

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3906
February 8, 1995

R E S O L U T I O N

(RES. W-3906), STEWART WATER COMPANY, INC. (SWC). ORDER AUTHORIZING AN OFFSET RATE INCREASE PRODUCING \$872 OR 6.06% ADDITIONAL ANNUAL REVENUE AND A ONE-TIME SURCHARGE PRODUCING REVENUES OF \$1,995 FOR THE SAN BERNARDINO COUNTY DEPARTMENT OF ENVIRONMENTAL HEALTH SERVICES FEES.

BY LETTER FILED OCTOBER 10, 1994.

SUMMARY

This resolution grants Stewart Water Company (SWC) an increase in gross annual revenues of \$872, or 6.06%, to provide a return on investment for increased plant-in-service. This resolution also grants SWC authority to collect \$1,995 from its customers for the San Bernardino County Department of Environmental Health Services (EHS) fees. The increase will not result in a rate of return greater than last authorized for SWC.

BACKGROUND

SWC 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 \$8,110, or 56.4%, in 1994. SWC serves approximately 41 metered customers near Lucerne Valley in San Bernardino County.

The last general rate increase became effective on January 23, 1994, pursuant to Resolution W-3820, dated January 7, 1994, which authorized a general rate increase of \$4,767 or 50%, and a rate of return of 13.35%.

DISCUSSION

The discussion section of Resolution W-3820, dated January 7, 1994, stated that SWC should be ordered to "return its second well to operating condition and to file for a rate base offset to recover its costs" and "repair its pumps and authorized to file a rate base offset to recover the costs in rates." Although not specifically ordered in the ordering paragraphs, it was the Commission's intent that SWC make these necessary improvements. SWC has replaced the pump on its main well and is now requesting an offset rate increase to provide a return on its investment.

Resolution W-3820 also stated that the SWC's system was in poor condition, with only one of its two wells operational. The repair that was completed improves the condition of the system.

SWC has included supporting documents to justify its request. The Water Utilities Branch staff (Staff) has reviewed the documents and has come to the conclusion that the costs for the pump replacement are reasonable. The repair bill comes to \$4,333.42, as shown on the invoice from McDougall's Well Drilling, Inc., dated May 31, 1994.

The additional annual revenue requirement associated with the rate base offset is \$872. Since the return on the increased plant-in-service is an increase in fixed costs, the revenue increase is applied proportionately to the customers' service charge rates.

SWC has also requested reimbursement for annual fees associated with EHS. SWC has included a copy of an EHS bill for \$3,776.47, dated August 8, 1994. This bill is for the fiscal years 1992-3, 1993-4, and 1994-5, and includes late payment penalties. Staff has reviewed SWC's submittal and has determined that all fees except late payment penalties are reasonable. The Staff recommends disallowance of all late payment penalties since it is the utility's responsibility to ensure that prompt payment is made. The total for annual permit fees which Staff is recommending be allowed is \$1,995.

Since Department of Health Services (DHS) delegates most of its regulatory functions to counties for water systems with less than 200 customers, EHS fees are similar to those of the DHS. The Commission, in Resolution W-3784, dated June 23, 1993, authorized the establishment of a memorandum account for the DHS fees and allowed regulated utilities to recover the balance in the account by filing an advice letter. Although a provision was not specifically made for fees associated with EHS, the Branch views such fees in the same light and recommends that SWC be authorized to recover them. Branch has added a finding to this resolution to that effect and will cite this resolution and W-3784 as justification for recovery of fees where DHS has delegated its authority.

Service is adequate. There are no Commission orders requiring system improvements other than those included in this resolution.

NOTICE AND PROTESTS

SWC mailed a notice of the proposed increase to each customer on December 12, 1994. The Branch received two letters of protest; one protest was signed by 13 customers. Both letters protested the increase in light of the 1994 general rate increase. The Staff has responded to these letters.

FINDINGS

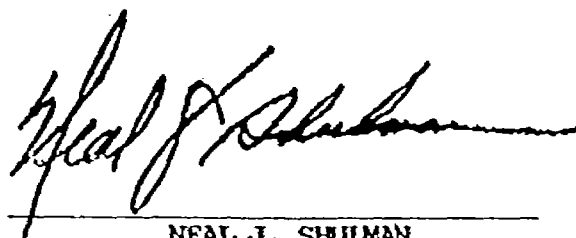
1. The costs associated with the main well pump replacement are reasonable and should be recovered in rates.
2. The EHS annual permit fees for fiscal years 1992-3, 1993-4, and 1994-5, are reasonable and should be recovered as a one-time surcharge.

3. Recovery from SWC's customers of any late payment penalties associated with DHS is not reasonable.
4. The increased rates hereby authorized are just and reasonable.
5. Branch is authorized to process fee recovery requests for Department of Health Services (DHS) delegated agencies in the same manner that Resolution W-3784 authorizes for DHS fees.

IT IS ORDERED that:

1. Authority is granted under the Public Utilities Code, Section 454, for Stewart Water Company to file an advice letter incorporating the Summary of Earnings attached hereto as Appendix A, and the rate schedule attached as Appendix B, and concurrently cancel the presently effective Schedule No. 1, General Metered Service. The 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. Branch shall process requests for fee recovery for Department of Health Services delegated agencies as it does per W-3784 for Department of Health Services fees.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on February 8, 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

STEWART WATER COMPANY

ADJUSTED SUMMARY OF EARNINGS
 Test Year 1993

Item	Adopted Rates Res. W-3820	Increase this Advice Letter	Adopted this Advice Letter
<u>Operating Revenues</u>			
Metered Rate	\$ 14,390	\$ 872	\$ 15,262
<u>Operating Expenses</u>			
Purchased Power	4,590	0	4,590
Other Vol. Rel.	0	0	0
Employee Labor	500	0	500
Materials	100	0	100
Contract Work	695	0	695
Transportation	480	0	480
Management Sal.	2,640	0	2,600
Office Serv./Rent	100	0	100
Office Supplies	470	0	470
Professional Serv.	400	0	400
Insurance	0	0	0
General Expense	0	0	0
Reg. Comm. Exp.	0	0	0
Subtotal	9,975	0	9,975
Depreciation	1,104	112	1,216
Non-Income Taxes	518	0	518
Income Taxes	930	283	1,213
Total Deductions	12,527	395	12,922
Net Revenue	1,863	477	2,340
<u>Rate Base</u>			
Average Plant	42,981	4,333	47,314
Ave. Depr. Res.	29,677	112	29,789
Net Plant	13,304	4,221	17,525
Less Advances	0	0	0
Contributions	0	0	0
Plus Working Cash	556	0	556
Materials	100	0	100
RATE BASE	13,960	4,221	18,181
Rate of Return	13.35%		13.35%

APPENDIX B
STEWART WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract No. 4271 near Lucerne Valley in San Bernardino County.

RATES

Quantity Rates:	Per Meter Per Month	
All water, per 100 cu. ft.	\$ 0.50	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 7.90	(I)
For 3/4-inch meter	11.85	
For 1-inch meter	19.75	
For 1-1/2-inch meter	39.50	
For 2-inch meter	63.20	(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 Rates.

SPECIAL CONDITIONS

1. As authorized by the California Public Utilities Commission in its Resolution W-3906, all bills are subject to a monthly surcharge of \$8.11 for a period of six billing cycles, to offset the Environmental Health Services fee.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.