

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3654
June 17, 1992

RESOLUTION

(RES. W-3654) HAT CREEK WATER COMPANY (HCWC). ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$3,893 (44.9%) IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$3,893 or 44.9% for test year 1992. The increase will provide HCWC with the full percentage rate increase it requested for test year 1992.

BACKGROUND

HCWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on March 9, 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 \$4,006 or 44.9% in 1992. HCWC's request shows 1992 gross revenue of \$8,928 at present rates increasing to \$12,934 at proposed rates to produce no return on rate base. HCWC presently serves approximately three metered and 36 flat rate customers in the unincorporated community of Old Station located about 60 miles east of Redding, Shasta County.

The present rates became effective on May 4, 1983, pursuant to Commission Resolution W-3089, which authorized a general rate increase producing \$3,300 or 100% additional annual revenue.

DISCUSSION

The Branch made an independent analysis of HCWC's summary of earnings. Appendix A shows HCWC'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 and rate base.

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

HCWC's draft advice letter requested rates which it estimated would produce no return on rate base. The summary of earnings in Appendix A shows a negative rate of return 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 water utilities, results in HCWC being granted the total percentage rate 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

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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 HCWC.

HCWC's filed tariffs do not contain the recent revisions to its Title Page and the second sheet of its Preliminary Statement. The Branch recommends that HCWC be ordered to file these revisions to its tariffs.

HCWC has a metered rate schedule (Schedule No. 1, General Metered Service). The Branch's proposed metered rate design attempts to conform with the Commission's current rate design policy for small water companies, as stated in Decision 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, the recovery of 100% of the fixed cost would result in some customers receiving more than twice the system average increase. This 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, service charge revenue was redesigned to recover approximately 54% of the fixed operating cost, as compared to 29% at present rates.

HCWC has not been greatly affected by California's recent drought. The water flow in its source of supply, Hat Creek, has decreased only slightly 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, HCWC 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 HCWC has no such agreement, the Branch recommends that Schedule No. 5 should be cancelled.

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 3,000 cubic feet of water per month would increase from \$18.55 to \$25.79, or 39.0%, 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 18, 1992. No letters protesting the increase were received by the Branch. The Commission's Consumer Affairs Branch has not received any service complaints against HCWC over the last three years.

A public meeting was held on April 23, 1992, in HCWC'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 some expressed a concern for the increasing water testing costs. None of the customers at the meeting expressed dissatisfaction with the quality of the water, HCWC's service, or the proposed rate increase.

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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. HCWC's filed tariffs do not contain the recent revisions to its Title Page, and the second sheet of its Preliminary Statement. HCWC should be ordered to file the most recent revisions to these tariffs when it files its revised rate schedules.
5. HCWC'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 Hat Creek 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, 2R, 2L and 4. It shall also file the recent revisions to its Title Page, and the second sheet of its Preliminary Statement. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of filing.
2. For the purpose of earnings tests in any future offset rate increase requests for Hat Creek Water Company, a rate of return on rate base not exceeding 14.40% shall be considered reasonable.
3. Hat Creek Water Company's filed tariff Schedule No. 5, Public Fire Hydrant Service is cancelled.
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

HAT CREEK 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 | \$ 4,968 | \$ 6,994 | \$ 4,718 | \$ 6,744 | \$ 6,835 |
| Flat Rate | 3,960 | 5,940 | 3,960 | 5,940 | 5,736 |
| Private Fire Prot. | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 8,928 | 12,934 | 8,678 | 12,684 | 12,571 |
| Operating Expense | | | | | |
| Purchased Power | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 |
| Materials Exp. | 800 | 800 | 800 | 800 | 800 |
| Contract Work | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Other Plant Maint. | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 |
| Office Supplies | 100 | 100 | 100 | 100 | 100 |
| Professional Serv. | 1,915 | 1,915 | 1,915 | 1,915 | 1,915 |
| Insurance | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| Reg Comm Exp | 300 | 300 | 300 | 300 | 300 |
| Subtotal | 11,215 | 11,215 | 11,215 | 11,215 | 11,215 |
| Depreciation | 472 | 472 | 472 | 472 | 472 |
| Prop. Tax | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Income Taxes | 47 | 47 | 0 | 0 | 0 |
| Total Deductions | 12,934 | 12,934 | 12,887 | 12,887 | 12,887 |
| Net Revenue | (4,006) | 0 | (4,209) | (203) | (316) |
| Rate Base | | | | | |
| Average Plant | 29,000 | 29,000 | 29,000 | 29,000 | 29,000 |
| Avg Dep Res | 20,840 | 20,840 | 20,840 | 20,840 | 20,840 |
| Net Plant | 8,160 | 8,160 | 8,160 | 8,160 | 8,160 |
| Less Advances | 0 | 0 | 0 | 0 | 0 |
| Contributions | 250 | 250 | 250 | 250 | 250 |
| Plus Working Cash | 0 | 0 | 3,520 | 3,520 | 3,520 |
| Mat'l & Supp | 0 | 0 | 0 | 0 | 0 |
| Rate Base | 7,910 | 7,910 | 11,430 | 11,430 | 11,430 |
| Rate of Return | (Loss) | 0.00% | (loss) | (Loss) | (Loss) |

(END OF APPENDIX A)

APPENDIX B
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HAT CREEK WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Rim Rock Ranch, Unit No. 1, and vicinity,
located near the community of Old Station, Shasta County.

RATES

Quantity Rate:

All water, per 100 cu.ft. \$ 0.513 (I)

Service Charge:

| | Per Meter | |
|--------------------------------|-----------|-----|
| | Per Meter | |
| | Per Month | |
| For 5/8 x 3/4-inch meter | \$ 10.40 | (I) |
| For 3/4-inch meter | 15.10 | |
| For 1-inch meter | 18.90 | |
| For 1-1/2-inch meter | 26.50 | |
| For 2-inch meter | 34.10 | |
| For 3-inch meter | 64.50 | |
| For 4-inch meter | 87.30 | |
| For 6-inch meter | 144.20 | |
| For 8-inch meter | 214.40 | (I) |

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

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

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HAT CREEK WATER COMPANY

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The area known as Rim Rock Ranch, Unit No. 1, and vicinity,
located near the community of Old Station, Shasta County.

RATES

| | <u>Per Service Connection</u> <u>Per Month</u> | |
|--|---|-----|
| For a single-family residential unit, including premises | \$ 14.50 | (I) |
| For each additional single-family residential unit on the same premises and served from the same service connection | 7.25 | (I) |

SPECIAL CONDITIONS

1. Meters may be installed at option of utility for above
classification in which event service thereafter will
be furnished only on the basis of Schedule No. 1, Metered
Service.
2. All bills are subject to the reimbursement fee set
forth on Schedule No. UF. (L)
(L)

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HAT CREEK WATER COMPANY

Schedule No. 2L

LIMITED FLAT RATE SERVICE

APPLICABILITY

Applicable to non-residential flat rate water service.

TERRITORY

The area known as Rim Rock Ranch, Unit No. 1, and vicinity, located near the community of Old Station, Shasta County.

RATES

| | <u>Per Service Connection</u> <u>Per Month</u> | | |
|---------------------------|---|-----|-----|
| U. S. Forest Service..... | \$ 43.50 | (I) | (C) |
| Restaurant..... | 58.00 | | |
| Service Stations..... | 29.00 | (I) | (C) |

SPECIAL CONDITIONS

1. Meters may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, Metered Service.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(L)
(L)

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HAT CREEK WATER COMPANY

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

The area known as Rim Rock Ranch, Unit No. 1, and vicinity, located near the community of Old Station, Shasta County.

RATES

| | Per Month | |
|--------------------------------------|-----------|-----|
| For each 1-1/2-inch connection | \$ 3.25 | (I) |
| For each 2-inch connection | 4.35 | |
| For each 3-inch connection | 6.50 | |
| For each 4-inch connection | 8.70 | |
| For each 6-inch connection | 13.00 | |
| For each 8-inch connection | 17.40 | |
| For each 10-inch connection | 21.75 | (I) |

SPECIAL CONDITIONS

1. The fire protection service facilities will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund. The facilities paid for by the applicant shall be the sole property of the applicant.
2. 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 at the cost of the applicant. Such cost shall not be subject to refund.
3. 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 require the installation of a detector check valve with meter for protection against theft, leakage or waste of water.

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HAT CREEK WATER COMPANY

Schedule No. 4
(continued)

PRIVATE FIRE PROTECTION SERVICE

4. For water delivered for other than fire protection purposes, charges will be made therefor under Schedule No. 1, General Metered Service.
5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX B)

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HAT CREEK WATER COMPANY

COMPARISON OF RATES

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

METERED 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 5/8 x 3/4-inch meter | \$ 5.50 | \$ 10.40 | \$ 4.90 | 89.1% |
| For 3/4-inch meter | 8.00 | 15.10 | 7.10 | 88.8% |
| For 1-inch meter | 10.00 | 18.90 | 8.90 | 89.0% |
| For 1-1/2-inch meter | 14.00 | 26.50 | 12.50 | 89.3% |
| For 2-inch meter | 18.00 | 34.10 | 16.10 | 89.4% |
| For 3-inch meter | 34.00 | 64.50 | 30.50 | 89.7% |
| For 4-inch meter | 46.00 | 87.30 | 41.30 | 89.8% |
| For 6-inch meter | 76.00 | 144.20 | 68.20 | 89.7% |
| For 8-inch meter | 113.00 | 214.40 | 101.40 | 89.8% |

Quantity Rate:

| | | |
|---------------------------|------|-------|
| First 300 cu.ft., per | | |
| 100 cu.ft..... | 0.30 | |
| Over 300 cu.ft., per | | |
| 100 cu.ft..... | 0.45 | |
| All usage, per 100 cu.ft. | | 0.513 |

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 | \$ 5.50 | \$ 10.40 | 4.90 | 89.1% |
| 3 | 6.40 | 11.94 | 5.54 | 86.5% |
| 5 | 7.30 | 12.97 | 5.67 | 77.6% |
| 10 | 9.55 | 15.53 | 5.98 | 62.6% |
| 20 | 14.05 | 20.66 | 6.61 | 47.0% |
| 30 (Avg.) | 18.55 | 25.79 | 7.24 | 39.0% |
| 50 | 27.55 | 36.05 | 8.50 | 30.8% |

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HAT CREEK WATER COMPANY

COMPARISON OF RATES

FLAT RATE SERVICE

Schedule 2R - Residential

| | <u>Per Service Per Month</u> | | | |
|---|------------------------------|--------------------------|------------------------|-------------------------|
| | <u>Present Rates</u> | <u>Recommended Rates</u> | <u>Amount Increase</u> | <u>Percent Increase</u> |
| For single-family residential unit, including premises. | \$ 10.00 | \$ 14.50 | \$ 4.50 | 45.0% |
| For each additional unit on the same premises and served by the same service connection | 5.00 | 7.25 | 2.25 | 45.0% |

Schedule 2L - Limited

| | | | | |
|-------------------------------|-------|-------|-------|-------|
| U.S. Forest Service | 30.00 | 43.50 | 13.50 | 45.0% |
| U.S. Forest Service sub-units | 10.00 | 14.50 | 4.50 | 45.0% |
| Restaurant | 40.00 | 58.00 | 18.00 | 45.0% |
| Service Station | 20.00 | 29.00 | 9.00 | 45.0% |

(END OF APPENDIX C)

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HAT CREEK WATER COMPANY

ADOPTED QUANTITIES

Expenses:

| | | |
|---|---|---|
| 1. Purchased Power | Vendor Schedule No. Effective Date Winter Energy Charge per kWh Consumption Summer Energy Charge per kWh Consumption Service Charges Total Cost | PG&E A-I P January 1, 1992 \$ 0.12279 2230 kWh \$ 0.14940 6936 kWh \$ 7.50 per mo. \$1,400 per year |
| 2. Purchased Water | | None |
| 3. Insurance Expense | | \$1,800 |
| 4. Ad Valorem Taxes | Composite Tax Rate Assessed Value Special Assessment (Hat Creek Watermaster Fee) | \$1,200 1.0163% \$64,449 544 |
| 5. Water Testing Expense (Included in Contract Work) | | \$ 970 |

Service Connections

Metered Rate:

| | |
|----------------------|-----------|
| 5/8 x 3/4-inch meter | 13 |
| 3/4-inch meter | 0 |
| 1-inch meter | 3 |
| 1-1/2-inch meter | 1 |
| 2-inch meter | 0 |
| 3-inch meter | 1 |
| Total | <u>18</u> |

| | |
|--|-----------|
| Metered Water Sales Used to Design Rates | 6,714 Ccf |
| Flat Rate Connections | 21 |
| Flat Rate Sales | 7,473 Ccf |

HAT CREEK WATER COMPANY

ADOPTED TAX CALCULATIONS
Test Year 1992

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

| | <u>State</u> <u>Tax</u> | <u>Federal</u> <u>Tax</u> |
|--------------------------------------|----------------------------|------------------------------|
| 1. Operating Revenue | \$12,571 | \$12,571 |
| 2. O & M Expense | 11,215 | 11,215 |
| 3. Taxes Other Than Income | 1,200 | 1,200 |
| 4. Depreciation | 472 | \$ 472 |
| 5. Interest | 0 | \$ 0 |
| 6. Taxable Income for CCFT | -316 | |
| 7. CCFT @ 9.3% (\$800 min. if Corp.) | \$ 0 | 0 |
| 8. Taxable Income for FIT | | \$ -316 |
| 9. Federal Income Tax @ 15% | | \$ 0 |
| 10. Total Income Tax | \$ 0 | |

(END OF APPENDIX D)