCUSSION

The Branch made an independent analysis of I-5's summary of earnings. Appendix A shows I-5's and the Branch's estimated summary of earnings at present, requested, and adopted rates for test year 1992 showing the differences in revenue, expenses, and rate base.

I-5 was informed of the Branch's differing views of revenues, expenses and rate base and has stated that it accepts the Branch's estimates.

I-5 presently has one metered quantity rate for water service that covers both water and sewer service. This resolution provides separate rates for water service. I-5's sewer rates are also being revised concurrently in a separate resolution. These changes in rate structure will produce revenues that will cover expenses and provide a return on the investment of each respective utility service. The rate increase will provide a rate of return of 14.15% on the 1992 rate base. The adopted return is the midpoint

of the 13.9% to 14.4% range authorized for Class D water utilities (up to 500 service connections) in the Commission's decision on the financial and operational risks of regulated water utilities (D.92-03-093, dated March 31, 1992).

An affiliate of I-5 has been charging rent for land on which the wells and storage tanks are located. The rent represents more than a reasonable return on the original cost of the property when it was first devoted to public service. For the purpose of rate-fixing, a reasonable amount representing the original cost of the land is included in rate base in lieu of rent as an expense.

In its annual reports to the Commission, I-5 has failed to show separate figures for plant, accumulated depreciation, and contributions. It has combined data and reported single amounts for its sewer and water operations. To prevent future inconsistencies between figures adopted by the Commission and the figures shown in I-5's annual reports, the Branch recommends that I-5 be directed to record on its books of account the water plant in service, accumulated depreciation, and contributions 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 are \$133,694 for total water plant in service, \$83,486 for accumulated depreciation, and \$17,598 for contributions as of December 31, 1991.

Branch engineers made a field inspection of I-5's service area on August 27, 1991. The water system was found to be reasonably maintained and efficiently operated. Service is satisfactory. There are no Commission orders requiring compliance and during the last two years, the Consumer Affairs Branch has handled no informal complaints.

A review of I-5's tariff schedules shows that certain portions require revision. Rule 15, Main Extensions; and Rule 16, Service Connections, Meters, and Customer's Facilities; should be revised along with the following main extension forms: Form 4, A through E, and Form 10. I-5 should also file a Connection Fee Data Form and a Uniform Fire Hydrant Service Agreement.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each of the 19 customers on August 8, 1991 and another notice to the customers on January 10, 1992. No protest letters were received by the Branch.

The Branch held a public meeting on August 27, 1991 in I-5 service area to explain how rates are set and to give I-5 an opportunity to explain the need for the proposed increase. No customers attended the meeting.

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.

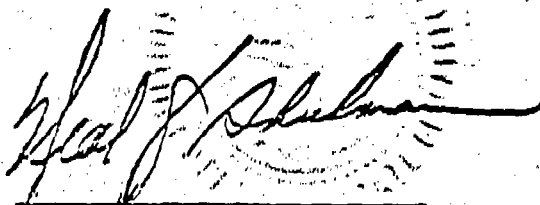
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. I-5 should revise its tariff Rules 15 and 16 and refile Forms 4, A through E. It should also file Form 10, and file a Connection Fee Data Form and a Uniform Fire Service Service Agreement.
5. The rate increase authorized herein is justified and the resulting rates are just and reasonable.
6. I-5 should be required to record on its books of account the water plant in service, accumulated depreciation, and contributions 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 are \$133,694 for total water plant in service, \$83,486 for accumulated depreciation, and \$17,598 for contributions as of December 31, 1991.

IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Interstate 5 Utility Company, Inc. (Water) to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate Schedule No. 1. Its filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be five (5) days after the date of filing.
2. Interstate 5 Utility Company, Inc. (Water) shall file revised tariff Rules 15 and 16 and Forms 4, A through E, and file Form 10, file a Connection Fee Data Form, and a Uniform Fire Hydrant Service Agreement.
3. Interstate 5 Utility Company, Inc. (Water) shall record on its books of account the water plant in service and accumulated depreciation 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.
4. 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:

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


NEAL J. SHULMAN
Executive Director

APPENDIX A

Interstate 5 Utility Company, Inc. (Water)

SUMMARY OF EARNINGS
Test Year 1992

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	Rates	Rates	Rates	Rates	Rates
Operating Revenues					
Metered	\$31,413	\$50,231	\$34,409	\$50,231	\$40,452
Flat Rate	0	0	0	0	0
Total Revenue	31,413	50,231	34,409	50,231	40,452
Operating Expenses					
Power	13,073	13,073	13,092	13,092	13,092
Other Vol. Related Exp.	0	0	0	0	0
Employee Labor	0	0	6,280	6,280	6,280
Materials	1,214	1,214	50	50	50
Contract Work	6,501	6,501	2,550	2,550	2,550
Other Plant Maintenance	1,214	1,214	0	0	0
Office Salaries	1,172	1,172	1,172	1,172	1,172
Management Salaries	1,080	1,080	1,800	1,800	1,800
Transportation Expense	723	723	1,200	1,200	1,200
Uncollectibles	0	0	172	251	202
Office Services & Rent	7,766	7,766	300	300	300
Office Supplies	0	0	30	30	30
Professional Services	1,204	1,204	2,010	2,010	2,010
Insurance	1,497	1,497	1,000	1,000	1,000
General Expense	396	396	215	238	224
Regulatory Expense	0	0	0	0	0
Subtotal	35,840	35,840	29,872	29,973	29,910
Depreciation Expense	897	897	2,669	2,669	2,669
Franchise Tax	0	0	0	0	0
Property Tax	1,181	1,181	385	385	385
Payroll Tax	0	0	860	860	860
Income Taxes	800	2,527	800	3,744	1,674
Total Deductions	38,718	40,445	34,586	37,631	35,499
Net Revenue	(7,305)	9,786	(177)	12,600	4,953
Average Plant	133,444	133,444	133,694	133,694	133,694
Avg. Accum. Deprectn.	83,223	83,223	84,994	84,994	84,994
Net Plant	50,222	50,222	48,700	48,700	48,700
Less: Advances	0	0	0	0	0
Contributions	17,424	17,424	17,424	17,424	17,424
Plus: Working Cash	0	0	3,730	3,730	3,730
Mat'l & Suppl	0	0	0	0	0
Rate Base	32,798	32,798	35,006	35,006	35,006
Rate of Return	(loss)	29.84%	(loss)	35.99%	14.15%

APPENDIX B

Interstate 5 Utility Company, Inc. (Water)

Schedule No. 1

GENERAL METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

(T)

TERRITORY

The commercial and industrial development in the vicinity of the interchange of Interstate 5 and State Route 58, near Buttonwillow in Kern County.

(T)

(T)

RATES

Quantity Rate:

(D)

All water used, per 100 cubic feet \$ 0.26

(C)

Service Charge:

Per Meter
per Month

(C)

(C)

For 1-inch meter \$ 33.00
For 2-inch meter 105.00
For 3-inch meter 198.00

(C)

(C)

(C)

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

(N)

(N)

SPECIAL CONDITIONS

(D)

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

(N)

(N)

APPENDIX C
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Interstate 5 Utility Company, Inc. (Water)

COMPARISON OF RATES

A comparison of the present and adopted rates for water and sewer services are shown below:

Presently, all water customers are charged \$1.92 for every hundred cubic foot (Ccf) of water consumed which covers the charges for both water and sewer service. The recommended rates provide separate charges for water and sewer service. Customer billing would be calculated according to the following:

Water Service Charge, per connection for the size service indicated:

	<u>Per Meter</u> <u>per Month</u>
For 1-inch meter	\$ 33.00
For 2-inch meter	105.00
For 3-inch meter	198.00

Water Quantity Charge, in addition to the above service charge for all water:

All water delivered, per Ccf	\$0.26
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Flat Rate Sewer Charge, for all premises served by the size water meter indicated:

	<u>Per Month</u>
For 1-inch service	\$110.00
For 2-inch service	350.00
For 3-inch service	656.00

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Interstate 5 Utility Company, Inc. (Water)

COMPARISON OF RATES

The following table shows a comparison of total monthly charges for both water and sewer service for customers with various water consumption rates and sizes of water meters.

<u>Ccf</u>	<u>Size</u>	<u>Present</u>	<u>Recom- mended</u>	<u>Amount</u>	<u>Percent</u>
<u>Water Use</u>	<u>of</u>	<u>Charge</u>	<u>Charge</u>	<u>of</u>	<u>Increase</u>
<u>Per Month</u>	<u>Meter</u>			<u>Increase</u>	<u>Increase</u>
0	1"	\$ 0.00	\$ 143.00	\$ 143.00	—
50	1"	96.00	156.00	60.00	62.50
100	1"	192.00	169.00	(23.00)	(11.98)
200	2"	384.00	507.00	123.00	32.03
300	2"	576.00	533.00	(43.00)	(7.47)
400	2"	768.00	559.00	(209.00)	(27.21)
500	2"	960.00	585.00	(375.00)	(39.06)
750	3"	1,440.00	1,049.00	(391.00)	(27.15)
1,000	3"	1,920.00	1,114.00	(806.00)	(41.98)
1,250	3"	2,400.00	1,179.00	(1,221.00)	(50.88)

* * *

(End of Appendix C)

APPENDIX D
Page 1

Interstate 5 Utility Company, Inc. (Water)

ADOPTED QUANTITIES

Test Year 1992

Federal Income Tax Rate	15.0%
California Income Tax Rate	9.3%
Franchise Tax Rate	0.0%
Uncollectible Rate	0.5%

Expenses:

1. Power:

Serving Utility:	Pacific Gas and Electric Co.:	
Rate Schedule	A-10	
Effective Date	5/1/92	
Energy Charge:		
kWh Summer	65,138	
kWh Winter	39,891	
Rate, per kWh		
Summer	\$0.09938	
Winter	0.07707	
Amount		\$ 9,548
Demand Charge:		
kW, Total of 12 months	587	
Rate, per kW:	\$4.75	
Amount		2,788
Customer Charge:		
No. of Meters	1	
Rate per Meter per Month	\$63	
Amount		<u>756</u>
Total Power:		\$13,092

2. Water Testing Expenses (in Contract Work) \$ 220

4. Insurance Expense \$ 1,000

5. Payroll, Payroll Taxes:

Employee Labor	\$ 6,280
Office Salaries	1,172
Management Salaries	1,800
Payroll Taxes	<u>860</u>
Total	\$10,112

APPENDIX D
Page 2

Interstate 5 Utility Company, Inc. (Water)

ADOPTED QUANTITIES
Test Year 1992
(Continued)

6. Ad Valorem Taxes:			
Tax Rate		1.10000%	
Assessed Valuation		\$ 35,000	
Total			\$ 385.
7. Number of Services:			
Meter Size:			
1-inch service		5	
2-inch service		9	
3-inch service		5	
Total			19

ADOPTED INCOME TAX CALCULATIONS

Test Year 1992

:Line:	Item	: State	: Federal
: No.:		: Tax	: Tax
1.	Operating Revenue	\$ 40,452	\$ 40,452
2.	Expenses	29,910	29,910
3.	Taxes Other Than Income	1,245	1,245
4.	Depreciation	2,669	2,669
5.	Interest	0	0
6.	Taxable Income for State Tax	<u>6,628</u>	
7.	State Tax @ 9.3% (\$800 min.)	\$ 800	<u>800</u>
8.	Taxable Income for Federal Tax		<u>5,828</u>
9.	Federal Tax @ 15% of 1st \$50,000		\$ 874
10.	Total Income Taxes	\$ <u>1,674</u>	

(End of Appendix D)