

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3702  
October 21, 1992

## RESOLUTION

(RES. W-3702), TIMBERLAND WATER SYSTEM (TWS). ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$11,933 (82.1%) IN 1992.

BY DRAFT ADVICE LETTER ACCEPTED ON MAY 6, 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$11,933 or 82.1% for test year 1992. The increase will provide a 14.3% rate of return on rate base in test year 1992.

BACKGROUND

TWS, 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 \$16,250 or 116% in 1992. TWS's request shows 1992 gross revenues of \$13,984 at present rates increasing to \$30,234 at proposed rates to produce a rate of return on rate base of 9.0%. TWS presently serves about 130 flat rate customers in the unincorporated community of Timberland, located approximately three miles south of Tahoe City, in Placer County.

The present rates became effective on June 1, 1975, pursuant to Commission Resolution W-1729, which authorized a general rate increase producing additional annual revenue of \$3,380 or 41%.

DISCUSSION

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

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

TWS's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 9.0%. The summary of earnings in Appendix A shows a rate of return of 14.3% at the Branch's recommended rates. This rate of return is within the standard rate of return range of 13.9% to 14.4% authorized by the Commission for Class D water utilities.

TWS's filed tariffs currently contain a metered rate schedule (Schedule No. 1A, Annual General Metered Service), a flat rate schedule (Schedule No. 2RA, Annual Residential Service Flat Rate Schedule), and a fire hydrant schedule

(Schedule No. 5, Public Fire Hydrant Service). The Branch's proposed metered rate design conforms with current rate design policy for small water companies, as stated in Decision (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.

TWS 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 typical flat rate residential customer would increase from \$110.00 to \$202.50, or 84.1%, per year. One new customer will be served through a 1-inch meter; prior to that hook-up, no customer was served under the metered rate schedule. A comparison of customer bills at present and recommended rates is shown in Appendix C.

TWS 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. TWS 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 21, 1992. Three letters were received from customers, complaining primarily of the large increase. The Commission's Consumer Affairs Branch has received no service complaints regarding TWS over the last three years.

A public meeting was held on June 11, 1992, in TWS's service area. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. Sixteen customers attended. They expressed concern about inadequate flow for fire protection. They also complained about the magnitude of the proposed increase. They acknowledged that the quality of water is excellent and service is good.

#### 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. TWS 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 Timberland Water System to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendix A and B respectively, and concurrently to cancel its presently effective rate Schedule Nos. 1A, 2RA, and 5. 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. Timberland 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 October 21, 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

Timberland Village Water Company

SUMMARY OF EARNINGS  
Test Year 1992

Item	: Utility Estimated :		: Staff Estimated :		: Staff : : Adopted :
	: Present : : Rates :	: Requested : : Rates :	: Present : : Rates :	: Requested : : Rates :	
<b>Operating Revenue</b>					
Flat	\$ 13,800	\$ 30,090	\$14,020	\$30,570	\$25,821
Metered	0	0	230	750	506
Fire Protection	184	144	288	144	144
Total Revenue	13,984	30,234	14,538	31,464	26,471
<b>Operating Expense</b>					
Purchased Power	2,243	2,243	2,599	2,599	2,599
Other Vol. Rel.	300	300	0	0	0
Employee Labor	500	500	0	0	0
Materials	1,000	1,000	690	690	690
Contract Work	500	500	1,995	1,995	1,995
Transportation	1,375	1,375	1,100	1,100	1,100
Other Plant Maint.	992	992	0	0	0
Management Salary	12,000	12,000	9,500	9,500	9,500
Office Serv & Rent	1,200	1,200	500	500	500
Office Supplies	600	600	600	600	600
Professional Serv.	500	500	400	400	400
Insurance	930	930	930	930	930
General Expense	290	290	45	45	45
Reg Comm Exp	300	300	0	0	0
Subtotal	22,730	22,730	18,359	18,359	18,359
Depreciation	1,702	1,702	1,733	1,733	1,733
Taxes Other than Income	2,354	2,354	1,248	1,248	1,248
Income Taxes	0	862	800	2,320	1,280
Total Deductions	26,786	27,648	22,140	23,660	22,620
Net Revenue	(12,802)	2,586	(7,602)	7,804	3,851
<b>Rate Base</b>					
Average Plant	65,120	65,120	66,193	66,193	66,193
Avg Dep Res	37,313	37,313	39,821	39,821	39,821
Net Plant	27,807	27,807	26,372	26,372	26,372
Less Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus Working Cash	0	0	0	0	0
Mat'l & Supp	1,000	1,000	500	500	500
Rate Base	28,807	28,807	26,872	26,872	26,872
Rate of Return	(44.4%)	9.0%	(28.3%)	29.0%	14.3%

APPENDIX B  
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Schedule No. 1A

ANNUAL GENERAL METERED SERVICES

APPLICABILITY

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

TERRITORY

Timberland Subdivision and vicinity, located approximately three miles south of Tahoe City, Placer County.

RATES

Quantity Rate:

	Per Meter Per Month	(T)
All water, per 100 cu. ft. ....	\$ 0.58	(R)

Annual Service Charge:

	Per Meter Per Year	
For 5/8 x 3/4-inch meter.....	\$ 118.80	(I)
For 3/4-inch meter.....	178.20	
For 1-inch meter.....	297.00	
For 1-1/2-inch meter.....	594.00	
For 2-inch meter.....	948.00	
For 3-inch meter.....	1,788.00	
For 4-inch meter.....	2,976.00	(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)  
(T)

(continued)

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Schedule No. 1A

ANNUAL GENERAL METERED SERVICES

APPLICABILITY

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

TERRITORY

Timberland Subdivision and vicinity, located approximately three miles south of Tahoe City, Placer County.

RATES

Quantity Rate:

	<u>Per Meter</u> <u>Per Month</u>	(T)
All water, per 100 cu. ft. ....	\$ 0.58	(R)

Annual Service Charge:

	<u>Per Meter</u> <u>Per Year</u>	
For 5/8 x 3/4-inch meter.....	\$ 118.80	(I)
For 3/4-inch meter.....	178.20	
For 1-inch meter.....	297.00	
For 1-1/2-inch meter.....	594.00	
For 2-inch meter.....	948.00	
For 3-inch meter.....	1,788.00	
For 4-inch meter.....	2,976.00	(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)  
(T)

(continued)

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Schedule No. 1A  
(continued)

ANNUAL GENERAL METERED SERVICES

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.

(T)

(T)

(L)

(L)

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Timberland Subdivision and vicinity, located approximately three miles south of Tahoe City, Placer County.

RATE

	<u>Per Service Connection</u> <u>Per Year</u>	
For a single family residential unit, including premises .....	\$ 202.50	(I)
For each additional single family residential unit on the same premise and served from the same service connection .....	\$ 130.50	(I)

SPECIAL CONDITIONS

1. The above flat rate apply to a service connection not larger than one-inch in diameter.
2. An additional single-family residential unit shall qualify for additional charge only if such a residential unit includes cooking and bathing facilities.
3. 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 minimum meter charge for the same period shall be made on or before that day.

(continued)



ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS

4. The annual flat rate charge applies 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.
5. 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.
6. All bills are subjected to the reimbursement fee set forth on Schedule No. UF.

(L)  
(L)

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Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts, and other political subdivisions of the State.

TERRITORY

The uninincorporated area including Timberland Subdivision, and vicinity located approximately three miles south of Tahoe City, Placer County.

RATE

	<u>Per Month</u>	
For each hydrant connected to a 6-inch main .....	\$ 2.00	(D) (R)

SPECIAL CONDITIONS

1. For water delivered for other than fire protection, charges shall be made at the quantity rates under Schedule No. 2RA, Annual Residential Flat Rate Service.
2. The relocation of any hydrant shall be at the expense of the party requesting relocation.
3. Fire hydrants shall be attached to the utility's distribution system upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the size of hydrant and the specific location at which each is to be installed.
4. The utility will supply only such water at such pressures as may be available from time to time as a result of its normal operation of the system.
5. All bills are subjected to the reimbursement fee set forth on Schedule No. UF. (L)  
(L)

Appendix C

COMPARISON OF CUSTOMER BILLS

A comparison of customers' annual bill for flat rate service and metered rate service at present and recommended rates is shown below:

FLAT RATE SERVICE

	<u>Per Connection Per Year</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
Single family residential unit	\$ 110.00	\$ 202.50	84.1
Each additional single family residential unit on the same premise & served from the same service connection	70.00	130.50	86.4

METERED RATE SERVICE

Annual bill for a 5/8 x 3/4-inch meter customer using an average of 12 ccf of water per month:

	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
5/8 x 3/4-inch	\$ 128.40	\$ 202.32	57.6

Timberland Water Company

ADOPTED QUANTITIES  
Test Year 1992

Expenses

1. Purchased Power	
Vendor	Sierra Pacific Power Company
Schedule No.	A-1
Effective Date	January 1, 1992
Composite Rate	\$ 0.06849 per kWh
Consumption	36199 kWh
Service Charges per meter	\$ 5.00 per mo.
Total Cost	\$2,599 per year
2. Purchased Water	None
3. Insurance Expense	
General Liability	\$630
Vehicle	\$300
Total	\$930
4. Ad Valorem Taxes	\$518
Composite Tax Rate	1.035%
Assessed Value	\$50,000

Service Connections

1. Flat Rate Service:

Single family residential unit	123
Additional single family residential unit on the same premise & served from the same service connection	7

2. Metered Service:

5/8 x 3/4-inch	0
3/4-inch	0
1-inch meter	1
1 1/2-inch	0
2-inch	0
Total	131

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ADOPTED TAX CALCULATIONS  
Test Year 1992

Federal Tax Rate:	15%
California Corporate Franchise Rate:	9.3%
Local Franchise Rate:	0.0%

ITEM	State Tax	Federal Tax
1. Operating Revenue	\$26,471	\$26,471
2. O & M Expense	\$18,359	\$18,359
3. Taxes Other Than Income	\$ 1,248	\$ 1,248
4. Depreciation	\$ 1,733	\$ 1,733
5. Interest	\$ 0	\$ 0
6. Taxable Income for CCFT	\$ 5,131	
7. CCFT @ 9.3%	\$ 600	\$ 600
8. Taxable Income for FIT		\$ 4,531
9. Federal Income Tax @ 15%		\$ 680