

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION W-3655  
July 1, 1992

## RESOLUTION

(Res W-3655) BOHL WATER SYSTEM (BWS) - ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$6,146 (19.98%) IN 1992.

**SUMMARY**

This resolution grants an increase in gross annual revenue of \$6,146 or 19.98% for test year 1992. The increase will provide a 14.4% rate of return on rate base in test year 1992.

**BACKGROUND**

BWS, by draft advice letter accepted by the Water Utilities Branch (Branch) on January 24, 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 \$7,757 or 25.29% in 1992. BWS's request shows 1992 gross revenue of \$30,678 at present rates increasing to \$38,435 at proposed rates to produce a rate of return on rate base of 11.32%. BWS presently serves 205 flat rate customers located approximately 3 miles south of Visalia in Tulare County.

The present rates became effective on January 9, 1990 pursuant to Commission Resolution W-3480, which authorized a \$3,282 offset increase to recover production measuring devices installation and water testing costs. The last general rate increase, which authorized \$3,358 in additional gross revenue, was granted on February 24, 1988 pursuant to Commission Resolution W-3386.

**DISCUSSION**

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

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

BWS's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 11.32%. The Branch is currently recommending a 13.90% to 14.40% standard rate of return range for small, 100% equity financed water utilities. Because BWS is well managed, the Branch recommends that BWS 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 11.32% requested by BWS, the total increase granted will still be lower than the increase requested.

Although all of its customers receive flat rate service (Schedule No. 2R, Residential Flat Rate Service), BWS 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 structure conforms with current rate design policy for small water companies which calls for the recovery of up to 100% of fixed costs (for Class "D" size companies) through the service charge and a single block quantity rate.

Enactment of Assembly Bill 2158 by the State Legislature requires the Department of Health Services (DOHS) to adopt regulations establishing an annual billing procedure for the collection of funds from all public water systems in California to carry out the State's drinking water program. In a letter dated October 17, 1991, BWS was informed by DOHS that its annual fee was estimated to be \$1,650 for fiscal year 1991-1992. BWS included this expense in its summary of earnings as shown in Appendix A. DOHS has recently informed the Branch that the \$1,650 was only an estimate and that the annual fees are still under review and it's unlikely that BWS will receive an actual bill in 1992. In view of this, the Branch has excluded the \$1,650 amount in its estimate but recommends that BWS be allowed to file an advice letter rate increase request to offset the annual fee once it has been officially determined and the bill has been received.

BWS has not been greatly affected by California's current drought. The water levels in its wells have remained fairly 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, BWS is prohibited from charging any rates for service under Schedule No. 5, Public Fire Hydrant Service, without formal agreement with a local fire protection agency. Because BWS has no such agreement, the Branch recommends that Schedule No. 5 should be cancelled.

A review of BWS's filed tariffs indicates that it has not updated Tariff Rule Nos. 15 and 16 and filed a Connection Fee Data Form pursuant to Commission Decision No. 91-04-068 which authorized small water utilities to accept amounts in contribution as connection fees to cover the actual cost to the utility of installing new connections. The Branch has provided BWS with all the necessary information to file the revised Rules and Connection Fee Data Form. In view of this, the Branch recommends that BWS should be required to file, by advice letter, the revised tariff Rule Nos. 15 and 16 and a Connection Fee Data Form within 60 days of the effective date of this resolution.

At Branch's recommended rates shown in Appendix B, the bill for a residential customer with a premises of 11,000 square feet or less would increase from \$12.20 to \$14.65 (20.1%) per month.

### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on February 7, 1992. No letters protesting the increase were received by the Branch. The Commission's Consumer Affairs Branch has not received any service complaints against BWS over the last three years.

A public meeting was held on February 25, 1992 in BWS's service area. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Buhl is owned by the Ralston family who also own the EPTCO-Visalia and Nish Water Systems. As all three systems are currently involved in advice letter filings, the public meeting was held jointly for all three systems. Nine customers attended this 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 nine customers also agreed that each company 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. BWS's tariff Schedule No. 5, Public Fire Hydrant Service is no longer applicable and should be cancelled.
5. BWS should be authorized to file an advice letter rate increase request to offset the DOHS annual fee mandated by AB 2158 once the official bill has been received.
6. The Branch recommends that BWS should be required to file, by advice letter, revised Tariff Rule Nos. 15 and 16 and a Connection Fee Data Form pursuant to Commission Decision No. 91-04-068 within 60 days of the effective date of this resolution.
7. The rate increase authorized herein is justified, and the resulting rate is just and reasonable.

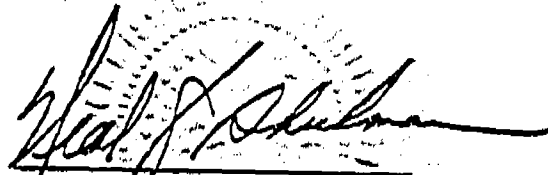
### IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Buhl Water System 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 and 2R. 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.

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BWS/DR/ABJ:JNP:mem

2. Buhl Water System is authorized to file an advice letter rate increase request to offset the Department of Health Services annual fee mandated by Assembly Bill 2158 once the official bill has been received.
3. Buhl Water System filed tariff Schedule No. 5, Public Fire Hydrant Service is cancelled.
4. Within 60 days of the effective date of this resolution, Buhl Water System shall file an advice letter to revise Tariff Rule Nos. 15 and 16 and include in its tariffs a Connection Fee Data Form pursuant to Commission Decision No. 91-04-068.
5. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 1, 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

BUHL WATER SYSTEM

Summary of Earnings / Test Year 1992

ITEM	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<b>Operating Revenue</b>					
Flat Rate	30,678	38,435	30,764	38,508	36,910
Metered Rate	0	0	0	0	0
Total Revenue	30,678	38,435	30,764	38,508	36,910
<b>Operating Expenses</b>					
Purchased Power	6,090	6,090	6,305	6,305	6,305
Materials	241	241	241	241	241
Contract Work	3,700	3,700	3,700	3,700	3,700
Transportation	1,875	1,875	1,875	1,875	1,875
Office Salaries	2,400	2,400	2,400	2,400	2,400
Management Salaries	8,960	8,960	8,960	8,960	8,960
Pensions & Benefits	882	882	882	882	882
Uncollectible Acct	167	167	139	174	167
Office Serv. & Rent	1,674	1,674	1,674	1,674	1,674
Office Supp. & Exp	2,580	2,580	2,580	2,580	2,580
Insurance	840	840	840	840	840
General Expenses	157	157	157	157	157
Reg. Comm. Eqns	543	543	543	543	543
Dept Health Fee	1,650	1,650	0	0	0
Subtotal	31,759	31,759	30,296	30,331	30,324
Depreciation	1,969	1,969	1,888	1,888	1,888
Non-Income Taxes	678	678	1,484	1,484	1,484
Income Taxes	1,260	1,260	0	1,102	736
Total Deductions	35,666	35,666	33,668	34,805	34,432
Net Revenue	(4,988)	2,769	(2,904)	3,703	2,478
<b>Rate Base</b>					
Average Plant	67,890	67,890	67,890	67,890	67,890
Average Depr Resrv	47,100	47,100	50,920	50,920	50,920
Net Plant	20,790	20,790	16,970	16,970	16,970
Less Advances	0	0	0	0	0
Contribution	0	0	0	0	0
Plus Working Cash	3,430	3,430	0	0	0
Materials	241	241	241	241	241
RATE BASE	24,461	24,461	17,211	17,211	17,211
Rate of Return	(Loss)	11.32%	(Loss)	21.52%	14.40%

End of Appendix A

APPENDIX B  
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BUHL WATER SYSTEM

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract No. 249, and vicinity, approximately 3 miles southwest of the City of Visalia in Tulare County.

RATES

Quantity Rates:

All Water, per 100 cubic feet ..... \$ 0.15 (I)

Service Charge:

	Per Meter Per Month	
For 5/8 x 3/4-inch meter .....	\$12.05	(I)
For 3/4-inch meter .....	\$18.10	
For 1-inch meter .....	\$30.00	
For 1 1/2-inch meter .....	\$60.25	
For 2-inch meter .....	\$96.40	(I)

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 Rates.

SPECIAL CONDITIONS:

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

(continued)

APPENDIX B  
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BUHL WATER SYSTEM

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Tract No. 249, and vicinity, approximately 3 miles southwest of the city of Visalia in Tulare County.

RATES

	<u>Per Service Connection</u> <u>per month</u>	
For each single-family residential unit including premises not exceeding 11,000 sq. ft. in area .....	\$14.65	(I)
A. For each additional 100 sq. ft. of premises in excess of 11,000 sq. ft....	\$ 0.11	(I)
B. For each additional single-family residential unit on the same premises and served from the same service connection .....	\$ 6.00	(I)

SPECIAL CONDITIONS

1. The above residential flat rates apply to a Service connection not larger than one inch in diameter. (I)
2. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

End of Appendix B

APPENDIX C  
 BUHL WATER SYSTEM  
 COMPARISON OF RATES  
 Test Year 1992

A comparison of Buhl's present rates 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>
All Water, per 100 cu ft....	\$0.26	\$0.15	(42.3%)
Service Charge:			
For 5/8 x 3/4-inch meter....	\$ 5.05	\$ 12.05	138.6%
For 3/4-inch meter....	\$ 6.75	\$ 18.10	168.1%
For 1-inch meter....	\$10.10	\$ 30.00	197.0%
For 1 1/2-inch meter....	\$13.50	\$ 60.25	346.3%
For 2-inch meter....	\$19.60	\$ 96.40	391.8%

RESIDENTIAL FLAT RATE SERVICE

	<u>Per Service Connection / Per Month</u>		
	<u>present rates</u>	<u>branch rates</u>	<u>% increase</u>
For each single-family residential unit including premises not exceeding 11,000 sq. ft. in area .....	\$12.20	\$14.65	20.1%
A. For each additional 100 sq. ft. of premises in excess of 11,000 sq. ft....	\$ 0.09	\$ 0.11	22.2%
B. For each additional single-family residential unit on the same premises and served from the same service connection	\$ 5.00	\$ 6.00	20.0%

Note: Average water use of 20 Ccf per month used to design rates.

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



APPENDIX D  
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BUHL WATER SYSTEM

ADOPTED QUANTITIES

Test Year 1992

Expenses:

1. Purchased Power

A) Electricity

Vendor

Southern California Edison  
January 20, 1992

Effective Date

Schedule

PA - 1

Energy Charge, per KWh

.09344

Consumption, (57,098 KWh)

\$5,335

Meter Charge, (2 pumps @ \$11.65/mo)

\$ 280

Pump Hp Charge, (50 Hp/month @ \$1.15/Hp)

\$ 690

Total Purchased Power

\$6,305

2. Purchased Water

NONE

3. Ad Valorem Taxes (1991-92 bill)

\$702.02

Composite Rate

1.0487%

Assessed Value

\$66,948

4. Total Payroll

\$11,360

Payroll Taxes (per 1991 tax filing)

\$782

5. Water Testing Expense

\$635

6. System Connections

Metered: No Metered connections at this time.

Flat rate: 205 Residential flat rate connections.

Additional Square Footage: 69,600 square feet billed monthly.

(continued)

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BOHL WATER SYSTEM  
ADOPTED TAX CALCULATIONS  
Test Year 1992

<u>ITEM</u>	<u>State Tax</u>	<u>Federal Tax</u>
Operating Revenue	\$36,910	\$36,910
Expenses	\$30,324	\$30,324
Taxes other than income	\$1,484	\$1,484
Depreciation	\$1,888	\$1,888
Interest	\$0	\$0
Taxable Income for State	\$3,214	
State Tax (@9.3%)	\$299	\$299
Taxable Income for FIT		\$2,915
Federal Income Tax (@15.0%)		\$437
Total Income Tax		\$736

End of Appendix D