

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3668
August 11, 1992

R E S O L U T I O N

(Res. W-3668) FRUITRIDGE VISTA WATER COMPANY (FVW)
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$76,808 (9.97%) IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$76,808 or 9.97% for test year 1992. The increase will provide an 11.00% rate of return on rate base in test year 1992.

BACKGROUND

FVW, by draft advice letter accepted by the Water Utilities Branch (Branch) on April 14, 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 \$120,590 or 15.7% in 1992. FVW's request shows 1992 gross revenue of \$770,410 at present rates increasing to \$891,000 at proposed rates to produce a rate of return on rate base of 12.00%. FVW presently serves 4,310 flat rate customers and 359 metered rate customers approximately three miles south of the city of Sacramento in Sacramento County.

The present rates became effective on November 1, 1991 pursuant to Commission Resolution W-3620, which authorized a \$46,430 offset in rates to compensate for increased power costs and amortization of undercollection in the balancing account. The last general rate increase was granted on February 22, 1988 pursuant to Commission Decision 88-02-010 which authorized additional revenue of \$92,600 or 15.98% in 1987, \$24,400 or 3.63% in 1988, and \$21,200 or 3.04% in 1989.

DISCUSSION

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

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

FVW's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 12.00%. The Finance Branch of the Commission Advisory and Compliance Division is currently recommending a 10.50% to 11.00% standard rate of return range for 100% equity financed Class "B" water utilities. Because FVW is well managed, the Branch recommends that FVW be allowed to earn a rate of

return on rate base of 11.00%, which is the upper end of the recommended rate of return range.

Though most of FVW's customers receive flat rate service (Schedule No. 1, Flat Rate Service), the company has mandated that all new service connections will be metered (Schedule No. 1, Metered Service). As a result, all future growth considerations will be to metered connections. 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 50% of fixed costs (for Class "B" size companies) through the service charge with a single block quantity rate.

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 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 11.00% to be reasonable for the purpose of future earnings tests for FVW.

FVW 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, FVW 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 FVW has no such agreement, the Branch recommends that Schedule No. 5 should be cancelled.

At Branch's recommended rates shown in Appendix B, the bill for a flat rate residential connection would increase from \$ 8.78 to \$ 9.65 (9.91%) per month.

During the field investigation of FVW, it was discovered that four of the well sites were not adequately protected against trespassing or vandalism. As a result, the staff is recommending that FVW make improvements to well sites Nos. 4, 7, 10, and 12. These improvements consist of fully enclosing these well sites with fencing. FVW has agreed to make these improvements and has submitted the following estimates:

<u>Well No.</u>	<u>Dollars</u>
4	\$ 4,887
7	\$ 4,694
10	\$ 4,777
12	\$ 4,600
Total	\$ 18,958

FVW proposes to construct these improvements in 1993. Once these improvements are completed, FVW should be allowed to file an advice letter rate increase request to recover all reasonable costs associated with the Branch's recommended plant improvements.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on May 1, 1992. There were no responses to this mailing. The Commission's Consumer Affairs Branch has received four complaints against FVW over the last three years. Three of these complaints were regarding high bills while one was regarding company customer relation practices. The last complaint filed against the company was on April 22, 1991. All these complaints were satisfactorily resolved.

A public meeting was held on May 19, 1992 in the vicinity of FVW's service area. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Three customers attended this meeting and though they felt the requested increase was excessive, they all expressed an understanding of the company's need for a rate increase. All three customers also agreed that the company provides good water service.

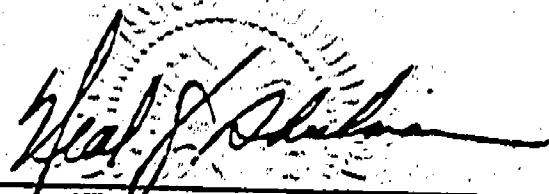
FINDINGS AND CONCLUSIONS

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. FVW's tariff Schedule No. 5, Public Fire Hydrant Service is no longer applicable and should be cancelled.
5. FVW should be authorized to file an advice letter rate increase request to recover all reasonable costs associated with the Branch's recommended plant improvements to well sites Nos. 4, 7, 10, and 12 after they have been completed and placed in service.
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 Fruitridge Vista 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 and 2. 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. For the purpose of earnings tests in any future offset rate increase requests for the Fruitridge Vista Water Company, a rate of return on rate base not exceeding 11.00% shall be considered reasonable.
3. Fruitridge Vista Water Company's filed tariff Schedule No. 5, Public Fire Hydrant Service is cancelled.
4. Fruitridge Vista Water Company is authorized to file an advice letter rate increase request to offset the plant improvement costs to well sites Nos. 4, 7, 10, and 12 after they have been completed and placed in service.
5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on August 11, 1992. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

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

Commissioner John B. Ohanian,
being necessarily absent, did
not participate.

Appendix A

FRUITRIDGE VILSTA 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					
Flat Rate	\$491,420	\$568,160	\$491,417	\$568,164	\$540,871
Metered Rate	273,950	316,960	274,004	317,141	300,822
Private Fire	5,040	5,880	5,256	6,132	5,782
Total Revenue	770,410	891,000	770,677	891,437	847,475
Operating Expenses					
Purchased Power	144,200	144,200	120,070	120,070	120,070
Other Vol Related	1,910	1,910	1,910	1,910	1,910
Materials	21,930	21,930	21,930	21,930	21,930
Employee Labor	142,070	142,070	142,090	142,090	142,090
Contract Work	8,800	8,800	8,800	8,800	8,800
Transportation	16,840	16,840	16,840	16,840	16,840
Other Plant Maint	16,110	16,110	16,110	16,110	16,110
Office Salaries	61,320	61,320	61,320	61,320	61,320
Management Salaries	57,190	57,190	57,190	57,190	57,190
Employee Benefits	19,170	19,170	19,170	19,170	19,170
Uncollectibles	3,420	3,420	728	841	800
Office Serv. & Rent	23,470	23,470	23,470	23,470	23,470
Office Supp. & Exp	32,930	32,930	32,930	32,930	32,930
Professional Serv	9,110	9,110	9,110	9,110	9,110
Insurance	55,870	55,870	55,870	55,870	55,870
Reg Comm Expenses	1,500	1,500	1,500	1,500	1,500
General Expenses	16,730	16,730	16,555	16,555	16,555
Subtotal	632,570	632,570	605,593	605,706	605,665
Expenses Capitalized	(2,380)	(2,380)	(2,380)	(2,380)	(2,380)
Depreciation	69,460	69,460	70,488	70,488	70,488
Non-Income Taxes	38,820	38,820	35,570	35,570	35,570
Income Taxes	7,280	49,470	14,611	61,339	43,693
Total Deductions	745,750	787,940	723,882	770,723	753,036
Net Revenue	24,660	103,060	46,795	120,714	94,439
Rate Base					
Average Plant	3,120,570	3,120,570	3,120,570	3,120,570	3,120,570
Average Depr Resrv	1,347,300	1,347,300	1,347,300	1,347,300	1,347,300
Net Plant	1,773,270	1,773,270	1,773,270	1,773,270	1,773,270
Less: Advances	418,160	418,160	418,160	418,160	418,160
Contribution	459,960	459,960	459,960	459,960	459,960
Deferred Tax	91,550	91,550	91,550	91,550	91,550
Plus: Working Cash	41,330	41,330	41,330	41,330	41,330
Materials	13,830	13,830	13,830	13,830	13,830
RATE BASE	858,760	858,760	858,760	858,760	858,760
Rate of Return	2.87%	12.00%	5.44%	14.06%	11.00%

Appendix B

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FRUITRIDGE VISTA WATER COMPANY

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Fruitridge Vista, Sandra Heights, Pacific Terrace and Bowling Green subdivisions and vicinity, south of Sacramento, Sacramento County.

RATES

Quantity Rate:	Per Meter Per Month		Bal. Account Surcharge
All water, per 100 cu. ft.....	\$ 0.240	(R)	\$0.0207
Service Charge:			
For 5/8 x 3/4-inch meter	\$ 5.75	(R)	
For 3/4-inch meter	\$ 8.60	(I)	
For 1-inch meter	\$ 14.40	()	
For 1 1/2-inch meter	\$ 28.75	()	
For 2-inch meter	\$ 46.00	()	
For 3-inch meter	\$ 86.25	()	
For 4-inch meter	\$143.75	()	
For 6-inch meter	\$287.50	(I)	

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. The Balancing Account surcharge will expire on October 31, 1992. (T)
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(continued)

Appendix B

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FRUITRIDGE VISTA WATER COMPANY

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Fruitridge Vista, Sandra Heights, Pacific Terrace and Bowling Green subdivisions and vicinity, south of Sacramento, Sacramento County.

RATES

	<u>Per Service Connection</u> <u>per month</u>		<u>Balancing Acct.</u> <u>Surcharge</u>
1. For a single residential unit, including premises not exceeding 10,000 sq. ft. in area	\$ 9.65	(I)	\$ 0.42
a. For each additional single-family unit on the same premises and served from the same service connection .	\$ 6.20	(I)	\$ 0.19
b. For each 100 sq-ft. of premises in excess of 10,000 sq-ft.	\$ 0.09	(I)	\$ 0.003
2. For each automobile service station, including car-wash rack, where service connection is not larger than one-inch in diameter.....	\$20.45	(I)	\$ 0.40

SPECIAL CONDITIONS

1. The Balancing Account surcharge will expire on October 31, 1992. (T)
2. The above Flat Rates apply to a service connection not larger than one-inch in diameter.
3. If the utility so elects, a meter shall be installed and water served under Schedule No. 1, Metered Service. (T)
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(continued)

FRUITRIDGE VISTA WATER COMPANY
Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and immediately adjoining territory, all located in Sacramento County adjacent to the southerly limits of the City of Sacramento.

RATES

Per month

For each inch of diameter of service connection \$ 3.30 (I)

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and 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 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 paid by the applicant. Such payment shall not be subject to refund.
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 in Schedule No. UF

(continued)

Appendix B

FRUITRIDGE VISTA WATER COMPANY

Schedule No. 9

METERED CONSTRUCTION SERVICE

APPLICABILITY

Applicable to all water service furnished for construction water.

TERRITORY

Fruitridge Vista, Sandra Heights, Pacific Terrace and Bowling Green subdivisions and vicinity, south of Sacramento, Sacramento County.

RATES

Quantity Rate:

Per 100 cu. ft. \$ 0.24

Balancing Acct.
Surcharge
\$ 0.0207

Minimum Charge:

Per Meter Per Day

For all sizes of meter \$ 6.60

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rate.

SPECIAL CONDITIONS

1. Applicant for metered construction service shall deposit with the utility a sum equal to 120% of the cost of the meter. This deposit is refundable upon return of the meter to the utility in good working condition.
2. Construction water service under this schedule will be furnished only when surplus water is available over the requirements for domestic service and under conditions which will not adversely affect domestic service. The utility will be the sole judge as to the availability of such surplus water.
3. The Balancing Account surcharge will expire on October 31, 1992.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

End of Appendix B

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 FRUITRIDGE VISTA WATER COMPANY

Comparison of Rates

Test Year 1992

A comparison of Fruitridge Vista's current rates and the Branch's recommended rates is shown below:

METERED SERVICE

Quantity Rates:	<u>Present Rates</u>	<u>Branch Rates</u>	<u>% Increase</u>
All Water served, per 100 cu ft.....	\$0.35	\$0.24	(31.4%)
<u>Service Charge:</u>			
For 5/8 x 3/4-inch meter.....	\$ 7.55	\$ 5.75	(23.8%)
For 3/4-inch meter.....	\$ 8.25	\$ 8.60	4.2%
For 1-inch meter.....	\$ 11.00	\$ 14.40	30.9%
For 1 1/2-inch meter.....	\$ 14.90	\$ 28.75	93.0%
For 2-inch meter.....	\$ 20.00	\$ 46.00	130.0%
For 3-inch meter.....	\$ 37.50	\$ 86.25	130.0%
For 4-inch meter.....	\$ 51.00	\$143.75	181.9%
For 6-inch meter.....	\$ 84.00	\$287.50	242.3%

FLAT RATE SERVICE

	<u>Per Service Connection Per Month</u>		
	<u>Current Rates</u>	<u>Adopted Rates</u>	<u>Increase</u>
1. For a single residential unit, including premises not exceeding 10,000 sq. ft. in area	\$ 8.78	\$ 9.65	9.9%
a. For each additional single-family unit on the same premises and served from the same service connection.	\$ 5.61	\$ 6.20	10.5%
b. For each 100 sq-ft. of premises in excess of 10,000 sq-ft.	\$ 0.082	\$ 0.09	9.8%
2. For each automobile service station, including car-wash rack, where service connection is not larger than one-inch in diameter.....	\$18.60	\$20.45	10.0%

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FRUITRIDGE VISTA WATER COMPANY

Comparison of Rates

A monthly bill comparison for a customer with a 2-inch metered connection is shown below:

<u>Usage</u> <u>100 Cu. ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Increase</u> <u>Amount</u>	<u>Percent</u> <u>Increase</u>
0	\$ 20.00	\$ 46.00	\$ 26.00	130.0%
50	\$ 37.50	\$ 58.00	\$ 20.50	54.7%
75	\$ 46.25	\$ 64.00	\$ 17.75	38.4%
100	\$ 55.00	\$ 70.00	\$ 15.00	27.3%
125	\$ 63.75	\$ 76.00	\$ 12.25	19.2%
150	\$ 72.50	\$ 82.00	\$ 9.50	13.1%
175	\$ 81.25	\$ 88.00	\$ 6.75	8.3%
188 (avg)	\$ 85.80	\$ 91.12	\$ 5.32	6.2%
200	\$ 90.00	\$ 94.00	\$ 4.00	4.4%
250	\$ 107.50	\$ 106.00	\$ (1.50)	(1.4%)
300	\$ 125.00	\$ 118.00	\$ (7.00)	(5.6%)
500	\$ 195.00	\$ 166.00	\$ (29.00)	(14.9%)
750	\$ 282.50	\$ 226.00	\$ (56.50)	(20.0%)
1000	\$ 270.00	\$ 286.00	\$ (84.00)	(22.7%)

Note: According to company data, the average 2-inch metered connection usage was 187.5 Ccf per month. These customers consist of 49 commercial, 58 apartment, 7 school/park, and 13 multi-family connections.

End of Appendix C

Appendix D
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FRUITRIDGE VISTA WATER COMPANY

Adopted Quantities

Test Year 1992

1. Purchased Power

A) Vendor	Sacramento Municipal Utility District	
Effective Date	January 01, 1992	
Rate Code #47 (11 pumps)	Secondary Service	
Season	Winter	Summer
Consumption		
first 8,750 KWh	186,397 KWh	270,130 KWh
over 8,750 KWh	180,527 KWh	365,470 KWh
Demand		
over 30 Kw	445 Kw	735 Kw
Energy Charge, per KWh		
first 8,750 KWh	\$ 0.07503	\$ 0.08306
over 8,750 KWh	\$ 0.05786	\$ 0.05835
Demand Charge, per Kw		
first 30 Kw	no charge	no charge
over 30 Kw	\$ 7.10	\$ 8.60
Customer Charge, per pump	\$ 18.50	\$ 18.50

B) Vendor	Sacramento Municipal Utility District	
Effective Date	January 01, 1992	
Rate Code #27, (4 pumps)	Small Commercial/Industrial	
Season	Winter	Summer
Consumption, KWh	209,962 KWh	274,939 KWh
Customer Charge, per pump	\$ 7.50	\$ 7.50
Energy Charge, per KWh	\$ 0.07535	\$ 0.08313

City Tax on pump #13 \$ 530 / year
State Power Tax (\$ 0.0002 x KWh) \$ 297 / year

Total Purchased Power \$ 120,068

3. Ad Valorem Taxes (1991-92 bill)

Annual Bill	\$ 10,878
Assessed Value	\$ 1,023,890
Composite Tax Rate	1.06247%
Escaped Tax (amortized over 3 yrs)	\$ 3,312
Total Taxes	\$ 14,190

4. Annual Water Testing Expense \$ 3,300

Appendix D
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 FRUITRIDGE VISTA WATER COMPANY

Adopted Quantities

5. Service Connections:

	Average Connections
Flat Rate	
Single-family units	4,308
Additional units	429
Excess Square Footage (100's sq.ft.)	3,008
Service Station	1
Sales to the County (billed at 78% of filed tariff per agreement):	
Single-family units	28
Additional units	46
Metered Rate	
3/4-inch meter	24
1-inch meter	101
1 1/2-inch meter	67
2-inch meter	129
3-inch meter	26
4-inch meter	9
6-inch meter	3
Annual Metered Water Consumption	557,497 Ccf
Private Fire Protection	
4-inch service	7
6-inch service	13
8-inch service	5

6. Adopted Tax Calculation

ITEM	State Tax	Federal Tax
Operating Revenue	\$ 847,475	\$ 847,475
Expenses	\$ 605,665	\$ 605,665
Taxes other than income	\$ 35,570	\$ 35,570
Depreciation	\$ 70,488	\$ 70,488
Expense Capitalized	\$ (2,380)	\$ (2,380)
Taxable Income for State	\$ 138,132	
State Tax (@9.3%)	\$ 12,846	\$ 12,846
Taxable Income for FIT		\$ 125,286
Federal Income Tax		
1st 50K @15.0%		\$ 7,500
Next 25K @25.0%		\$ 6,250
Over 75K @34.0%		\$ 17,097
Total Income Tax		\$ 43,693

End of Appendix D