

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3657
July 1, 1992

R E S O L U T I O N

(Res W-3657) NISH WATER SYSTEM (NWS) ORDER AUTHORIZING
A GENERAL RATE INCREASE PRODUCING ADDITIONAL ANNUAL
REVENUE OF \$15,954 (25.57%) IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$15,954 or 25.57% for test year 1992. The increase will provide a 14.40% rate of return on rate base in test year 1992.

BACKGROUND

NWS, 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 \$24,122 or 46.1% in 1992. NWS's request shows 1992 gross revenue of \$52,329 at present rates increasing to \$76,451 at proposed rates to produce a rate of return on rate base of 12.36%. NWS presently serves 429 flat rate customers and 4 metered rate customers in Fairview Park, Tract 260 and vicinity, located approximately 1 mile north of Visalia, Tulare County.

The present rates became effective on January 9, 1990 pursuant to Commission Resolution W-3479, which authorized a \$2,405 offset in rates to recover production measuring device installation and water testing costs. The last general rate increase, which authorized \$9,755 in additional revenue, was granted on February 24, 1988 pursuant to Commission Resolution W-3387.

DISCUSSION

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

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

NWS's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 12.36%. The Branch is currently recommending a 13.90% to 14.40% standard rate of return range for small, 100% equity financed water utilities. Because NWS is well managed, the Branch recommends that NWS 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 12.36% requested by NWS, the total increase granted will still be lower than the original utility request.

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, NWS was informed by DOHS that its annual fee was estimated to be \$1,100 for fiscal year 1991-1992. NWS included this expense in its summary of earnings as shown in Appendix A. DOHS has recently informed the Branch that the \$1,100 was only an estimate and that the annual fees are still under review and it's unlikely that NWS will receive an actual bill in 1992. In view of this, the Branch has excluded the \$1,100 amount in its estimate but recommends that NWS 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.

Most of NWS's customers receive flat rate service. Branch recommends increasing the rates in NWS's Schedule No. 2R, Residential Flat Rate Service by the system average increase authorized in this resolution. The Branch's proposed metered rate structure approaches the 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.

NWS has not been greatly affected by California's current drought. The water levels in its two wells 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.

A review of NWS'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 NWS with all the necessary information to file the revised Rules and Connection Fee Data Form. In view of this, the Branch recommends that NWS 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 flat rate residential customer with a premises of 8,000 sq. ft. or less would increase from \$10.50 to \$13.20 (25.7%) per month.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on February 7, 1992. There were three letters in response to this mailing. These responses consisted of three form letters opposing the magnitude of the increase. The Commission's Consumer Affairs Branch has not received any service complaints against NWS over the last three years.

A public meeting was held on February 25, 1992 in the vicinity of NWS's service area. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Nish is owned by the Ralston family who also own the EPTCO-Visalia and Buhl 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 of the customers at the meeting also agreed that each of the three companies provides good water service.

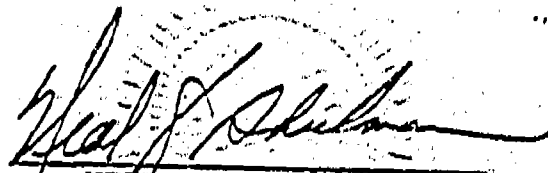
FINDINGS AND CONCLUSIONS

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. NWS 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.
5. The Branch recommends that NWS 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.
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 Nish Water Service 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.
2. Nish Water Service 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. Within 60 days of the effective date of this resolution, Nish 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.
4. This resolution is effective today.

I 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

NISH WATER SYSTEM

Summary of Earnings / Test Year 1992

ITEM	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
Operating Revenue					
Flat Rate	51,832	75,725	58,177	84,860	73,136
Metered Rate	497	726	4,224	6,143	5,219
Total Revenue	52,329	76,451	62,401	91,042	78,355
Operating Expenses					
Purchased Power	10,670	10,670	10,753	10,753	10,753
Materials	1,067	1,067	1,067	1,067	1,067
Contract Work	6,000	6,000	6,000	6,000	6,000
Transportation	4,549	4,549	4,549	4,549	4,549
Office Salaries	4,950	4,950	4,950	4,950	4,950
Management Salaries	18,282	18,282	18,282	18,282	18,282
Pensions & Benefits	1,830	1,830	1,830	1,830	1,830
Uncollectible Acct	550	550	452	655	564
Office Serv. & Rent	3,525	3,525	3,525	3,525	3,525
Office Supp. & Exp	4,850	4,850	4,850	4,850	4,850
Insurance	1,760	1,760	1,760	1,760	1,760
General Expenses	102	102	102	102	102
Reg Comm Eqpm	1,130	1,130	1,130	1,130	1,130
Dept Health Fee	1,100	1,100	0	0	0
Subtotal	60,365	60,365	59,250	59,453	59,362
Depreciation	5,690	5,690	5,690	5,690	5,690
Non-Income Taxes	991	991	2,416	2,416	2,416
Income Taxes	1,260	1,260	0	5,370	2,493
Total Deductions	68,306	68,306	67,356	72,929	69,961
Net Revenue	(15,977)	8,145	(4,955)	18,074	8,394
Rate Base					
Average Plant	213,250	213,250	213,250	213,250	213,250
Average Depr Resrv	73,610	73,610	73,610	73,610	73,610
Net Plant	139,640	139,640	139,640	139,640	139,640
Less Advances	82,430	82,430	82,430	82,430	82,430
Contribution	0	0	0	0	0
Plus Working Cash	7,620	7,620	0	0	0
Materials	1,067	1,067	1,067	1,067	1,067
RATE BASE	65,897	65,897	58,277	58,277	58,277
Rate of Return	(Loss)	12.36%	(Loss)	31.01%	14.40%

Appendix B
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NISH WATER SYSTEM

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Fairview Park, Tract 260, and vicinity, located approximately 1 mile north of Visalia, Tulare County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
All Water served, per 100 cu. ft.....	\$ 0.31	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 5.75	(I)
For 3/4-inch meter	\$ 8.65	
For 1-inch meter	\$ 14.40	
For 1 1/2-inch meter	\$ 28.75	
For 2-inch meter	\$ 46.00	(I)
For 3-inch meter	\$ 86.25	(N)
For 4-inch meter	\$143.75	(N)

Service Charge is a readiness-to-serve charge which is applicable 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)

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NISH WATER SYSTEM

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished on an annual basis.

TERRITORY

Fairview Park, Tract 260, and vicinity, located approximately 1 mile north of Visalia, in Tulare County.

RATES

	<u>Per Service Connection</u> <u>per month</u>	
For each single-family residence, including premises not exceeding 8,000 sq. ft. in area	\$ 13.20	(I)
For each additional 100 sq. ft. of premises in excess of 8,000 sq. ft.	\$ 0.088	(I)

SPECIAL CONDITIONS

1. The above residential flat rates apply to a service connection not larger than one inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered bases.
3. A meter may be installed at the option of the utility for the above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

End of Appendix B

Appendix D
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NLSH WATER SYSTEM

Adopted Quantities

Test Year 1992

1. Purchased Power

A) Electricity

Vendor	Southern California Edison
Effective Date	January 20, 1992
Schedule	PA - 1
Energy Charge, per KWh	.09344
Annual Consumption, (100,424 KWh)	\$9,384
Meter Charge, (2 @ \$11.65/mo)	\$ 280
Pump Hp Charge, (70 Hp/mo @ \$1.15/Hp)	\$ 966
Total Electricity Charges	\$10,630

B) Natural Gas

Vendor	Southern California Gas
Effective Date	January 8, 1991
Schedule	GN-10
Annual Consumption (Summer only)	6.0 Therms
Charge per Therm (Summer)	\$0.60181
Meter Charge, per day	\$0.32877
Total Annual Gas Charge	\$123.00

Total Purchased Power

\$10,753

2. Purchased Water

NONE

3. Ad Valorem Taxes (1991-92 bill)

Composite Rate	\$775.24
Assessed Value	1.0487%
	\$73,929

4. Payroll Taxes

Total Taxes (per 1991 tax filing)	\$23,232
	\$1,640

5. Annual Water Testing Expense

\$750.00

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NLSH WATER SYSTEM

Adopted Quantities

Test Year 1992

6. Service Connections:

Flat Rate	429
Additional square footage per year	9450
Metered Rate	
5/8x3/4-inch meter	0
3/4-inch meter	0
1-inch meter	3
1-1/2-inch meter	0
2-inch meter	0
3-inch meter	0
4-inch meter	1
Total	4
Metered Water Sales Used to design Rates	9,450 Ccf

(continued)

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NLSH WATER SYSTEM

Adopted Quantities

Test Year 1992

7. Adopted Tax Calculations

ITEM	<u>State Tax</u>	<u>Federal Tax</u>
Operating Revenue	\$78,355	\$78,355
Expenses	\$59,362	\$59,362
Taxes other than income	\$2,416	\$2,416
Depreciation	\$5,690	\$5,690
Interest	\$0	\$0
Taxable Income for State	\$10,887	
State Tax (@9.3%)	\$1,012	\$1,012
2 Taxable Income for FIT		\$9,875
Federal Income Tax (@15.0%)		\$1,482
Total Income Tax		\$2,493

End of Appendix D

Appendix C

NLSH WATER SYSTEM

Comparison of Rates

Test Year 1992

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

METERED SERVICE ¹

Quantity Rates:	<u>present rates</u>	<u>Branch rates</u>	<u>% increase</u>
All Water served, per 100 cu ft.....	\$0.31	\$0.31	0
Service Charge:			
For 5/8 x 3/4-inch meter.....	\$ 4.60	\$ 5.75	25.0
For 3/4-inch meter.....	\$ 6.10	\$ 8.65	41.8
For 1-inch meter.....	\$ 9.30	\$ 14.40	54.8
For 1 1/2-inch meter.....	\$16.25	\$ 28.75	76.9
For 2-inch meter.....	\$25.00	\$ 46.00	84.0
For 3-inch meter.....	-	\$ 86.25	-
For 4-inch meter.....	-	\$143.75	-

ANNUAL FLAT RATE SERVICE

For each single-family residence, including premises not exceeding 8,000 sq. ft. in area	\$10.50	\$13.20	25.7
For each additional 100 sq. ft of premises in excess of 8,000 sq. ft.....	\$ 0.07	\$ 0.088	25.7

End of Appendix C

¹ There are currently 3 customers under the 1-inch metered service schedule.