

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3903  
January 5, 1995

RESOLUTION

(Res. W-3903) TAHOE SWISS VILLAGE WATER COMPANY (TSV).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUES OF \$18,926, OR 23.5% IN 1994.

BY DRAFT ADVICE LETTER FILED ON MARCH 28, 1994.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$18,926, or 23.5%, for test year 1994. The increase will provide a 10.13% rate of return on rate base in the test year. This rate of return is lower than the standard 13.85% recommended for small utilities, but this resolution authorizes the full increase requested by TSV.

BACKGROUND

TSV, by draft advice letter filed on March 28, 1994, requested 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 to produce additional revenues of \$18,976 or 23%. TSV's request shows 1994 gross revenue of \$82,908 at present rates increasing to \$101,884 at proposed rates to produce a rate of return on rate base of 11.5%. TSV presently serves about 358 flat rate and three metered customers in the Tahoe Swiss Village and Tahoe Pines Tracts located about 1-1/2 miles north of the town of Homewood in Placer County.

The present rates became effective on November 29, 1989 pursuant to Resolution No. W-3472, which authorized a general rate increase of \$14,861 or 24%.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of TSV's summary of earnings and issued its report dated December 1994. Appendix A shows TSV's and the Branch's estimated summaries of earnings at present, requested and adopted rates for the test year 1994. Appendix A also shows differences in operating revenues, operating expenses and rate base.

TSV was informed of the Branch's differing views of revenues, expenses and rate base and stated that it agreed with the Branch's findings.

The difference in utility plant is due primarily to a mathematical error in TSV's calculations. The correction of the error resulted in average plant of approximately \$62,000 higher than shown in its summary of earnings. This included \$42,300 of proposed plant additions for the test year 1994. Since only about \$20,000 was installed in 1994, the Branch excluded about \$22,000, leaving a difference of about \$40,000. The error was discovered just prior to

the deadline for processing this resolution, so TSV in order to avoid renotifying its customers for need of additional rate increase, agreed to a lower rate of return in order to avoid any delay.

The Branch agrees with TSV's requests that it be allowed to file an advice letter to offset the balance of the improvements in 1995.

On August 10, 1993, the Department of Health Services (DHS) notified TSV that it was not in compliance with the Surface Water Filtration and Disinfection Regulation for its surface water supply and ordered TSV to comply by September 29, 1995. TSV responded that it would attempt to comply but requested an extension of the target date. At this time TSV is unsure of the timing and estimated costs of further improvements; therefore, it has requested offsetting treatment for its initial engineering costs associated with the filtration plant and for the costs of the plant when the plant is completed and in full operation. Since these improvements are mandated by DHS, the Branch concurs with this request, but recommends that at the time of filing of the advice letter requesting offsetting treatment, its customers be notified of the request.

TSV's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 11.50%. The summary of earnings in Appendix A shows a rate of return of 10.13% at the Branch's recommended rates. This rate of return is below the standard rate of return range of 13.60% to 14.10% recommended by the Finance Branch for Class D utilities; however, since TSV bills on an annual basis and the billing period began on January 1, TSV has agreed to this rate in order to avoid any delay in approval. Branch recommends that a return of 13.85% be imputed for subsequent filings by this company.

TSV's filed tariffs currently contain three rate schedules: Schedule No. 1A, Annual General Metered Service, Schedule No. 2A, Annual Residential Flat Rate Service and Schedule No. 4, Private Fire Protection Service. Since there are only three metered customers, all rates were increased by the systemwide increase and consideration to the current policy of recovery of fixed expenses through the service charges was not necessary. There are currently no private fire protection customers; however, TSV wishes to retain this schedule for possible future uses. The rates proposed by the Branch are included herein as Appendix B.

After review, the Branch recommends that the following requests be approved:

1. Increase the restoration of service charge in Rule 11, Discontinuance and Restoration of Service from \$10 and \$15 to \$25 and \$40.
2. Add a paragraph to Rule 11 to charge customers who request discontinuance of service and within four months of request for restoration \$25 from April 1 through November 30 and \$40 from December 1 through March 31.

3. Add a new schedule (Schedule No. SE) applicable to all customers for water turn on of \$25 for regular hours and \$40 for after regular hours.
4. Implement a one time surcharge of \$2.71 per customer to recover \$934.25 which the Department of Health Services charged TSV for the period from July 1, 1993 through June 30 1994.

A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

#### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on June 8, 1994. The Branch received nine letters in response to the notice, all complaining about the size of the requested increase. Some customers also complained about sand in the water and one complained of being overcharged. There were also complaints from part-time residents being charged year-round. The Branch has responded to all complainants. The complaint of overcharge was discussed at the public meeting and is discussed below. The Commission's Consumer Affairs Branch has received five complaints since January 1993. All have been resolved.

A public meeting was held on June 8, 1994 in TSV's service area. The Branch's representative explained Commission rate setting procedures and the utility's representative explained the need for the rate increase. About 14 customers attended the meeting with their primary concern being the expenses of the utility. Other concerns expressed included the cost of a sanitary survey and water testing mandated by the Department of Health Services.

There was also some discussion regarding a long-standing sand problem; however, the utility recently installed a sand separator on the lake intake which should alleviate the problem. One customer complained about the operations of the utility and of being overcharged. The utility was directed to explain the billing to the complainant after the meeting. Subsequently, the Branch received a letter from the complainant indicating that he had not received satisfaction. The matter is in the process of been resolved.

#### 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. The rate increase authorized herein is justified, and the resulting rates are just and reasonable.

5. TSV should be authorized to file advice letters to:
  - a. Offset the costs of the planned improvements that were not completed in 1994.
  - b. Offset the costs associated with complying with the DHS mandate.
  - c. Increase its rate of return in 1996 to that which will be in effect at that time.
6. The changes to Rule 11 are reasonable and should be adopted.
7. Schedule SE is reasonable and should be adopted.
8. The surcharge for the DHS charge is reasonable and should be adopted.
9. A rate of return of 13.85% is reasonable and should be adopted.

IT IS ORDERED THAT:

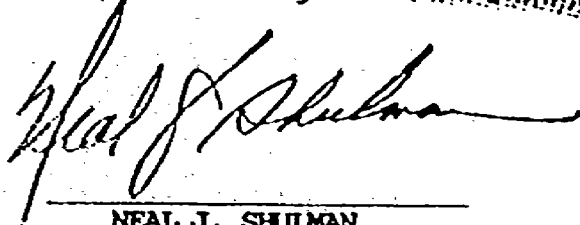
1. Authority is granted under Public Utilities Code Section 454 for Tahoe Swiss Village Water Company to file an advice letter incorporating the summary of earnings and the revised and new rate schedules attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule Nos. 1A, Annual General Metered Service, No. 2A, Annual Residential Flat Rate Service and No. 4, Private Fire Protection Service. Its filing shall comply with General Order 96-A. Because TSV charges its customers on an annual basis and the billing period has already started, the effective date of the revised schedules shall be on the date of its filing.
2. TSV is authorized to file advice letters to:
  - a. Offset the balance of planned improvements in 1995 after they have been installed and in full operation.
  - b. Offset the costs of complying with the Department of Health Services mandate after the facilities are in place, in full operation and have received the approval of DHS. Customers shall be notified at the time of filing.
  - c. Increase its rate of return to that which will be in effect in 1996. Customers shall be notified at the time of filing.
  - d. Incorporate the revised Rule 11, Discontinuance and Restoration of Service.
3. The surcharge is reasonable and shall be included in the rate schedules attached as Appendix B.

Resolution W-3903

Tahoe Swiss Village Water Company/Dr Al/RJT/LEP:mem

4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on January 5, 1995. The following Commissioners approved it:



NEAL J. SHULMAN  
Executive Director

DANIEL Wm. FESSLER  
President  
NORMAN D. SHUMWAY  
P. GREGORY CONLON  
JESSIE J. KNIGHT, JR.  
Commissioners

Resolution W-3903  
Tahoe Swiss Village Water/Dr AL/RUT/LEP:mem

APPENDIX A  
Tahoe Swiss Village Utility  
SUMMARY OF EARNINGS  
Test Year 1994

	Estimated 1994 At Present Rates				Estimated 1994 At Proposed Rates				Test Year 1994
	Staff	Utility	Utility Exceeds Amount	Staff %	Staff	Utility	Utility Exceeds Amount	Staff %	Staff Recommended Rates
<b>Operating Revenues:</b>									
Flat Rate	79,278	81,660	2,382	3.0%	99,350	99,303	(47)	-0.0%	97,915
Metered	1,226	1,248	22	1.8%	2,155	2,581	426	19.8%	1,515
Total	80,504	82,908	2,404	3.0%	101,506	101,884	379	0.4%	99,430
<b>Operating Expenses:</b>									
Purchased Water	0	0	0		0	0	0		0
Power	10,496	10,496	0	0.0%	10,496	10,496	0	0.0%	10,496
Other Vol. Related Exp.	2,400	2,400	0	0.0%	2,400	2,400	0	0.0%	2,400
Employee Labor	2,676	3,000	324	12.1%	2,676	3,000	324	12.1%	2,676
Materials	1,831	1,831	0	0.0%	1,831	1,831	0	0.0%	1,831
Contract Work	4,000	4,000	0	0.0%	4,000	4,000	0	0.0%	4,000
Transportation Expense	3,140	3,502	362	11.5%	3,140	3,502	362	11.5%	3,140
Other Plant Maint. Exp.	812	812	0	0.0%	812	812	0	0.0%	812
Office Salaries	2,676	2,676	0	0.0%	2,676	2,676	0	0.0%	2,676
Management Salaries	17,840	20,000	2,160	12.1%	17,840	20,000	2,160	12.1%	17,840
Employee Pension & Benef.	3,339	3,339	0		3,339	3,339	0		3,339
Uncollectibles	0	0	0		0	0	0	0.0%	0
Office Service & Rentals	2,199	2,199	0	0.0%	2,199	2,199	0	0.0%	2,199
Office Supplies & Expenses	5,482	6,030	548	10.0%	5,482	6,030	548	10.0%	5,482
Professional Services	2,091	2,091	0	0.0%	2,091	2,091	0	0.0%	2,091
Insurance	3,149	3,149	0	0.0%	3,149	3,149	0	0.0%	3,149
Regulatory Commission Exp.	100	100	0	0.0%	100	100	0	0.0%	100
General Expenses	1,351	1,351	0	0.0%	1,351	1,351	0	0.0%	1,351
<b>Total Expenses</b>	<b>63,582</b>	<b>66,976</b>	<b>3,394</b>	<b>5.3%</b>	<b>63,582</b>	<b>66,976</b>	<b>3,394</b>	<b>5.3%</b>	<b>63,582</b>
Depreciation	9,455	9,781	326	3.5%	9,455	9,781	326	3.5%	9,455
Property Tax	1,341	1,341	0	0.0%	1,341	1,341	0	0.0%	1,341
Payroll Tax	2,207	2,269	62	0.0%	2,207	2,269	62	0.0%	2,207
State Taxes	800	800	0	0.0%	1,533	800	(733)	0.0%	1,340
Income Taxes	0	0	0	0.0%	2,243	3,113	870	0.0%	1,961
<b>Total Deductions</b>	<b>77,384</b>	<b>81,167</b>	<b>3,783</b>	<b>4.9%</b>	<b>80,360</b>	<b>84,280</b>	<b>3,920</b>	<b>4.9%</b>	<b>79,885</b>
<b>Net Revenue</b>	<b>3,120</b>	<b>1,741</b>	<b>1,379</b>	<b>-44.2%</b>	<b>21,145</b>	<b>17,604</b>	<b>(3,541)</b>	<b>-16.7%</b>	<b>19,545</b>
<b>Rate Base:</b>									
Average Plant	365,510	326,171	(39,339)	-10.8%	365,510	326,171	(39,339)	-10.8%	365,510
Average Depr. Res.	(168,301)	(165,927)	2,374	-1.4%	(168,301)	(165,927)	2,374	-1.4%	(168,301)
Net Plant	197,209	160,244	(36,965)	-18.7%	197,209	160,244	(36,965)	-18.7%	197,209
Less: Advances	7,200	7,200	0	0.0%	7,200	7,200	0	0.0%	7,200
Contributions	0	0	0	0.0%	0	0	0	0.0%	0
Add: Supplies	2,888	0	2,888	0.0%	2,888	0	2,888	0.0%	2,888
Working Cash	0	0	0		0	0	0		0
<b>Rate Base</b>	<b>192,897</b>	<b>153,044</b>	<b>(39,853)</b>	<b>-20.7%</b>	<b>192,897</b>	<b>153,044</b>	<b>(39,853)</b>	<b>-20.7%</b>	<b>192,897</b>
<b>Rate of Return</b>	<b>1.62%</b>	<b>1.14%</b>			<b>10.96%</b>	<b>11.50%</b>			<b>10.13%</b>

APPENDIX B  
page 1 of 6

Tahoe Swiss Village Utilities, Inc.

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

An area 1 1/2 miles north of Homewood, Placer County.

RATES

Quantity Rates:	<u>Per Meter Per Month</u>	
All Water, per 100 cubic feet .....	\$ 0.63	(I)

Per Meter Per Year

Service Charge:

For 5/8 x 3/4-inch meter .....	\$106.80	(I)
For 3/4-inch meter .....	120.00	
For 1-inch meter .....	160.00	
For 1 1/2-inch meter .....	211.80	
For 2-inch meter .....	288.80	(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 charge computed at the Quantity Rate.

APPENDIX B  
page 2 of 6

Tahoe Swiss Village Utilities, Inc.

Schedule No. 1A  
(continued)

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS

1. The annual service charge applies 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 on a semiannual basis in advance of January 1 and July 1.
2. The established billing cycle for water is monthly. The billing cycle may be at longer intervals during winter season.
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. 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. A one time charge of \$2.71 per customer shall be collected for the period from July 1, 1993 through June 30, 1994 in accordance with Commission Resolution W-3784, dated June 23, 1994 to recover the operating costs of fees imposed by the Department of Health Services. (N)  
|  
(N)
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)  
(L)



APPENDIX B  
page 3 of 6

Tahoe Swiss Village Utilities, Inc.

Schedule No. 2A

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

An area 1 1/2 miles north of Homewood, Placer County.

RATES

For a single-family residential unit, including premises.

	<u>Per Service Connection</u> <u>Per Year</u>	
Served through a 3/4-inch service .....	\$ 274.20	(I)
1-inch service .....	349.20	
1 1/2-inch service .....	837.60	
2-inch service .....	1,440.00	(I)
For each additional single-family residential unit on the same premises and served from the same service same service connection .....	\$ 189.00	(I)
For each swimming pool .....	\$ 70.20	(I)

SPECIAL CONDITIONS

1. For service covered by the above classifications, 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 service charge for the same period shall be made on or before that day.

APPENDIX B  
page 4 of 6

Tahoe Swiss Village Utilities, Inc.

Schedule No. 2A  
(continued)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (CONTINUED)

2. The annual flat rate charge applies 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 on a semiannual basis in advance of January 1 and July 1. 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. 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. A one time charge of \$2.71 per customer shall be collected for the period from July 1, 1993 through June 30, 1994 in accordance with Commission Resolution W-3784, dated June 23, 1994 to recover the operating costs of fees imposed by the Department of Health Services. (N)  
|  
(N)
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)  
(L)

APPENDIX B  
page 5 of 6

Tahoe Swiss Village Utilities, Inc.

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to water service furnished for private fire systems and to private fire hydrants.

TERRITORY

An area 1 1/2 miles north of Homewood, Placer County.

RATES

Per Service Connection  
Per Month

For each inch of diameter  
of service connections. .... \$4.50 (I)

SPECIAL CONDITIONS.

1. The facilities for service connection to a privately owned fire protection system will be installed by the utility or under the utility's direction and the cost paid by the applicant. Such cost will not be subject to refund. The facilities paid for will be the sole property of the applicant.
2. The minimum diameter for the private service connection will be 4 inches. The maximum diameter will not be larger than the diameter of the water main to which the service is connected.
3. If a main of adequate size to serve a private fire protection system in addition to all other normal service does not exist adjacent to the premises to be served, then a new main from the nearest existing main of adequate capacity will be installed by the utility and the cost paid by the applicant. Such cost will not be subject to refund. The main where located in public right-of-way or utility easement will be the sole property of the utility.

APPENDIX B  
page 6 of 6

Tahoe Swiss Village Utilities, Inc.

Schedule No. SE

SERVICE ESTABLISHMENT CHARGES

APPLICABILITY

Applicable to all customers.

TERRITORY

Entire service territory.

RATES

	<u>Regular Hours</u>	<u>Outside Regular Hours</u>
Water turn on or Meter set	\$25.00	\$40.00
Change of Account	\$25.00	\$40.00

SPECIAL CONDITIONS

1. The applicable service establishment charge provided for herein is in addition to the charges calculated in accordance with the applicable schedule and will be made each time an account is opened, including a turn-on meter set or reconnection of water service or a change of account.
2. The outside regular hours rate is to be applied whenever the customer requests that water service be turned on or reconnected outside regular business hours or within four hours after the request.
3. Utility shall take only those emergency actions and make only those minor repairs involving non-utility facilities, which would prevent serious hardship or property damage.
4. Utility may apply the service charge for problems with non utility facilities whether or not actions and/or repairs involving such facilities are actually completed.

APPENDIX C

Tahoe Swiss Village Utilities, Inc.

COMPARISON OF RATES

METERED SERVICE

	<u>Per Meter Per Year</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase (Decrease)</u>
For 5/8 x 3/4-inch meter	\$ 86.40	\$ 106.80	23.6%
For 3/4-inch meter	94.80	120.00	26.6%
For 1 - inch meter	129.60	160.00	23.5%
For 1-1/2-inch meter	171.60	211.80	23.4%
For 2 - inch meter	232.80	288.00	23.7%

Quantity Rates:

Per 100 cu.ft	\$ 0.51	\$ .63	23.5%
---------------	---------	--------	-------

FLAT RATE SERVICE

	<u>Per Meter Per Year</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase (Decrease)</u>
For 3/4-inch service	\$222.00	\$274.20	23.5%
For 1 - inch service	283.00	349.20	23.4%
For 1-1/2-inch service	681.00	837.60	23.0%
For 2 - inch service	N/A	1,440.00	N/A

PRIVATE FIRE PROTECTION SERVICE

	<u>Per Service Connection Per Month</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase (Decrease)</u>
For each inch of diameter of service connection. ....	\$3.50	\$4.50	28.6%

APPENDIX D

Tahoe Swiss Village Utility, Inc.

ADOPTED QUANTITIES

Test Year 1994

Offset Items

1.	Purchased Power	
	Sierra Pacific Power Company	
	Rate Schedule A-1--Small	
	Effective Date	4/1/94
	Customer Charge (per month):	\$8.00
	Energy Charge (per/kWh):	\$0.08600
	Total Cost	\$10,496
	Total kWh	124,483
2.	Payroll	
	Employee Labor	\$2,676
	Office Salaries	2,676
	Management Salaries	17,840
3.	Payroll Taxes	\$ 2,207
4.	Ad Valorem Taxes	\$ 1,341

Service Connections

1.	Flat Rate	
	Connection Size:	
	3/4".....	341
	1".....	3
	1 1/2".....	1
	2".....	0
	Additional units on same premises ...	13
	Swimming pools .....	1
2.	Metered Rate	
	Meter Size:	
	3/4".....	1
	1".....	1
	1 1/2".....	0
	2".....	1
	Total	361

Metered Water Sales

Usage - Ccf/yr

Metered

1,507

APPENDIX D

Tahoe Swiss Village Utilities, Inc.

ADOPTED TAX CALCULATIONS

1994 Test Year

1.	Operating Revenues	\$ 99,430
2.	Expenses	63,582
3.	Depreciation	9,455
4.	Taxes Other Than Income	3,548
5.	Interest Expense	8,435
6.	Taxable Income for State Tax	14,410
7.	State Tax (9.3% but not less than \$800)	1,340
8.	Taxable Income for FIT	13,070
	Federal Income Tax	\$ <u>1,961</u>