

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3687
September 16, 1992

RESOLUTION

(Res. W-3687) RANCHO DEL PARADISO WATER COMPANY
(RDP). ORDER AUTHORIZING A GENERAL RATE INCREASE
PRODUCING ADDITIONAL ANNUAL REVENUE OF \$3,426 (17.4%)
IN 1992.

BY DRAFT ADVICE LETTER ACCEPTED ON MAY 6, 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$3,426 or 17.4% for test year 1992. The increase will provide a 14.20% rate of return on rate base in test year 1992.

BACKGROUND

RDP, by draft advice letter accepted by the Water Utilities Branch (Branch) on May 6, 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 \$3,546 or 18.0% in 1992. RDP's request shows 1992 gross revenue of \$19,704 at present rates increasing to \$23,250 at proposed rates to produce a rate of return on rate base of 15.0%. RDP presently serves about 61 metered customers in the unincorporated area known as the Rancho Del Paradiso Subdivision located along the southern bank of the Russian River near Duncan Mills, Sonoma County.

The present rates became effective on September 7, 1989, pursuant to Commission Resolution W-3465, which authorized a general rate increase producing \$5,660 or 39.9% additional annual revenue.

DISCUSSION

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

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

RDP's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 15.0%. The summary of earnings in Appendix A shows a rate of return of 14.20% at the Branch's recommended rates. This rate of return is approximately the midpoint of the 13.9% to 14.4% standard rate of return range recommended by the Branch for Class D water utilities.

September 16, 1992

RDP's filed tariffs currently contain a metered rate schedule (Schedule No. 1A, Annual Metered Service) for its service area. 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 calls for the recovery of up to 100% of fixed costs through the service charge and a single block quantity rate. However, in this case, this conflicts with the Commission policy that no customer should receive an increase of more than twice the system's average. Therefore, in order not to increase any customer's billing by more than twice the system average, service charges were redesigned to recover approximately 30% of the fixed operating cost.

RDP has not been greatly affected by California's recent drought. The water level in the creek, RDP's source of supply, has remained fairly constant over the past several years. RDP also has access to a well for emergency use. For these reasons, 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 metered residential customer with a 5/8 x 3/4-inch meter using an average of 390 cubic feet of water per month would increase from \$26.98 to \$31.63, or 17.2%, per month. A comparison of customer bills at present and recommended rates is shown in Appendix C.

RDP requested recovery of Department of Health Services (DHS) fees in this filing. By Resolution No. W-3641, dated May 8, 1992, the Commission authorized each water utility regulated by the Commission and subject to the provisions of Health and Safety Code Sections 4020 and 4020.5 to establish a memorandum account in which to record payment of DHS Office of Drinking Water fees resulting from those code sections and, after having recorded payment of fees authorized, to file an advice letter as prescribed by General Order 96-A to request recovery of those costs. RDP has agreed to request recovery of its DHS fees using that procedure.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on May 14, 1992. The Branch received no correspondence from RDP's customers. The Commission's Consumer Affairs Branch has received five complaints regarding RDP over the last three years. All have been satisfactorily resolved.

A public meeting was held on June 18, 1992, in RDP's service area. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Eight customers attended the public meeting and registered complaints about the size of the rate increase.

FINDINGS AND CONCLUSIONS

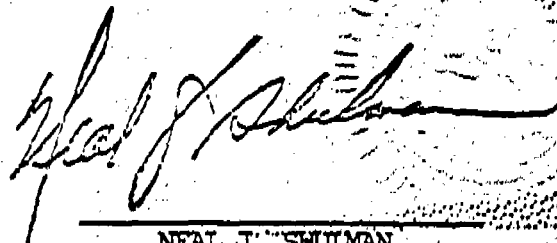
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.

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. RDP should be authorized to establish a memorandum account to record payment of Department of Health Services fees resulting from the provisions of Health and Safety Code Sections 4020 and 4020.5 and, after having recorded payment of those fees, to file an advice letter requesting an increase in rates to recover those costs.
5. 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 Rancho Del Paradiso 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 No. 1A. 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. Rancho Del Paradiso Water Company is authorized to establish a memorandum account to record payment of Department of Health Services Office of Drinking Water fees resulting from the provisions of Health and Safety Code Sections 4020 and 4020.5 and, after having recorded payment of those fees, to file an advice letter as prescribed by General Order 96-A requesting recovery of those costs.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 16, 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

RANCHO DEL PARADISO WATER COMPANY

SUMMARY OF EARNINGS
Test Year 1992

Item	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Metered	\$19,704	\$23,250	\$19,704	\$23,250	23,130
Flat Rate	0	0	0	0	0
Total Revenue	19,704	23,250	19,704	23,250	23,130
<u>Operating Expenses</u>					
Purchased Power	1,290	1,290	1,290	1,290	1,290
Other Vol Rel	1,670	1,670	1,670	1,670	1,670
Employee Labor	5,180	5,180	5,180	5,180	5,180
Materials	450	450	450	450	450
Contract Work	1,330	1,330	1,310	1,310	1,310
Transportation	590	590	590	590	590
Other Plant Maint	300	300	300	300	300
Office Salary	1,820	1,820	1,820	1,820	1,820
Mgmt Salaries	580	580	580	580	580
Employee Benefits	1,470	1,470	1,670	1,670	1,670
Uncoll Accounts	0	0	0	0	0
Off Serv & Rent	480	480	480	480	480
Office Supplies	810	810	750	750	750
Professional Serv	650	650	650	650	650
Insurance	1,380	1,380	1,260	1,260	1,260
General Expenses	740	740	740	740	740
Reg Comm Expense	170	170	170	170	170
Subtotal	18,910	18,910	18,910	18,910	18,910
Depreciation	970	970	970	970	970
Non Income Tax	1,200	1,200	1,200	1,200	1,200
Income Taxes	0	500	0	500	470
Total Deductions	21,080	21,580	20,660	21,580	21,550
<u>Net Revenue</u>	(1,376)	1,670	(956)	1,670	1,580
<u>Rate Base</u>					
Average Plant	27,720	27,720	27,720	27,720	27,720
Average Dep Res	16,590	16,590	16,590	16,590	16,590
Net Plant	11,130	11,130	11,130	11,130	11,130
Less Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus Working Cash	0	0	0	0	0
Mat'l & Supp	0	0	0	0	0
<u>Rate Base</u>	11,130	11,130	11,130	11,130	11,130
Rate of Return	(12.36%)	15.00%	(8.59%)	15.00%	14.20%

APPENDIX B
Page 1

RANCHO DEL PARADISO WATER COMPANY

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area known as Rancho Del Paradiso Subdivision, near Duncan Mills, Sonoma County.

RATES

Quantity Rate:	<u>Per Meter</u> <u>Per Month</u>
All water, per 100 cu.ft.	\$ 2.276 (R)

Service Charge:

	<u>Per Meter</u> <u>Per Year</u>		<u>SDWBA</u> <u>Yearly</u> <u>Surcharge</u>	
For 5/8 x 3/4-inch meter	\$273.00	(I)	\$118.20	(I)
For 3/4-inch meter	410.00	(R)	177.30	(R)
For 1-inch meter	683.00	(I)	295.50	(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.

(continued)

Appendix C
 Page 1

RANCHO DEL PARADISO WATER COMPANY

COMPARISON OF RATES

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

METERED SERVICE

Quantity Rates:

Per 100 cu.-ft. \$ 2.56 \$ 2.376 (12.48)%

Annual Service Charge:

	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
For 5/8 x 3/4-inch meter	\$204.00	\$273.00	33.82%
For 3/4-inch meter	306.00	410.00	33.99
For 1-inch meter	510.00	683.00	33.92

A comparison of monthly bills for customers served by a 5/8 x 3/4-inch meter at present and Branch recommended rates under Schedule No. 1A is shown below:

<u>Monthly Usage</u> <u>100 cu. ft.</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Percent Increase</u>
0	\$17.00	\$ 22.75	89.1%
3	24.68	29.58	86.5%
3.9 (Avg.)	26.98	31.63	17.22
5	29.80	34.13	14.53
10	42.60	45.51	6.83
15	55.40	56.89	2.69
20	68.20	68.27	0.01
30	93.80	91.03	(3.04)

APPENDIX D
Page 1

RANCHO DEL PARADISO WATER COMPANY

ADOPTED QUANTITIES

Expenses:

1. Purchased Power	\$1,290
Vendor	PG&E
Schedule No.	A-I
Effective Date	January 1, 1992
<u>Monthly Rates</u>	
Service Charge, main pump	\$7.50
Service Charge, back up	\$7.50
Security Light Charge	\$7.97
Summer	\$0.14940 per kWh
Winter	\$0.12279 per kWh
Summer quantity	4,220 kWh
Winter quantity	3,133 kWh
2. Purchased Water	None
3. Payroll	
Management Salary	\$7,580
Office Salary	\$ 576
Employee Labor	1,824
	5,180
4. Ad Valorem Taxes	\$ 85
Composite Tax Rate	1.0158%
Assessed Value	\$8,384
<u>Service Connections</u>	
Metered Rate Customers	62
Flat Rate Customers	None
Water Sales used to Design Rates	2,836 Ccf

ADOPTED TAX CALCULATIONS
Test Year 1992

Federal Tax Rate:	15.0%
California corporate Franchise Rate:	9.3%
Local Franchise Rate:	0.0%

ITEM	<u>State Tax</u>	<u>Federal Tax</u>
1. Operating Revenue	\$23,130	\$23,130
2. O & M Expenses	18,910	18,910
3. Taxes Other Than Income	1,200	1,200
4. Depreciation	970	970
5. Interest	0	0
6. Taxable Income for CCFT	2,050	
7. State Tax @ 9.3%	190	
8. Taxable Income for FIT		1,860
9. Federal Income Tax @ 15%		280
10. Total Income Tax		\$ 470

(END OF APPENDIX D)