

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3677
September 2, 1992

RESOLUTION

(RES. W-3677) AGATE BAY WATER COMPANY (ABWC) - ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$14,196 (16.8%) IN 1992.BY DRAFT ADVICE LETTER DATED FEBRUARY 27, 1992.**SUMMARY**

This resolution grants an increase in gross annual revenue of \$14,196, or 16.8% for test year 1992. This increase will provide an 11.85% rate of return on rate base in test year 1992.

BACKGROUND

ABWC, by a draft advice letter accepted by the Water Utilities Branch (Branch) on February 27, 1992, requests authority under Section VI of General Order No. 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$25,420 or 29.9% in 1992. ABWC's request shows 1992 gross revenues of \$84,980 at present rates increasing to \$110,400 at proposed rates to produce an 11.63% return on rate base. ABWC presently serves approximately 546 flat rate customers in Carnelian Bay, located on the northern shore of Lake Tahoe, Placer County.

The present rates became effective on August 26, 1987, pursuant to Resolution W-3368, which authorized a general rate increase of \$17,411 or 28.3%.

DISCUSSION

The Branch made an independent analysis of ABWC's summary of earnings. Appendix A shows ABWC's and the Branch's estimated summary of earnings at present, requested, and recommended rates. Appendix A also shows differences between ABWC's and the Branch's estimates in revenues, operating expenses, depreciation and rate base.

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

Per Assembly Bill 2158, the State Legislature requires the Department of Health Services (DHS) to collect annual fees from all public water systems in California in order to carry out the State's drinking water program. ABWC claims that it was informed by DHS of its fee being an estimated \$2,200 for 1992 and it wished the same to be recorded under operating expenses in Appendix A. The Branch has recently been informed by DHS that it's unlikely for ABWC to receive an actual bill in 1992 and the Branch will exclude this item from the Appendix A list of expenses. The Branch, however, recommends that ABWC be allowed to file an advice letter rate increase request to offset

the annual fee once it has been received and paid.

ABWC's and the Branch's estimates of average plant, average accumulated depreciation reserves, contribution, and rate base differ largely because ABWC apparently failed to follow Ordering Paragraph 2 requirements of Resolution W-3368 in 1987 which required that the plant-in-service amount of \$174,131 and depreciation reserves of \$104,250 be recorded on the utility's books as of January 1, 1987.

To prevent inconsistencies in the future between the figures adopted by the Commission and the figures shown in ABWC's 1992 annual report, the Branch recommends that ABWC record on its books the utility plant and depreciation reserve balances upon which the average amounts adopted in this report are based. The utility gross plant as of January 1, 1992, is \$195,861, and the accumulated depreciation reserve is \$134,566.

The company plans to replace the lake source storage tank in the near future due to leaks and corrosion. It also plans to install a booster pump between the storage tanks, an automatic chlorinator and a more effective filtration and treatment system housed at the existing lake treatment plant. The installation of surface water treatment facilities are required by the Office of Drinking Water (ODW) of DHS. Since the installation of these facilities is necessary for improving water quality and the safe operation of the water system, the Branch recommends that ABWC be authorized to file an advice letter rate increase request to recover all reasonable costs associated with installation of improvements after they have been placed in service.

ABWC's draft advice letter requested rates which it estimated would produce an 11.63% rate of return on rate base. The summary of earnings in Appendix A shows an 11.85% rate of return at the Branch's recommended rates. This rate of return is the midpoint of the 11.60% to 12.10% standard rate of return range recommended by the Branch for 100% equity financed for Class C water utilities.

ABWC's current rate structure is made up of three schedules: Schedule No. 1, Metered Service; Schedule No. 2A, Annual Flat Rate Service; and Schedule No. 2AL, Limited Annual Flat Rate Service, as shown in Appendix B. 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 No. 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.

The Branch's flat rate schedules were all increased by the overall system average increase of 16.8%.

ABWC's filed tariffs do not contain the recent revisions to its Title Page, two sheets of its preliminary statement and Rules 4, 6, 7, 9, 12 through 16, 18, and Connection Fee Data Form. ABWC should be ordered to file the most recent revisions to these tariffs when it files its revised rate schedules.

The Branch believes that ABWC currently provides service according to the standards of GO 103.

According to the ODW, the utility currently is in violation of bacterial and viral water quality standards with its Lake Tahoe water, one of its two sources. According to ODW, the utility has until the end of June, 1993 to come into compliance via additional treatment of this water.

ABWC has an adequate conservation program. It consists in a public awareness program and regular patrols by the utility's staff to monitor obvious water waste. The Branch believes no further conservation measures should be ordered at this time.

At the Branch's recommended rates shown in Appendix B, the annual bill for a typical flat rate residential customer would increase from \$153.95 to \$179.85, or 16.8%. A comparison of customer bills at present and recommended rates for metered and flat rate customers is shown in Appendix C.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on April 24, 1992. Five letters in response to the proposed increase were received by the Branch. Four of the letters registered an objection to ABWC's requested increase of 29.9%, two objected to receiving an annual bill while residing in the service area only during the summer months and one customer asked for a more gradual yearly increase rather than a steeper less frequent one.

The Branch believes that its recommended rate increase for ABWC of 16.8% is reasonable when compared to the increase in the Consumer Price Index (CPI) of some 23.8% in the period 1987-1992. The Branch recognizes that most of the expenses by a water utility are fixed and are independent of how much water a customer uses or how often and, therefore, cannot recommend separate rates for part-time residents. The Commission allows water utilities to file for general rate increases every three years and for offsets (adjustments) twice a year, and the Branch recommends that ABWC file per this schedule.

A public meeting was held on May 21, 1992, at Kings Beach, adjacent to ABWC's service area. The Branch's representative explained Commission rate setting procedures to the two customers in attendance and ABWC's representative explained the need for the rate increase. The customers felt the requested increase was too high, but they realized the need for some increase.

The Commission's Consumer Affairs Branch has not received any service complaints against ABWC over the last three years.

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. ABWC's filed tariffs do not contain the recent revisions to its Title Page, two sheets of its preliminary statement, Rules 4, 6, 7, 9, 12 through 16, 18; and Connection Fee Data Form. ABWC should be ordered to file the most recent revisions to these tariffs when it files its revised rate schedules.
5. ABWC should be required to record on its books of account the utility plant and depreciation reserve balances upon which the average amounts adopted in this resolution are based. The balances for gross utility plant in service and depreciation reserve as of January 1, 1992, were \$195,861 and \$134,566, respectively.
6. ABWC should be allowed to file an advice letter rate increase request to offset the DHS drinking water program annual fee once it has been received and paid.
7. ABWC should be allowed to file an advice letter rate increase request to offset the increase in its rate base due to the installation of a new storage tank, booster pump, an automatic chlorinator, a filtration/treatment system and other associated equipment/facilities.
8. The rate increase authorized herein is justified and the resulting rates are just and reasonable.

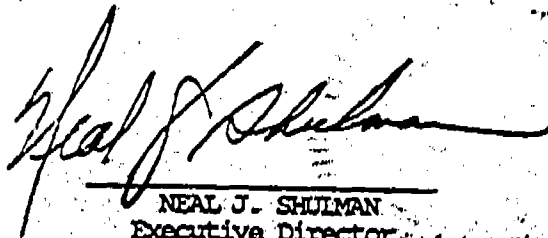
IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Agate Bay 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, 2A and 2AL. It shall also file the recent revisions to its Title Page; two sheets of Preliminary Statement; Rules 4, 6, 7, 9, 12 through 16, 18; and Connection Fee Data Form. 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. Agate Bay Water company shall record on its books of account the utility plant and depreciation reserve balances upon which the average amounts adopted in this resolution are based, and shall reflect those balances in its 1992 annual report to the Commission.
3. Agate Bay Water Company is authorized to file an advice letter for a rate increase request to offset the Department of Health Services drinking water program annual fee once the bill has been received and paid by the utility.
4. Agate Bay Water Company is authorized to file an advice letter rate increase request to offset the increase in its rate base due to installation of a new storage tank, booster pump, an automatic chlorinator, a filtration/treatment system and other associated equipment/facilities when the installation is complete.

Resolution No. W-3677
Agate Bay Water Co./Dr. AL/SEK/YAR/jlj

5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 2, 1992. The following Commissioners approved it:



NEAL J. SHUMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OHEANIAN
NORMAN D. SHUMWAY
Commissioners

Commissioner Patricia M. Eckert,
being necessarily absent, did not
participate.

APPENDIX A

AGATE BAY 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	\$ 84,980	\$110,400	\$84,365	\$109,682	\$98,561
Metered	0	0	0	0	0
Total Revenue	84,980	110,400	84,365	109,682	98,561
Operating Expenses					
Purchased Power	5,000	5,000	2,734	2,734	2,734
Employee Labor	10,800	10,800	0	0	0
Materials	1,850	1,850	1,850	1,850	1,850
Contract Work	19,000	19,000	30,000	30,000	30,000
Trans. Expenses	1,600	1,600	2,400	2,400	2,400
Office Salaries	12,000	12,000	12,000	12,000	12,000
Management Salaries	15,000	15,000	15,000	15,000	15,000
Off. Servs. & Rentals	4,200	4,200	3,600	3,600	3,600
Off. Suppl. & Expenses	1,500	1,500	2,550	2,550	2,550
Prof. Services	3,600	3,600	1,700	1,700	1,700
Insurance	7,800	7,800	5,200	5,200	5,200
Reg. Comm. Expense	600	600	600	600	600
General Expenses	1,250	1,250	700	700	700
Subtotal	84,200	84,200	78,334	78,334	78,334
Depreciation Expense	7,700	7,700	6,498	6,498	6,498
Property Taxes	1,390	1,390	1,400	1,400	1,400
Payroll Taxes	5,270	5,270	2,584	2,584	2,584
Income Taxes	300	3,000	839	3,876	2,283
Total Deductions	98,860	101,560	89,655	92,692	91,099
Net Revenue	(13,880)	8,840	(5,290)	16,990	7,462
Average Plant	206,910	206,910	196,161	196,161	196,161
Avg. Accum. Depr.	132,400	132,400	137,815	137,815	137,815
Net Plant	74,510	74,510	58,346	58,346	58,346
Less: Advances	0	0	0	0	0
Contributions	0	0	290	290	290
Plus: Working Cash	0	0	0	0	0
Mat'l & Supplies	1,500	1,500	4,915	4,915	4,915
Rate Base	76,010	76,010	62,971	62,971	62,971
Rate of Return	(loss)	11.63%	(loss)	26.98%	11.85%

(END OF APPENDIX A)

AFFENDIX B
Page 1

AGATE BAY WATER COMPANY

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rate:		
Per 100 cu.ft.	\$ 0.54	(I)
Service Charge:		
For 5/8 x 3/4-inch meters	7.10	(I)
For 3/4-inch meters	7.70	
For 1-inch meters	10.50	
For 1-1/2-inch meters	14.05	
For 2-inch meters	18.75	(I)

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

SPECIAL CONDITIONS

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

APPENDIX B
Page 2

AGATE BAY WATER COMPANY

Schedule No. 2A

ANNUAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

RATES

Annual Flat Rate

Residential use, payable in advance on or before
January 1 of each year.....\$179.85 (I)

SPECIAL CONDITIONS

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum metered charge for the same period shall be made on or about that same day.
2. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance payable in two equal installments. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods. Where a resident has failed to pay the first half of the annual charge due January 1, service will be discontinued and will not be restored until the total annual charge has been paid.

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AGATE BAY WATER COMPANY

Schedule No. 2A
(continued)

ANNUAL FLAT RATE SERVICE

SPECIAL CONDITIONS

3. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)
(L)

APPENDIX B
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AGATE BAY WATER COMPANY

Schedule No. 2AL

LIMITED ANNUAL FLAT RATE SERVICE

APPLICABILITY

Applicable to flat rate service only to the Sun Club furnished on an annual basis.

TERRITORY

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

RATES

Annual Flat Rate

Recreation Club use, payable in advance on or before January 1 of each year \$539.40 (I)

SPECIAL CONDITIONS

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period of time has been paid in advance, refund of the prorated difference such flat rate payment and the minimum meter charge for the same period shall be made on or about the same.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)
(L)

(END OF APPENDIX B)

APPENDIX C

AGATE BAY WATER COMPANY

COMPARISON OF RATES

MEASURED SERVICE

Quantity Rate:	<u>Per Meter Per Month</u>		<u>Increase</u>	
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount</u>	<u>Percent</u>
Per 100 cu. ft.....	\$0.46	\$0.54	\$ 0.08	17.4%
Service Charge:				
For 5/8 x 3/4-inch meter.....	6.05	7.10	1.05	17.4%
For 3/4-inch meter.....	6.60	7.70	1.10	16.7%
For 1-inch meter.....	9.00	10.50	1.50	16.7%
For 1-1/2-inch meter.....	12.05	14.05	2.00	16.6%
For 2-inch meter.....	16.05	18.75	2.70	16.8%

Comparison of monthly customer bills at present and Branch recommended rates for a 5/8 x 3/4 meter:

<u>Usage</u> <u>100 cu.ft.</u>	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
0	\$ 6.05	\$ 7.10	\$ 1.05	17.4%
5	8.35	9.80	1.45	17.4%
10	10.65	12.50	1.85	17.4%
15	12.95	15.20	2.25	17.4%
20 avg	15.25	17.90	2.65	17.4%
25	17.55	20.60	3.05	17.4%
30	19.85	23.30	3.45	17.4%

FLAT RATE SERVICE

Schedule 2A - Residential: Annual Billing in Advance:

<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
\$153.95	\$179.85	\$25.90	16.8%

Schedule 2AL - Recreational Club: Annual Billing in Advance:

\$461.80	\$539.40	\$77.60	16.8%
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(END OF APPENDIX C)

APPENDIX D
Page 1

AGATE BAY WATER COMPANY

ADOPTED QUANTITIES
Test Year 1992

Expenses:

1. Purchased power
Vendor Sierra Pacific Power Co.
Schedule A-1
Effective Date January 1, 1992
Number of Pumps 2
Number of Meters 1
Annual Consumption, kWh 38,138
Energy Charge per kWh \$0.06817
Customer Charge/mo./meter \$5.00
FUC Surcharge per kWh \$0.00012
CEC Surcharge per kWh \$0.0002

Total Annual Cost \$2,680 with 2% allowed increase \$2,734.

2. Purchased water None
3. Insurance Expenses \$5,200
4. Ad Valorem Taxes \$1,400

	Pump Site	Tank Site	Equip. & Supplies
Assessed Value	\$9,233	\$3,693	\$109,303
Tax Rate	1.00%	1.00%	1.00%
Amount	\$92.32	\$36.92	\$1,093.02
TF Hosp. B&I Rate	0.0066%	0.0066%	0.0071%
Amount	\$0.60	\$0.24	\$7.76
NT FUD B&I Rate	0.50%	0.50%	0.50%
Amount	\$4.60	\$1.84	\$54.64
T-TR Unif. School	\$48.00	\$48.00	0

5. Water Testing Expenses \$2,383 (incl. contr. labor)

6. State and County Fees \$700 (incl. gen. expense)

Metered Service Connections

5/8 x 3/4-inch 2

Note: Utility is collecting flat rate revenue for these connections.

Flat Rate Connections 546

Flat Rate Sales 57,315 Ccf

APPENDIX D
Page 2

AGATE BAY WATER COMPANY
ADOPTED TAX CALCULATIONS
Test Year 1992

Federal Tax Rate: 15%
State Tax Rate: 9.3% or a minimum of \$800 if corporation.
Local Franchise Rate: 0.0%

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$ 98,561	\$ 98,561
2.	O & M Expenses	\$ 78,334	\$ 78,334
3.	Taxes Other Than Income	\$ 3,984	\$ 3,984
4.	Depreciation	\$ 6,498	\$ 6,498
5.	Add Contribution Income	\$ 290	\$ 290
6.	Less Contrib. Income Tax	\$ 66	\$ 66
6.	Taxable Income for State Tax	\$ 9,969	
7.	State Tax	\$ 927	\$ 927
8.	Taxable Income for FIT		\$ 9,042
9.	Federal Income Tax		\$ 1,356
10.	Total Income Tax		\$2,283

(END OF APPENDIX D)