

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3660  
JULY 22, 1992

## RESOLUTION

(Res. W-3660) BORREGO SPRINGS WATER COMPANY (BSWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$67,388 (12.65%) IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$67,388 or a system wide increase of 12.7% for test year 1992. The increase will provide an 11.56% rate of return on rate base in test year 1992.

BACKGROUND

BSWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on February 10, 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 \$137,409 or 25.8% in 1992. BSWC's request shows 1992 gross revenue of \$532,504 at present rates increasing to \$669,913 at proposed rates to produce a rate of return on rate base of 12.0%. BSWC presently serves approximately 1,045 metered customers in the community of Borrego Springs located about 100 miles northeast of San Diego, San Diego County.

The present rates became effective on December 3, 1986, pursuant to Decision No. (D.) 86-12-024 which authorized a general rate increase producing \$18,283 or 5.06% additional annual revenue.

DISCUSSION

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

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

BSWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 12.0%. The Branch's recommended summary of earnings in Appendix A would produce a rate of return of 11.56% at the Branch's recommended rates as developed on the next page. This rate of return calculation contains a 11.85% rate of return on common equity, a mid-point of the Branch's recommended rate of return range of 11.6% to 12.1% for Class C water utilities.

BSWC's capital structure and the development of the 11.56% rate of return is shown in the following tabulation:

	<u>Percentage</u>	<u>Cost</u>	<u>Wt'd Cost</u>
Debt	12.16%	9.50%	0.011552
Equity	87.84%	11.85%	0.106286
Total	100.00%		.115642
Use	11.56%		

The above capital structure reasonably represents shareholder risk and fairness to customers based on BSWC's size and operational characteristics.

Pursuant to Section 2713 of the Public Utilities Code, BSWC 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 BSWC has no such agreement, the Branch recommends that Schedule No. 5 be cancelled.

BSWC's filed tariffs do not contain the recent revisions to its Title Page, Rules 15, and 16, and the Connection Fee data form. The Branch recommends that BSWC be ordered to file these revisions to its tariffs.

BSWC has a metered rate schedule (Schedule No. 1, General Metered Service). The Branch's proposed metered rate design attempts to conform with current rate design policy for small water companies, as stated in D.92-03-093 dated March 31, 1992, which, for class C water utilities, calls for the recovery of up to 65% of fixed costs through the service charge and a single block quantity rate.

Enactment of Assembly Bill 2158 by the State Legislature requires the Departments of Health Services (DHS) 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. Since BSWC will be required to pay its share of DHS fee, the Branch that BSWC 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.

BSWC has not been greatly affected by California's recent drought. The water levels in its 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.

At the Branch's recommended rates shown in Appendix B, the bill for a metered residential customer with a 3/4-inch meter using an average of 55.5 Ccf of water per month would increase from \$41.40 to \$46.74 or an increase of 12.8%, per month. A comparison of customer bills at present and Branch recommended rates is shown in Appendix C.

### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on February 10, 1992. Three letters protesting the increase were received by the Branch. The protestants' letters state the increase is too large. The Commission's Consumer Affairs Branch has received seven service complaints against BSWC over the last seven years.

A public meeting was held on April 28, 1992 in BSWC's service area. The Branch's representative explained Commission rate setting procedures, and the utility owner answered questions from the customers present at this meeting. Eighteen customers attended the public meeting and registered complaints ranging from displeasure at the proposed rate increase to inadequate maintenance services. There were no customer complaints at the meeting about the quality of the water supplied.

### FINDINGS AND CONCLUSIONS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. BSWC should continue to accrue depreciation at a rate of 3.2% until further order of this Commission.
3. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
4. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
5. BSWC 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. BSWC's filed tariffs do not contain the recent revisions to its Title Page, Rules 15 and 16, and the Connection Fee data form. BSWC should be ordered to file the most recent revisions to these tariffs when it files its revised rate schedules.
7. BSWC's tariff Schedule No. 5, Public Fire Hydrant Service is no longer applicable and should be cancelled.
8. The rate increase authorized herein is justified, and the resulting rates are just and reasonable.

### IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Borrego Springs 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, 4, and 5PR. It shall also file the recent revisions to its Title Page, Rules 15 and 16, and the Connection Fee data form. 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.

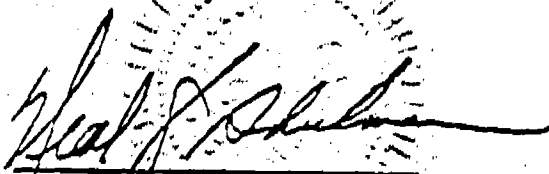
2. Borrego Springs Water Company's filed tariff Schedule No. 5, Public Fire Hydrant Service is cancelled.

3. Borrego Springs Water Company is authorized to file an advice letter rate increase request to offset the Department of Health Services and fee mandated by Assembly Bill 2158 once the official bill has been received.

4. BSWC shall continue to accrue depreciation at a rate of 3.2% until further order of this Commission.

5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on July 22, 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

BORREGO SPRINGS WATER COMPANY

SUMMARY OF EARNINGS  
 Test Year 1992

ITEM	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
<b>Operating Revenue</b>					
Metered	\$532,504	\$669,913	\$532,504	\$669,913	\$599,892
Private Fire Prot.	0	0	0	0	0
Total Revenue	532,504	669,913	532,504	669,913	599,892
<b>Operating Expenses</b>					
Purchased Power	160,357	160,357	156,700	156,700	156,700
Other Volume Related	0	0	1,921	1,921	1,921
Employee Labor	93,371	93,371	69,350	69,350	69,350
Materials	15,899	15,899	15,917	15,917	15,917
Contract Work	8,798	8,798	8,798	8,798	8,798
Transportation	7,860	7,860	7,860	7,860	7,860
Other Plant Maint.	7,476	7,476	7,476	7,476	7,476
Office Salaries	23,152	23,152	23,152	23,152	23,152
Management Salaries	30,000	30,000	11,000	11,000	11,000
Employee Pen. & Ben.	35,789	35,789	26,379	26,379	26,379
Uncollectibles Accts.	908	908	908	908	1,022
Office Services & Rent	17,175	17,175	17,175	17,175	17,175
Office Supplies	12,211	12,211	11,498	11,498	11,498
Professional Services	23,640	23,640	15,640	15,640	15,640
Insurance	29,411	29,411	27,596	27,596	27,596
General Expenses	6,720	6,720	6,344	6,344	6,344
Regulatory Expenses	4,000	4,000	4,000	4,000	4,000
Expenses Capitalized	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)
Subtotal	473,967	473,967	404,153	404,153	409,028
Depreciation	39,891	39,891	41,190	41,190	41,190
Taxes other than income	22,719	22,719	19,132	19,132	19,132
Income Taxes	800	37,124	800	37,786	35,882
Total deductions	537,377	573,935	467,229	504,215	505,232
Net Revenue	( 4,873)	95,978	2,083	165,698	94,660
<b>Rate Base</b>					
Average Plant	1,660,437	1,660,437	1,701,020	1,701,020	1,701,020
Average Dep. Reserve	572,795	572,795	573,796	573,796	573,796
Net Plant	1,087,642	1,087,642	1,127,224	1,127,224	1,127,224
Less Advances	0	0	0	0	0
Contributions	298,153	298,153	309,523	309,523	309,523
Def. inc. tax	37,994	37,994	36,330	36,330	36,330
Plus Working Cash	44,480	44,480	33,630	33,630	33,630
Mat'l. & Supplies	3,850	3,850	3,850	3,350	3,850
Rate Base	799,825	799,825	818,851	818,851	818,851
Rate of Return	(loss)	12.00%	0.01%	20.24%	11.56%

(END OF APPENDIX A)

APPENDIX B  
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BORREGO SPRINGS WATER COMPANY

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Borrego Valley and vicinity, San Diego County.

RATES

Quantity Rate:

All water, per 100 cu.ft. .... \$ 0.588 (I)

Service Charge:

	Per Meter Per Month	SDWBA Monthly Surcharge (2)
For 5/8 x 3/4-inch meter .....	\$ 10.55 (I)	\$ 2.10
For 3/4-inch meter .....	11.50	2.35
For 1-inch meter .....	15.70	3.15
For 1-1/2-inch meter .....	21.40	4.20
For 2-inch meter .....	29.75	5.70
For 3-inch meter .....	52.70	10.50
For 4-inch meter .....	71.30 (I)	14.30

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

SPECIAL CONDITIONS

- (1) This rate includes a negative amortization factor of \$0.047 per Ccf for purchased power to amortize the overcollection of \$99,227 over a 36-month period. (C)
- (2) The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 92116. (C)
- (3) All bills are subject to the reimbursement fee set forth on Schedule No. UF.

BORREGO SPRINGS WATER COMPANY

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Borrego Valley and vicinity, San Diego County.

RATE

For each inch of diameter of service connection .... Per Month  
\$ 2.00 (I)

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
3. 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 and the cost paid by the applicant. Such payment shall not be subject to refund.
4. 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 install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost shall be paid by the applicant. Such payment shall not be subject to refund. (T)
5. The utility undertakes to supply such water at such pressure as may be available at any time through the normal operation of its system.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Appendix B  
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BORREGO SPRINGS WATER COMPANY

Schedule No. 5PR

PRIVATE FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to hydrants owned by individuals other than municipalities, organized fire districts, and other political subdivisions of the State.

TERRITORY

Borrego Springs and vicinity, San Diego County.

RATE

	Per Month	
For each hydrant .....	\$ 2.00	(I)

SPECIAL CONDITIONS

1. Water delivered for the purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of a written request from an individual. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type, and size. (T)
4. The utility undertakes to supply only such water at such pressures as may be available at any time through the normal operation of its system.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX B)



Appendix C

BORREGO SPRINGS 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 5/8x3/4-inch meter	\$ 8.50	\$10.55	\$ 2.05	24.1%
For 3/4-inch meter	9.25	11.50	2.25	24.3%
For 1-inch meter	12.65	15.70	3.05	24.1%
For 1-1/2-inch meter	17.25	21.40	4.15	24.1%
For 2-inch meter	24.00	21.75	5.75	24.0%
For 3-inch meter	42.50	52.70	10.20	24.0%
For 4-inch meter	57.50	71.30	13.80	24.0%

Quantity Rate:

Per 100 cu.ft. ....	\$ 0.58	\$ .635	\$ .055	9.48%
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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	\$ 9.25	\$ 11.50	\$ 2.25	24.3%
10	15.05	17.85	2.80	18.6%
30	26.65	30.55	3.90	14.6%
55.5 Avg.	41.44	46.74	5.30	12.8
100	67.25	75.00	11.5	11.5
200	125.25	138.50	10.6	10.6

(END OF APPENDIX C)

APPENDIX D  
 Page 1

BORREGO SPRINGS WATER COMPANY

ADOPTED QUANTITIES

Expenses:

1. Purchased Power

Vendor	SDG&E
Schedule No.	PA; Pa-T-1
Effective Date	May 1, 1992
PA	
Energy Charge per KWH	\$ 0.0.8530
Consumption	0 kWh
Service Charge	\$ 96.00
PAT-1	
Energy Charge per KWH	\$ 0.14940
On:	0.08722 kWh
Semi:	0.06222 kWh
Off:	0.03736 kWh
Consumption	1,968,901 kWh
Energy Commission Surcharge	\$ .00012 per KWH
Service Charges	\$360.00 per mo.
Total Cost	\$156,700 per year

2. Purchased Water

None

3. Insurance Expense

\$27,596

4. Ad Valorem Taxes

Tax Rate	\$10,263
Assessed Value	1.00%
	\$1,701,020

5. Water Testing Expense

\$ 8,798

Service Connections

Metered Rate:

5/8x3/4-inch meter	346
3/4-inch meter	539
1-inch meter	129
1-1/2-inch meter	26
2-inch meter	7
3-inch meter	3
4-inch meter	2

Total 1052

Metered Water Sales Used to Design Rates 700,419 ccf

Appendix D  
Page 2

Borrego Springs WATER COMPANY

ADOPTED TAX CALCULATIONS  
Test Year 1992

Federal Tax Rate: 34%  
California corporate Franchise Rate: 9.3%  
Local Franchise Rate: 0.0%

ITEM	State Tax	Federal Tax
1. Operating Revenue	\$599,892	\$599,892
2. O & M Expense	409,028	409,028
3. Taxes Other Than Income	19,132	19,132
4. Depreciation	41,190	41,190
5. Interest	9,600	9,600
6. Taxable Income for CCFT	\$120,942	
7. CCFT @ 9.3%	\$11,248	
8. Taxable Income for FIT		\$106,113
9. Federal Income Tax @ 34%		24,634
10. Total Income Tax	\$35,882	

END OF APPENDIX D