

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3684
SEPTEMBER 2, 1992

RESOLUTION

(RES. W-3684), FULTON WATER COMPANY (FWC). ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$16,381 (10.7%) IN 1992.

BY DRAFT ADVICE LETTER FILED APRIL 22, 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$16,381, or 10.7% for test year 1992. This increase will provide an 11.85% rate of return on rate base in test year 1992.

BACKGROUND

FWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on April 22, 1992, requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$22,523 or 14.7% in 1992. The purposes of the rate increase are to recover increased operating expense and to provide an adequate rate of return. FWC's request shows 1992 gross revenue of \$153,348 at present rates increasing to \$175,871 at proposed rates to produce a 10.06% return on rate base. FWC serves approximately 865 flat rate customers in an area approximately one mile southwest of Carnelian Bay, located on the northern shore of Lake Tahoe, Placer County.

The present rates became effective on December 27, 1988, pursuant to Resolution W-3428 which authorized a general rate increase of \$18,703 or 16.0%.

DISCUSSION

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

FWC was informed of the Branch's differing views of revenues, expenses and rate base and through the negotiation process a settlement has been reached. FWC has stated that it accepts the Branch's estimates.

Enactment of Assembly Bill 2158 by the State Legislature requires the Department 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

FWC will be required to pay its share of the DHS fee, the Branch recommends that FWC 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.

FWC's draft advice letter requested rates which it estimated would produce a 10.06% 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 mid-point of the 11.60% to 12.10% rate of return range as stated in D.92-03-093 for Class C water utilities.

FWC's current rate structure is made up of three schedules: Schedule No. 1A, Annual General Metered Service; Schedule No. 2RA, Annual Residential Flat Rate Service; and Schedule No. 5, Public Fire Hydrant Service.

Since there are presently no metered service connections, the Branch recommends increasing both the service charge and the quantity charge by the system average percentage increase. This will continue the present condition that if a flat rate customer using the system average of 11 Ccf per month were to change to metered rates, he would pay approximately the same amount.

The Branch recommends increasing the flat rates by the system average increase percentage.

FWC has a agreement with the local fire protection district to pay the present amount for fire hydrants. The Branch recommends that the present rates continue.

FWC's filed tariffs do not contain the recent revisions to its preliminary statement and Rule 17. FWC should be ordered to file the most recent revisions to these tariffs when it files its revised rate schedules.

FWC's source of water supply, Lake Tahoe, has not been greatly affected by California's current drought. 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 typical flat rate residential customer with a 3/4-inch service would increase from \$174.00 per year to \$192.65 or an increase of 10.7%, 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 April 24, 1992. One letter protesting the increase was received by the Branch. The protestant's letter states the increase is too large. The Commission's Consumer Affairs Branch has received 3 complaints against FWC over the last four years that were resolved over the phone.

A public meeting was held on May 28, 1992, adjacent to FWC'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. One customer attended the meeting and registered no complaints.

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. FWC's filed tariffs do not contain the recent revisions to its preliminary statement and Rule 17. FWC should be ordered to file the most recent revisions to these tariffs when it files its revised rate schedules.
5. The rate increase authorized herein is justified, and the resulting rate is just and reasonable.

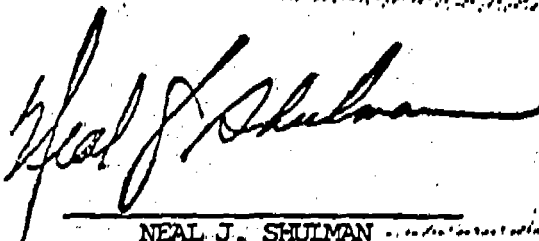
IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Fulton Water Company to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule Nos. 1A and 2RA. It shall also file the recent revisions to its preliminary statement and Rule 17. 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. 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:

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

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



NEAL J. SHULMAN
Executive Director

APPENDIX A

FULTON WATER COMPANY

SUMMARY OF EARNINGS
 Test Year 1992

ITEM	: Utility Estimated :		: Branch Estimated :		:
	: Present :	: Requested :	: Present :	: Requested :	
	Rates	Rates	Rates	Rates	Adopted Rates
Operating Revenue					
Flat Rates	\$151,848	\$174,371	\$151,848	\$176,671	\$168,229
Private Fire Prot.	1,500	1,500	1,224	1,224	1,224
Total Revenue	153,348	175,871	153,072	177,895	169,453
Operating Expense					
Purchased Power	20,892	20,892	19,022	19,022	19,022
Other Volume Related	2,300	2,300	4,170	4,170	4,170
Employee Labor	3,000	3,000	3,000	3,000	3,000
Materials	9,000	9,000	9,000	9,000	9,000
Contract Work	8,000	8,000	8,000	8,000	8,000
Transportation	6,800	6,800	6,800	6,800	6,800
Other Plant Maint.	2,500	2,500	2,500	2,500	2,500
Office Salaries	1,800	1,800	1,800	1,800	1,800
Management Salaries	24,000	24,000	24,000	24,000	24,000
Employee Pen. & Ben.	20,000	20,000	9,000	9,000	9,000
Office Services & Rent	6,300	6,300	5,500	5,500	5,500
Professional Services	1,900	1,900	1,900	1,900	1,900
Insurance	5,158	5,158	5,158	5,158	5,158
General Expenses	2,000	2,000	1,600	1,600	1,600
Regulatory Expense	0	0	500	500	500
Subtotal	113,650	113,650	101,950	101,950	101,950
Depreciation	17,830	17,830	17,816	17,816	17,816
Taxes other than income	7,002	7,002	7,002	7,002	7,002
Income Taxes	3,367	8,562	6,092	11,711	9,777
Total Deductions	141,849	147,044	132,860	138,479	136,545
Net Revenue	11,499	28,827	20,212	39,416	32,908
Rate Base					
Average Plant	596,818	596,818	595,480	595,480	595,480
Avg. Dep. Res.	290,563	290,563	298,010	298,010	298,010
Net Plant	306,255	306,255	297,470	297,470	297,470
Less Advances	7,500	7,500	7,500	7,500	7,500
Contributions	15,268	15,268	15,268	15,268	15,268
Plus Mat'l. & Supplies	3,000	3,000	3,000	3,000	3,000
Working Cash	0	0	0	0	0
Rate Base	286,487	286,487	277,702	277,702	277,702
Rate of Return	4.01%	10.06%	7.28%	14.19%	11.85%

(END OF APPENDIX A)

APPENDIX B
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FULTON WATER COMPANY

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

An area located approximately one mile southwest of Carnelian Bay, Lake Tahoe, Placer County.

RATES

Quantity Rate:

All water, per 100 cu.ft. \$ 0.90 (I)

Annual Service Charge:

For 5/8 x 3/4-inch meter	\$ 66.00	(I)
For 3/4-inch meter	73.00	
For 1-inch meter	100.00	
For 1-1/2-inch meter	140.00	
For 2-inch meter	180.00	
For 3-inch meter	318.00	
For 4-inch meter	452.00	(I)

The 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 Rate. (T)
(T)

(Continued)

APPENDIX B

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FULTON WATER COMPANY

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The annual service charge applied to service during the 12-month period commencing January 1 and is due in advance. If a 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 service charges in advance at intervals of less than one year in accordance with the utility's established billing periods for water used.
2. The charge for water used may be billed monthly, bimonthly or quarterly, at the option of the utility.
3. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service 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 year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period in which service is taken. 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.

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APPENDIX B
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FULTON WATER COMPANY

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

An area located approximately one mile southwest of Carnelian Bay, Lake Tahoe, Placer County.

RATES

	<u>Per Service Connection</u>	
	<u>Per Year</u>	
For a single-family residential unit, including premises:		
Served through a 3/4-inch service.....	\$ 192.65	(I)
1-inch service.....	262.00	
1-1/2-inch service	368.00	(I)
For each additional single-family residential unit on the same premises and served from the same connection	122.00	(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. 1A, Annual General 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 metered service charge for the same period shall be made on or before that day.

(Continued)

FULTON WATER COMPANY

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE
(Continued)

2. The annual flat rate charge applied to service during the 12-month period commencing January 1 and is due in advance. 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. A nonpermanent resident may elect to pay the annual charge in two equal installments. Where such a resident has failed to pay the first half of the annual charge due January 1, service will not be restored until the total annual charge has been paid.
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 year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period in which service is taken. 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.

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(END OF APPENDIX B)

APPENDIX C
 Page 1

FULTON WATER COMPANY

COMPARISON OF RATES

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

METERED 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.....	\$0.81	\$0.90	\$ 0.09	11.1%
Service Charge:				
For 5/8 x 3/4-inch meter.....	60.00	66.00	6.00	10.0%
For 3/4-inch meter.....	66.00	73.00	7.00	10.6%
For 1-inch meter.....	90.00	100.00	10.00	11.1%
For 1-1/2-inch meter.....	126.00	140.00	14.00	11.1%
For 2-inch meter.....	162.00	180.00	18.00	11.1%
For 3-inch meter.....	288.00	318.00	30.00	10.4%
For 4-inch meter.....	408.00	452.00	44.00	10.7%

Comparison of monthly customer bills at present and Branch recommended rates for a 5/8 x 3/4-inch 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	\$ 5.00	\$ 5.50	\$ 0.50	10.0%
5	9.05	10.00	0.95	10.5%
12 (Avg.)	15.22	16.88	1.66	10.9%
20	21.20	23.50	2.30	10.8%
30	29.30	32.50	3.20	10.9%

FLAT RATE SERVICE
Schedule 2RA

	<u>Per Service Per Year</u>		<u>Amount Increase</u>	<u>Percentage Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>		
For 3/4-inch service	174.00	192.65	18.65	10.7%
For 2nd unit	110.00	122.00	12.00	10.9%
For 1-inch service	237.00	262.00	25.00	10.5%
For 1-1/2-inch service	333.00	368.00	35.00	10.5%

(END OF APPENDIX C)

APPENDIX D
Page 1

FULTON WATER COMPANY

ADOPTED QUANTITIES

Expenses:

1. Purchased Power	Vendor	Sierra Pacific Power Company
	Schedule No.	A-1
	Effective Date	January 1, 1992
	Energy Charge per KWH	\$ 0.06849
	Consumption	268,500 kWh
	Energy Commission Surcharge	\$.00020 per kWh
	Service Charges	\$ 5.00 per mo.
	Total Cost	\$19,022 per year
2. Purchased Water		None
3. Insurance Expense		\$5,158
4. Ad Valorem Taxes		\$2,900
	Composite Tax Rate	1.0163%
	Assessed Value	\$285,350
5. Water Testing Expense (Included in Contract Work)		\$2,500

Service Connections

Flat Rate:

3/4-inch service	852
1-inch service	4
1-1/2-inch service	2
Additional services: single family, same connection	7
Total	865

Total Water Pumped 131,000 Ccf

APPENDIX D
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FULTON WATER COMPANY

ADOPTED TAX CALCULATIONS
Test Year 1992

Federal Tax Rate: 15%
State Tax Rate: 9.3%

ITEM	State Tax	Federal Tax
1. Operating Revenue	\$169,453	\$169,453
2. O & M Expense	101,950	101,950
3. Taxes Other Than Income	7,002	7,002
4. Depreciation	17,816	17,816
5. Interest	0	0
6. Taxable Income for CCFT	42,685	
7. CCFT @ 9.3% (\$800 min. if Corp.)	3,950	3,950
8. Taxable Income for FIT		38,715
9. Federal Income Tax @ 15%		5,807
10. Total Income Tax	\$9,777	

(END OF APPENDIX D)