

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3912
March 22, 1995

R E S O L U T I O N

(RES. W-3912), STIRLING BLUFFS CORPORATION (SBC),
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$3,669 OR 6.1% IN 1995.

BY DRAFT ADVICE LETTER FILED ON FEBRUARY 22, 1994.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$1,834, or 3.3%, based on test year 1994 and an additional increase of \$1,535 or 2.7% for 1995 to offset inflation as authorized by Decision (D.) 92-03-093. The base increase will provide a 15.92% operating ratio in test year 1994.

BACKGROUND

SBC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service to produce additional revenues of \$4,256 or 7.75%. SBC's request shows 1994 gross revenue of \$54,890 at present rates increasing to \$59,146 at proposed rates to produce a rate of return on rate base of 12.0%. SBC presently serves about 166 metered customers in Stirling City and vicinity, Butte County.

The present rates became effective on July 18, 1988, pursuant to D.88-05-026, which authorized a general rate increase of \$30,036 or 110%.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of SBC's summary of earnings and issued its report in February 1995. Appendix A shows SBC'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.

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

SBC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 12.00%. The summary of earnings in Appendix A shows a rate of return of 15.92% at the Branch's recommended rates. The Branch conducted its examination of revenue requirement under both the traditional rate-of-return method and the operating ratio method set forth in D.92-03-093. As required by that decision, Branch selected the method with the higher return to the utility.

SBC files Annual Reports regularly and there are no outstanding Commission orders requiring improvements. SBC has not filed updated tariffs for Rules 1, 10, 20, and 21.

SBC's filed tariffs currently contain three rate schedules: Schedule 1, General Metered Service, Schedule 2RA, Annual Residential Flat Rate Service, and Schedule 9M, Tank Truck Water Service. In keeping with current rate design policy as set by D.92-03-093 to allow the utility to recover up to 100% of its fixed costs through the service charges, the bulk of the increase is applied to the service charges. The current service charge allocation by meter size does not comply with D.86-05-064; however, strict compliance with that decision would result in excessively large increases to the larger meter-sized customers. The Branch recommends that the increases in the service charges for those customers with meters greater than two inches be phased in.

Since all of SBC's customers are metered, the Branch recommends that Schedule 2RA, Annual Residential Flat Rate Service, be deleted. Although there are also no current active customers under Schedule 9M, Tank Truck Water Service, SBC wishes to retain this schedule for future uses. The Branch concurs and recommends that this rate be increased by the systemwide increase.

The rates proposed by the Branch are included herein as Appendix B.

At the Branch's recommended rates shown in Appendix B, the bill for a typical metered customer would increase from \$15.40 per month to \$16.64 or 8.1% per month. 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 April 26, 1994. The Branch did not receive any letters in response to the notice. The Commission's Consumer Affairs Branch also has not received any complaints recently.

A public meeting was held on June 7, 1994, in SBC'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 11 customers attended the meeting with their primary concern being the effect of the increase on the retirees and low income people.

FINDINGS AND CONCLUSIONS

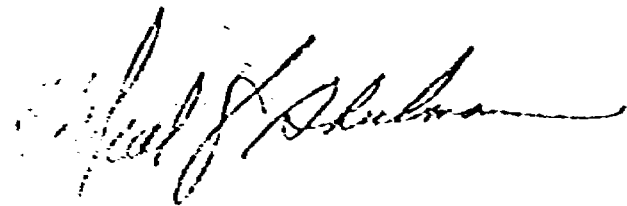
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.

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. Stirling Bluffs Corporation should file revised tariff Rules 1, 10, 20, and 21, and to delete its Schedule 2RA, Annual Residential Flat Rate Service.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Stirling Bluffs Corporation to file an advice letter incorporating the summary of earnings and the revised schedules attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate Schedules 1 (General Metered Service), 2RA (Annual Residential Flat Rate Service, and 9 (Tank Truck Water Service). Schedule 2RA, Annual Residential Flat Rate Service should be deleted. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of its filing.
2. Within 60 days of the effective date of this resolution, Stirling Bluffs Corporation shall file updated tariff Rules 1, 10, 20, and 21.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on March 22, 1995. The following Commissioners approved it:



NEAL J. SHUMAN
Executive Director

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

APPENDIX A
STIRLING BLUFFS CORPORATION
SUMMARY OF EARNINGS
Test Year 1994

	Estimated 1994 At Present Rates				Estimated 1994 At Proposed Rates				Estimated Test Year 1994	(1)
	Staff	Utility	Utility Exceed Amount	Staff %	Staff	Utility	Utility Exceeds Amount	Staff %	Staff Recommended Rates	
Operating Revenue Metered	55,003	54,890	(113)	-0.2%	59,538	59,146	(392)	-0.7%	56,837	
Operating Expenses:										
Purchased Water	6,600	7,334	734	11.1%	6,600	7,334	734	11.1%	6,600	
Purchased Power	12,457	13,659	1,202	9.6%	12,457	13,659	1,202	9.6%	12,457	
Materials	3,000	3,000	0	0.0%	3,000	3,000	0	0.0%	3,000	
Contract Work	3,000	3,000	0	0.0%	3,000	3,000	0	0.0%	3,000	
Office Supplies & Expenses	0	800	800		0	800	800		0	
Professional Fees	14,970	18,000	3,030	20.2%	14,970	18,000	3,030	20.2%	14,970	
Insurance	2,113	2,113	0	0.0%	2,113	2,113	0	0.0%	2,113	
Rate Case Expenses	500	500	0	0.0%	500	500	0	0.0%	500	
Uncollectibles	200	200	0	0.0%	200	200	0	0.0%	200	
General Expenses	0	(1,106)	(1,106)		0	(1,106)	(1,106)		0	
Total Expenses	42,840	47,500	4,660	10.9%	42,840	47,500	4,660	10.9%	42,840	
Depreciation	1,661	2,485	824	49.6%	1,661	2,485	824	49.6%	1,661	
Property Tax	0	0	0		0	0	0		0	
Payroll Tax	792	0	(792)		792	0	(792)		792	
State Taxes	903	800	(103)	-11.4%	1,325	852	(473)	-35.7%	1,074	
Income Taxes	1,321	616	(705)	-53.4%	1,938	1,246	(692)	-35.7%	1,571	
Total Deductions	47,517	51,401	3,884	8.2%	48,556	52,063	3,527	7.3%	47,937	
Net Revenue	7,486	3,489	(3,997)	-53.4%	10,982	7,063	(3,919)	-35.7%	8,900	
Rate Base:										
Average Plant	69,212	71,000	1,788	2.6%	69,212	71,000	1,788	2.6%	69,212	
Average Depr. Res.	(13,316)	(12,139)	1,177	-8.6%	(13,316)	(12,139)	1,177	-8.6%	(13,316)	
Net Plant	55,896	58,861	2,965	5.3%	55,896	58,861	2,965	5.3%	55,896	
Less: Advances	0	0	0		0	0	0		0	
Contributions	0	0	0		0	0	0		0	
Add: Supplies	0	0	0		0	0	0		0	
Rate Base	55,896	58,861	2,965	5.3%	55,896	58,861	2,965	5.3%	55,896	
Rate of Return	13.39%	5.93%			19.65%	12.00%			15.92%	(2)

(1) This test year 1994 Summary of Earnings does not include the recommended inflation adjustment for 1995. The recommended rates in Appendix B include the adjustment.

(2) As authorized in D. 92-03-093, the operating ratio method was used to calculate the revenue requirement.

APPENDIX B
1 of 2

STIRLING BLUFFS CORPORATION

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Stirling City and vicinity, Butte County.

RATES

Per Meter
Per Month

Quantity Rates:

For all water delivered, per 100 cu. ft. \$.26

Service Charge:

For 5/8 x 3/4-inch meter	\$ 13.00
For 3/4-inch meter	19.60
For 1-inch meter	32.85
For 1-1/2-inch meter	55.45
For 2-inch meter	92.40
For 3-inch meter	138.65
For 4-inch meter	277.30

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.

APPENDIX B
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STIRLING BLUFFS CORPORATION

Schedule No. 9M

TANK TRUCK WATER SERVICE

APPLICABILITY

Applicable to all truck water sales furnished for dust control on logging roads.

TERRITORY

Stirling City and vicinity, Butte County.

RATES

*For each water tank truck load with tank capacity
not to exceed 2,500 gallons..... \$4.45

SPECIAL CONDITION

Water is to be delivered at fire hydrants predesigned by the utility.

*For tank trucks exceeding 2,500-gallon capacity, add \$0.87 for each 500 gallons in excess of 2500 gallons.

(END OF APPENDIX B)

APPENDIX C

STIRLING BLUFFS CORPORATION

COMPARISON OF RATES

METERED SERVICE

	<u>Per Meter Per Month</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase (Decrease)</u>
For 5/8 x 3/4-inch meter	\$ 11.90	\$ 13.00	9.2%
For 3/4-inch meter	20.00	19.60	(2.0%)
For 1-inch meter	32.00	32.85	2.7%
For 1-1/2-inch meter	48.00	55.45	15.5%
For 2-inch meter	80.00	92.40	15.5%
For 3-inch meter	120.00	138.65	15.5%
For 4-inch meter	240.00	277.30	15.5%

Quantity Rates:

Per 100 cu.ft	\$ 0.25	\$.26	4.0%
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Comparison of typical bills for residential metered customers with a 5/8 x 3/4-inch meter is shown below at present and authorized rates for the year 1994.

<u>Usage 100 cu.ft.</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
0	\$11.90	\$ 13.00	\$ 1.10	9.2%
5	13.15	14.30	1.15	8.7%
10	14.40	15.60	1.20	8.3%
14 (AVG)	15.40	16.64	1.24	8.1%
20	16.90	18.20	1.30	7.7%
25	18.15	19.50	1.35	7.4%
30	19.40	20.80	1.40	7.2%

(END OF APPENDIX C)

APPENDIX D
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STIRLING BLUFFS CORPORATION

ADOPTED QUANTITIES
Test Year 1994

Offset Items

1.	Purchased Power	
	Pacific Gas & Electric Company	
	Rate Schedule A-1—Small	
	Effective Date	7/15/93
	Customer Charge (per meter per month):	
	Single Phase Service	\$8.10
	Polyphase Service	\$12.00
	Summer Energy Charge (\$/kWh):	0.15999
	Winter Energy Charge (\$/kWh):	0.10967
	Rate Schedule A-10—Medium	
	Effective Date	1/1/93
	Customer Charge (per meter per month)	\$ 63.00
	Demand Charge (per kw of max demand)	\$ 4.30
	Summer Energy Charge (\$/kWh)	0.10107
	Winter Energy Charge (\$/kWh)	0.07834
	Total Cost	\$12,457
	Total kWh	87,864
	Average Unit Cost \$/kWh	\$ 0.142
2.	Payroll	
	Employee Labor	\$ 3,743
	Office Salaries	3,753
	Management Salaries	1,873
3.	Payroll Taxes	\$ 792
4.	Ad Valorem Taxes	N/A

APPENDIX D
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STIRLING BLUFFS CORPORATION

ADOPTED QUANTITIES
Test Year 1994

Service Connections

1. Meter Size	
5/8 x 3/4".....	162
3/4".....	0
1".....	2
1 1/2".....	1
2".....	0
3".....	1
4".....	0
	<u>Total 166</u>

Metered Water Sales Used to Design Rates

	<u>Usage - Ccf/yr</u>
General Metered	<u>28,343</u>

ADOPTED TAX CALCULATIONS

1. Operating Revenues	\$ 56,837
2. Expenses	42,840
3. Depreciation	1,661
4. Taxes Other Than Income	792
5. Interest Expense	0
6. Taxable Income for State Tax	11,544
7. State Tax	1,074
8. Taxable Income for FIT	10,470
9. Federal Income Tax	<u>1,571</u>

(END OF APPENDIX D)