

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3905  
January 5, 1995

## R E S O L U T I O N

(Res. W-3905) TAHOE PARK WATER COMPANY, INC. (TPWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$11,950 (10.28%) IN 1994.

BY DRAFT ADVICE LETTER ACCEPTED ON JUNE 24, 1994.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$11,950, or 10.28% for test year 1994. The increase will provide an 11.55% rate of return in test year 1994.

BACKGROUND

TPWC, by draft advice letter accepted on June 24, 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 by \$31,610 (27.20%) in 1994. TPWC's request shows 1994 gross revenue of \$116,210 at present rates increasing to \$147,820 at proposed rates to produce a 13.63% rate of return on rate base. TPWC presently serves 510 flat rate customers and 28 metered customers in two noncontiguous service areas approximately two miles south of Tahoe City, Placer County.

The present rates were established on December 18, 1991 by Resolution (Res.) W-3627, which authorized a general rate increase of \$21,154 or 28.09%. TPWC has twice been authorized to bill customers a one-time charge for Department of Health Services (DHS) fees, in accordance with Res. W-3784.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of TPWC's summary of earnings and issued its report dated November 1994. Appendix A shows TPWC's and the Branch's estimated summary 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.

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

TPWC's draft advice letter requested rates which it estimated would produce a 13.63% rate of return on rate base in test year 1994. The summary of earnings in Appendix A shows an 11.55% rate of return in 1994 at the Branch's recommended rates. Branch recommended a lower return based on the fact that

TPWC is a Class C water utility. TPWC's higher estimate was based on the assumption that TPWC was a Class D water utility.

The utility's current rate structure is made up of five schedules: Schedule No. 1A, Annual Metered Service; Schedule No. 2RA, Annual Residential Flat Rate Service; Schedule No. 2RA-Sky, Annual Residential Flat Rate Service; Schedule No. 4, Private Fire Protection Service; and Schedule No. 5, Public Fire Hydrant Service. Metered service consists of a single quantity block billed every six months and a yearly service charge determined by meter size.

In its request, TPWC proposed to increase all rate categories by the system average increase and if possible to link the rates of the two service areas, Tahoe Park (TPSA) and Skyland-Nielson (SNSA), so that its accounting system might be simplified. The rates proposed by the Branch, included here as Appendix B, were designed to keep these points in mind.

Branch considered continuing the current policy of accounting for the SNSA and TPSA separately. It conducted a study of relative costs for the two subsystems including administrative and office expenses and maintenance expenses. Branch concludes that only purchased power expense deviates significantly from customer proportionality. Rate base, office expenses, maintenance, and other expenses were approximately similar in each system on a per customer basis. Power costs for the SNSA were substantially higher than for the TPSA primarily due to SNSA's greater vertical distance from Lake Tahoe, the system's water source.

Branch's rate design thus incorporates all costs of service except for power into a base rate that is the same for 3/4-inch flat rate customers in TPSA and SNSA. The different purchased power cost is then accounted for with a "Pumping Zone Adder". Branch proposes a Base Rate of \$195.50 per year for a 3/4-inch connection, with a \$38.00 Pumping Zone Adder in SNSA and a \$6.00 Pumping Zone Adder in TPSA. The Pumping Zone Adder serves a similar purpose to the metered quantity rate of accounting for variable charges, so Branch did not impose the adder on TPSA metered customers.

A further conclusion of Branch's cost of service study was that existing metered rates were sufficient to cover the cost of serving those metered customers. Thus Branch's proposed rate design leaves metered rates constant.

Branch increased the rate for private fire protection from \$79.92 per inch per year to \$89.00 per inch per year, an 11.36% increase.

The Branch made no changes to Schedule No. 5, Public Fire Hydrant service, because rates recorded therein are billed according to a contract between TPWC and the Tahoe City Fire District.

Under Branch's proposed rate design, a 5/8 x 3/4" metered customer in the TPSA with average usage would have an annual bill of \$251.37. A flat rate customer would pay \$201.50. While this is more equitable than the previous rate design, it does not make flat and metered customers equal. TPWC believes it has metered its heaviest users, so flat rate customers on average use less water and should be charged less. The Branch has no way of verifying this, since by their nature flat rate connections are not metered. Branch was constrained by a desire not to decrease rates and the circumstance that an overwhelming majority of the customers are on a flat rate.

In the Branch's rate design, TPSA customers on flat rate 3/4-inch service will see their rates increased 11.94%. Customers on the 1-inch flat rate will see their rates increase 12.00%. Rates for a second service on the same service line increase 10.96%. SNSA flat-rate customers will see their rates increased 16.75%. Metered customers' rates will not increase.

In its advice letter, TPWC also requested authority to lower the surcharge collected for repayment of a Safe Drinking Water Bond Act (SDWBA) loan. The Department of Water Resources proposed to raise the interest rate it charges on such loans from 5.5% to 8.1%. TPWC chose to draw down its substantial repayment reserve to reduce the outstanding principal on the loan, lowering customer surcharges by approximately 25%. Branch has no objection to this action.

The loan surcharge for a typical flat-rate TPSA customer will be reduced from \$95.40 per year to \$71.50 per year, or 25%. Under Branch's proposed rates, the total cost of water service for a 3/4-inch flat rate customer in the TPSA would decrease from \$275.40 to \$273.00. TPSA metered rate customers would see their rates decrease substantially due to the reduction in the surcharge. A typical 5/8-inch metered customer would see the annual bill reduced from \$346.77 to \$322.87 or 6.9%.

TPWC is currently constructing two major plant additions to help it meet new regulations on surface water filtration. The projects, a pipeline within the SNSA and a groundwater well in the TPSA, are expected to be completed in 1995. The Branch's estimate of ratebase includes all construction work completed as of December 1, 1994 on the two projects. Branch recommends that reasonable costs associated with the completion of the two projects be allowed to be filed as a ratebase offset rate increase as soon as those projects are completed.

Furthermore, TPWC has been engaged in legal action brought by the local homeowners' association to prevent it from expanding its lakeshore pump house. At TPWC's request, Branch recommends that the utility be authorized to record in a memorandum account all legal fees incurred as a result of the dispute. TPWC should be allowed to file an advice letter requesting recovery of those costs. The reasonableness of the amount to be recovered will be determined at that time.

#### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on July 18, 1994. One letter protesting the increase was received by the Branch. It complained of large rate increases in the SNSA with a perceived decline in service. The Consumer Affairs Branch reports that TPWC has received 9 complaints since the last rate increase was granted. CAB categorized nearly all of these complaints as "high bill" complaints.

On August 18, 1994 a public meeting was held at the Tahoe City Community Hall, about two miles north of the service area. The main topic of discussion centered on the perceived inequity between metered and flat rate charges. One customer in particular commented for about forty-five minutes. One of the solutions proposed by this customer was to either meter everyone or no one. Company representatives explained that installing meters for everyone would be

very expensive, and that TWC plans to add meters incrementally. Branch staff indicated that it, too, was concerned about possible inequities in the metered rates, pointing out that it had recommended only a small increase in metered rates in the 1991 GRC.

FINDINGS AND CONCLUSIONS

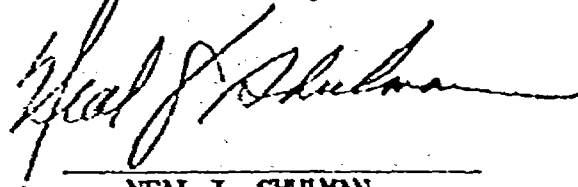
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. The rate increase authorized herein is justified, and the resulting rates are just and reasonable.
5. TWC should be allowed to file an offset rate increase to recover the additional reasonable plant investment associated with the completion of the pipeline project and the groundwater well.
6. TWC should be authorized to establish a memorandum account to record legal expenses associated with its dispute with the Tahoe Park Homeowners' Association, and, after having recorded payment of those costs, to file an advice letter requesting recovery of those costs.

IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Tahoe Park Water Company, Inc. 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 cancel its presently effective Tariff Schedule No. 1A, Annual Metered Service; Schedule No. 2RA, Annual Residential Flat Rate Service; Schedule No. 2RA-Sky, Annual Residential Flat Rate Service; and Schedule No. 4, Private Fire Protection Service. 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. Tahoe Park Water Company is authorized to reduce customer surcharges for payment of the Safe Drinking Water Bond Act loan.
3. Tahoe Park Water Company is authorized to establish a memorandum account to record legal expenses associated with the Tahoe Park Homeowners' Association lawsuit, and to file an advice letter as prescribed by General Order 96-A requesting recovery of those costs.
4. Tahoe Park Water Company is authorized to file an advice letter requesting an offset to ratebase for reasonable plant investment associated with the completion of a pipeline project and a groundwater well.
5. This resolution is effective today.

Resolution W-3905  
THWC/DR AL/REP/TFS/jlj:mem

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

Appendix A

Tahoe Park Water Company

SUMMARY OF EARNINGS  
 Test Year 1994

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Flat Rate	\$93,340	\$118,729	\$93,340	\$118,729	\$105,236
Metered Rate	21,862	27,808	21,862	27,808	21,862
Private Fire	480	611	480	611	534
Public Fire	528	672	528	672	528
Total Revenue	\$116,210	\$147,820	\$116,210	\$147,820	\$128,160
<u>Operating Expenses</u>					
Purchased Power	\$13,540	\$13,540	\$13,540	\$13,540	\$13,540
Other Volume Related	1,000	1,000	1,000	1,000	1,000
Materials	7,700	7,700	9,540	9,540	9,540
Contract Work	4,800	4,800	4,800	4,800	4,800
Transportation	5,870	5,870	5,700	5,700	5,700
Employee Labor	17,770	17,770	17,770	17,770	17,770
Other Plant Maintenance	2,420	2,420	500	500	500
Office Salaries	5,900	5,900	5,900	5,900	5,900
Management Salaries	10,640	10,640	10,640	10,640	10,640
Employee Benefits	1,800	1,800	1,800	1,800	1,800
Office Svcs. and Rent	3,900	3,900	3,413	3,413	3,413
Office Supplies	1,120	1,120	1,120	1,120	1,120
Professional Services	12,000	12,000	6,100	6,100	6,100
Insurance	4,970	5,200	5,162	5,478	5,082
General	340	340	340	340	340
Regulatory	1,440	1,440	1,725	1,725	1,725
Subtotal	\$95,210	\$95,440	\$89,050	\$89,366	\$88,970
Depreciation	\$9,700	\$9,700	\$8,867	\$8,867	\$8,867
Property Taxes	3,430	3,430	3,329	3,329	3,329
Payroll Taxes	3,480	3,480	3,060	3,060	3,060
Income Taxes	1,210	8,090	2,727	9,894	5,482
Total Deductions	\$113,030	\$120,140	\$107,033	\$114,516	\$109,708
Net Revenue	3,180	27,680	9,177	33,304	18,452
<u>Rate Base</u>					
Average Plant	\$402,970	\$402,970	\$356,306	\$356,306	\$356,306
Average Dep. Reserve	111,797	111,797	108,422	108,422	108,422
Net Plant	291,173	291,173	247,884	247,884	247,884
Less Advances	84,000	84,000	84,000	84,000	84,000
Contributions	14,130	14,130	14,130	14,130	14,130
Plus Working Cash	0	0	0	0	0
Mat'l. & Supplies	10,000	10,000	10,000	10,000	10,000
Rate Base	\$203,043	\$203,043	\$159,754	\$159,754	\$159,754
Rate of Return	1.57%	13.63%	5.74%	20.85%	11.55%

APPENDIX B  
Page 1

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated areas including Tahoe Park, Miramar Heights and Tahoe Sierra Estates Subdivision, and vicinity, located adjacent to State Highway 89 approximately 1 to 2 miles south of the community of Tahoe City, Placer County.

RATES

Quantity Rate:

All water, per 100 cu. ft..... \$ 0.67

Service Charge

	<u>Per Meter Per Year</u>	
	<u>Charge</u>	<u>SDWBA Surcharge</u>
For 5/8x3/4-inch meter.....	\$110.00	\$ 71.50 (R)
For 3/4-inch meter.....	165.00	107.50
For 1-inch meter.....	275.00	179.00
For 1-1/2-inch meter.....	550.00	357.00
For 2-inch meter.....	880.00	572.00
For 3-inch meter.....	1650.00	1,073.00 (R)

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.

(continued)

Schedule NO. 2RA-TP

(T)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated areas including Tahoe Park, Miramar Heights and Tahoe Sierra Estates Subdivision, and vicinity, located adjacent to State Highway 89 approximately 1 to 2 miles south of the community of Tahoe City, Placer County.

RATES

	: Per Service Connection :		
	: Per Year :		
	: Base Charge :	: Pumping Zone Adder :	: SDWBA Surcharge :
For a single-family residential unit or small business served by a 3/4" or smaller service connection, including premises	\$195.50 (I)	\$ 6.00 (N)	\$71.50 (R)
For each additional single-family residential unit or small business establishment on the same premises and served from the same 3/4" or smaller diameter service connection....	\$157.00 (I)	\$ 5.00 (N)	\$57.00 (R)
For 1" diameter flat rate service.....	\$326.00 (I)	\$10.00 (N)	\$179.00 (R)

Note: The pumping zone adder is an explicit part of the flat rate charge to reflect different pumping requirements in each of the service territories. (N)  
 (N)

SPECIAL CONDITIONS

1. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision No. 85-12-068.

(continued)



Schedule No. 2RA-Sky

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated areas including the Skyland and Nielsen subdivisions, and vicinity, located adjacent to State Highway 89 approximately 2 to 3 miles south of the community of Tahoe City, Placer County.

RATES

	Per Service Connection Per Year	
	Base Charge	Pumping Zone Adder

For a single-family residential unit or small business establishment served by a 3/4" or smaller service connection, including premises..... \$195.50 (R)    \$38.00 (N)

Note: The pumping zone adder is an explicit part of the flat rate charge to reflect different pumping requirements in each of the service territories. (N)  
|  
(N)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than 3/4-inch in diameter.
2. The annual flat rate service charge applies to service during the 12-month period commencing January 1, and are due in advance. When a customer has been a customer of the utility for at least 12 months, he or she may elect at the beginning of the calendar year to pay a prorated service charge in advance at intervals of less than one year in accordance with the utility's established billing periods. (C)

(Continued)

APPENDIX B  
Page 4

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated areas including Tahoe Park, Miramar Heights and Tahoe Sierra Estates Subdivision, and vicinity, located adjacent to State Highway 89 approximately 1 to 2 miles south of the community of Tahoe City, Placer County.

RATES

	<u>Per Service</u> <u>Per Year</u>	
For each inch of diameter of service connection.....	\$89.00	(I)

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of the private fire facilities.
2. The private fire service facilities shall be installed by the utility or under the utility's direction and shall be the sole property of the applicant but subject to the control of the utility, with the right to alter, repair, replace, and the right to remove upon discontinuance of service.
3. The minimum diameter for the private fire service connection will be 4 inches. The maximum diameter shall not be larger than the diameter of the water main to which the private fire service facilities are connected.
4. If a water main of adequate size is not available adjacent to the premises to be served, then a new main from the nearest existing main of adequate size will be installed by the utility at the cost of the customer. Such cost shall not be subject to refund.

End of Appendix B

COMPARISON OF RATES

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

METERED SERVICE

	<u>Per Meter Per Year</u>		<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8x3/4-inch meter	\$110.00	\$110.00	0.00%
For 3/4-inch meter	165.00	165.00	0.00%
For 1-inch meter	275.00	275.00	0.00%
For 1-1/2-inch meter	550.00	550.00	0.00%
For 2-inch meter	880.00	880.00	0.00%
For 3-inch meter	1650.00	1650.00	0.00%

Quantity Rates:

Per 100 cu. ft.....	\$ 0.67	\$ 0.67	0.00%
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Usage for a typical residential customer on a 5/8x3/4" meter using an average of 211 Ocf/yr:

<u>Usage</u>	<u>Present</u>	<u>Recommended</u>	<u>Amount</u>	<u>Percent</u>
<u>100 cu. ft.</u>	<u>Bills</u>	<u>Bills</u>	<u>Increase</u>	<u>Increase</u>
211	\$251.37	\$251.37	\$ 0.00	0.00%

Usage for a typical commercial customer on a 2" meter using an average of 1,954 Ocf/yr:

<u>Usage</u>	<u>Present</u>	<u>Recommended</u>	<u>Amount</u>	<u>Percent</u>
<u>100 cu. ft.</u>	<u>Bills</u>	<u>Bills</u>	<u>Increase</u>	<u>Increase</u>
1,954	\$2,189.18	\$2,189.18	\$ 0.00	0.00%

Usage for a typical commercial customer on a 3" meter using an average of 4,860 Ocf/yr:

<u>Usage</u>	<u>Present</u>	<u>Recommended</u>	<u>Amount</u>	<u>Percent</u>
<u>100 cu. ft.</u>	<u>Bills</u>	<u>Bills</u>	<u>Increase</u>	<u>Increase</u>
4,860	\$4,906	\$4,906	\$0.00	0.00%

COMPARISON OF RATES

ANNUAL FLAT RATE SERVICE -- Tahoe Park Service Area

	<u>Per Connection Per Year</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
1. For a single-family residential unit or a small business establishment served by a 3/4" service, including premises .....	\$180.00	\$201.50	11.94%
a. For each additional single-family residential or small business establishment on the same premises and served from the same 3/4" service connection .....	\$146.00	162.00	10.96%
2. For a 1" diameter flat rate service .....	\$300.00	336.00	12.00%

ANNUAL FLAT RATE SERVICE -- Skyland-Nielson Service Area

	<u>Per Connection Per Year</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
1. For a single-family residential unit or a small business establishment served by a 3/4" service, including premises .....	\$200.00	\$233.50	16.75%

End of Appendix C

Tahoe Park Water Company

ADOPTED QUANTITIES  
Test Year 1994

Expenses:

1. Purchased power

Vendor	Sierra Pacific Power
Schedules	A-1
Effective Date	April 1, 1994

A. Sierra Estates Intake	
Energy Charge, per Kwh	\$0.08588
Consumption, Kwh	373
Monthly Service Charge	\$8.00
Energy Commission Surcharge included	

Total Cost	\$ 128
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B. Nielsen Well Pump	
Energy Charge, per Kwh	\$0.08588
Consumption, Kwh	4,000
Monthly Service Charge	\$8.00
Energy Commission Surcharge included	

Total Cost	\$ 440
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C. Skyland Intake	
Energy Charge, per Kwh	\$0.08588
Consumption, Kwh	38,000
Monthly Service Charge	\$8.00
Energy Commission Surcharge included	

Total Cost	\$ 3,359
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D. Skyland Booster	
Energy Charge, per Kwh	\$0.08588
Consumption, Kwh	34,000
Monthly Service Charge	\$8.00
Energy Commission Surcharge included	

Total Cost	\$ 3,015
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E. Sequoia Intake Pump	
Energy Charge, per Kwh	\$0.08588
Consumption, Kwh	60,586
Monthly Service Charge	\$8.00
Energy Commission Surcharge included	

Total Cost	\$ 5,299
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Tahoe Park Water Company

ADOPTED QUANTITIES  
Test Year 1994

F. Tahoe Park Spring		
Energy Charge, per Kwh	\$0.08588	
Consumption, Kwh	14,000	
Monthly Service Charge	\$8.00	
Energy Commission Surcharge included		
Total Cost	\$	1,298
Total Power Cost	\$	13,540
2. Purchased water		
		None
3. Insurance Expenses		
General Liability Insurance	\$2,293	
Truck and Auto insurance	\$ 760	
Worker's Compensation	\$1,840	
Homeowner's (on 1/2 garage building)	\$ 200	
Total Cost	\$5,093	
4. Ad Valorem Taxes		
Composite Tax Rate	\$3,329	
Assessed Value	1.0318%	\$322,640
5. Payroll Taxes		
Medicare	\$3,060	
Federal Unemployment	7.65%	
State Unemployment	0.80%	
	5.4%	
6. Water Testing Expenses		
Bacteriological Tests (in contract work)	\$ 950	
Total Cost	\$	950
7. Plant for Pipeline and Well Included in Ratebase (For work completed as of December 1, 1994)		
SNSA pipeline .....	\$ 7,000	
TPSA groundwater well .....	\$19,000	

Tahoe Park Water Company

ADOPTED QUANTITIES  
Test Year 1994

Service Connections

Tahoe Park Service Area

Flat Rate	
Flat Rate 3/4" Service	404
Flat Rate Additional Unit	20
Flat Rate 1" Service	5
Total Flat Rate	429
Fire Protection	
Private Fire Service	1
Public Fire Hydrant	22
Metered Rate	
5/8x3/4-inch meter	12
3/4-inch meter	0
1-inch meter	6
1-1/2-inch meter	7
2-inch meter	2
3-inch meter	1
Total Metered Rate	28
Metered Water Sales Used to Design Rates	18,406 Ccf
<u>Skyland-Nielsen Service Area</u>	
Flat Rate	
3/4-inch flat rate service	81
Total Customers (excluding second units)	518

Tahoe Park Water Company

ADOPTED TAX CALCULATIONS  
Test Year 1994

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$128,160	\$128,160
2.	O & M Expenses	\$88,970	\$88,970
3.	Taxes Other Than Income	\$6,389	\$6,389
4.	Depreciation	\$8,867	\$8,867
6.	Taxable Income for State Tax	\$23,934	
7.	State Tax	\$2,226	\$2,226
8.	Taxable Income for FIT		\$21,708
9.	Federal Income Tax		\$3,256
10.	Total Income Tax		\$5,482

California Corporate Franchise Rate 9.3%

Federal Income Tax Rates  
On first \$50,000 taxable income 15%

End of Appendix D