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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3913  
April 5, 1995

R E S O L U T I O N

(RES. W-3913), GRAND VIEW GARDENS WATER COMPANY, INC.  
(GVG). ORDER AUTHORIZING A GENERAL RATE INCREASE  
PRODUCING ADDITIONAL ANNUAL REVENUE OF \$6,344 (33.28%) IN  
1995.

BY DRAFT ADVICE LETTER ACCEPTED ON NOVEMBER 7, 1994.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$6,344, or 33.28% for test year 1995. The increase will provide a 13.85% rate of return in test year 1995.

BACKGROUND

GVG 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 \$9,408 (49.10%) in 1995. GVG's request shows 1995 gross revenue of \$19,181 at present rates increasing to \$28,599 at proposed rates to produce a 13.00% rate of return on rate base. GVG presently serves 102 flat rate customers just north of Porterville, Tulare County.

The present rates were established on June 8, 1988, by Res. W-3398, which authorized a general rate increase of \$7,055 or 59.50%. GVG has twice been authorized to bill customers a one-time surcharge for Department of Health Services (DHS) fees, in accordance with Res. W-3784.

DISCUSSION

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

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

GVG's draft advice letter requested rates which it estimated would produce a 13.00% rate of return on rate base in test year 1994. The summary of earnings in Appendix A shows a 13.85% rate of return in 1994 at the Branch's recommended rates. Branch recommended a higher return based on the Commission's adopted range of rates of return for Class D water utilities. GVG's lower estimate was based on the Commission's authorized rates for 1993.

The utility's current rate structure is made up of two schedules: Schedule No. 1, General Metered Service, and Schedule No. 2R, Residential Flat Rate Service. Metered service consists of a single quantity block billed monthly and a monthly service charge determined by meter size. Flat rates are also billed monthly and are determined by lot size.

In its request, GVG proposed to increase both rate categories by the system average increase. Branch, in its recommended rates, increased the flat rates by the system average increase, but increased the metered rates to a much greater extent. There are currently no metered customers and no plans to meter customers in the future. Branch thus had the flexibility to recommend metered rates yielding revenue equivalent to a flat rate customer at average use. Past metered rates were substantially lower than flat rates.

Under Branch's proposed rate design, a 5/8 x 3/4" metered customer with average usage would have an annual bill of \$243.60. A flat rate customer with a 10,000-square-foot lot size would pay \$232.56. The largest flat rate customer would pay \$363.12 per year.

In the Branch's rate design, flat rate customers will see their rates increased between 31.58% and 33.38% depending on lot size. Metered rates would increase 121.85% for a hypothetical 5/8 x 3/4-inch customer.

GVG is currently out of compliance with Tulare County Department of Health Services regulations on nitrate concentrations. In order to comply, the utility must either build works to blend water with the City of Porterville, drill a new well in an aquifer free of nitrate contamination, or sell the system outright to the City. GVG requested that \$10,000 be added to rate base for a connection to City water. As GVG was not sure when it would construct such a project, Branch did not include the investment in its estimate of plant. In addition, GVG must comply with this Commission's G.O. 103 by metering production from its wells. Branch recommends that reasonable costs associated with the completion of either project be allowed to be filed as a rate base offset rate increase as soon as the project is completed.

#### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on November 30, 1994. No letters were received protesting the water rate increase. The Consumer Affairs Branch reports that GVG has received no complaints in the last three years.

On January 9, 1995, a public meeting was held at the recreation room of Glad Tidings Church, adjacent to the service area. The Branch's representative explained Commission rate setting procedures and GVG's President, Theta McComb, explained the need for the rate increase.

Ms. McComb explained that the ownership simply didn't have the money to reduce the nitrate problem. She said that the City of Porterville would sell them water if the service area was in the city limits. She had asked for people's consent to annex to the City, so far getting 68% favorable responses. Ms. McComb also said she had held discussions with City officials asking them to take it over, but the City had done nothing.

Eight customers representing seven households attended the meeting, in addition to Ms. McComb, her husband Troy Whitton, and two Branch engineers. One customer complained that her notice did not include a meeting time. Apparently notices had gone out with that error. Ms. McComb attempted to compensate by writing a reminder, including the meeting time, on the January bill. Most agreed, however, that the attendance was similar to past meetings. Other customers questioned the size of the increase requested and complained of water outages and low pressure. Ms. McComb indicated that the pressure was set intentionally low to prevent excessive leaks in the older mains. During the field investigation, Branch engineers had noted pressures were at or near the bottom of the range specified in G.O. 103. A more detailed description of the meeting is in Appendix E.

GVG is currently providing water service that meets the requirements of G.O. 103 except that it does not meter water production. GVG is under a County DHS order to alleviate the nitrate problem. County DHS officials indicated that they believed GVG was making a reasonable attempt to comply with the order by seeking a connection to City of Porterville water.


#### 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. GVG should be required to install a production metering device to comply with the Commission's prior order when it has available capital to do so.
6. GVG should be allowed to file an Advice Letter to recover depreciation and a rate of return on plant investment (up to once each calendar year) that is required to comply with existing orders of the Commission or the County Department of Health Services. Such a request should not be filed before the added plant is used and useful. The resulting rate of return should not be higher than that authorized herein.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Grand View Gardens 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. 1, General Metered Service, and Schedule No. 2R, Residential Flat Rate 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. Grand View Gardens Water Company shall comply with General Order 103 by installing a suitable measuring device or otherwise determining production at its source of supply when it has available capital to do so.
3. Grand View Gardens Water Company is authorized to file an advice letter requesting an offset to rate base for reasonable plant investment required to comply with any existing Commission Order or Department of Health Services Compliance Order.
3. This resolution is effective today.

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

  
NEAL J. SHULMAN  
Executive Director

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

I abstain.  
/s/ HENRY M. DUQUE  
Commissioner

APPENDIX A

Grand View Gardens Water Company, Inc.

SUMMARY OF EARNINGS  
Test Year 1995

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<b>Operating Revenue</b>					
Flat Rate	19,181	28,599	19,061	28,597	25,405
Total Revenue	19,181	28,599	19,061	28,597	25,405
<b>Operating Expenses</b>					
Purchased Power	\$3,354	3,354	3,410	3,410	3,410
Materials	30	30	30	30	30
Contract Work	172	172	1,872	1,872	1,872
Transportation	161	161	161	161	161
Other Plant Maint	2,865	2,865	700	700	700
Office Salaries	2,640	2,640	0	0	0
Management Salaries	3,960	3,960	0	0	0
Office Services	1,200	1,200	1,200	1,200	1,200
Office Supplies	1,308	1,308	1,308	1,308	1,308
Professional Services	720	720	7,020	7,020	7,020
Insurance	1,614	1,614	1,614	1,614	1,614
Regulatory	285	285	100	100	100
Subtotal	18,309	18,309	17,415	17,415	17,415
Depreciation	1,177	1,177	1,026	1,026	1,026
Property Taxes	240	240	120	120	120
Income Taxes	1,495	2,465	800	2,298	1,707
Total Deductions	21,220	22,191	19,361	20,859	20,268
Net Revenue	(2,039)	6,408	(300)	7,738	5,137
<b>Rate Base</b>					
Average Plant	42,820	42,820	37,800	37,800	37,800
Average Dep. Reserve	543	543	708	708	708
Net Plant	42,277	42,277	37,092	37,092	37,092
Less Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus CWIP	0	0	0	0	0
Mat'l. & Supplies	0	0	0	0	0
Rate Base	42,277	42,277	37,092	37,092	37,092
Rate of Return	(loss)	15.16%	(loss)	20.86%	13.85%

(END OF APPENDIX A)

APPENDIX B  
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Grand View Gardens Water Company

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract No. 313 and vicinity, located one-half mile northwest of Porterville, Tulare County.

RATES

Quantity Rate:

All water, per 100 cu. ft.....	\$0.28	(R)
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Service Charge

	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter.....	17.50	(I)
For 3/4-inch meter.....	26.25	
For 1-inch meter.....	43.75	
For 1-1/2-inch meter.....	87.50	
For 2-inch meter.....	140.00	(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.

SPECIAL CONDITIONS

1. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge of \$6.89. This charge offsets the Department of Health Services fee as billed to Grand View Gardens Water Co., Inc. for fiscal year July 1, 1993 to June 30, 1994, and the Environmental Protection Agency's adopted National Primary Drinking Water Regulations for water testing.
2. All rates are subject to the reimbursement fee set forth on set forth on Schedule No. UF. (N)  
(N)

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Grand View Gardens Water Company

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The area known as Tract No. 313 and vicinity, located one-half mile northwest of Porterville, Tulare County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For single family residential unit or commercial unit including premises not exceeding 10,000 sq. ft. in area .....	\$19.38	(T) (T) (I)
For each 100 sq. ft. of premises in excess of 10,000 sq. ft. ....	\$ .125	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one-inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge of \$6.89. This charge offsets the Department of Health Services fee as billed to Grand View Gardens Water Co., Inc. for fiscal year July 1, 1993 to June 30, 1994, and the Environmental Protection Agency's adopted National Primary Drinking Water Regulations for water testing. (D)
4. The monthly flat rate charge is due in advance, in accordance in accordance with the utility's established billing periods. (N)  
(N)
5. All rates are subject to the reimbursement fee set forth on set forth on Schedule No. UP. (N)  
(N)

(END OF APPENDIX B)

APPENDIX C

Grand View Gardens Water Company

COMPARISON OF RATES

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

METERED SERVICE

	<u>Per Meter Per Month</u>		<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8x3/4-inch meter	6.15	17.50	184.55%
For 3/4-inch meter	6.75	26.25	288.88%
For 1-inch meter	9.20	43.75	375.54%
For 1-1/2-inch meter	12.30	87.50	611.38%
For 2-inch meter	16.60	140.00	743.37%

Quantity Rates:

Per 100 cu. ft.....	\$ 0.30	\$ 0.28	- 6.67%
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Usage for a hypothetical residential customer on a 5/8x3/4 inch service connection using 10 Ocf per month:

<u>Usage</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
100 cu. ft. 10	\$ 9.15	\$20.30	\$11.15	121.85%

ANNUAL FLAT RATE SERVICE

	<u>Per Connection Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
For each connection with a premises no larger than 10,000 square feet .....	\$14.53	\$19.38	33.38%
For each additional 100 sq. ft. ....	\$ .095	\$ .125	31.58%

Bill for a customer with a 10,000 sq.ft. lot size or smaller:

<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
\$14.53	\$19.38	\$4.85	33.38%

Bill for a customer with an 18,700 sq.ft. lot size:

<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
\$22.80	\$30.26	\$7.46	32.72%



APPENDIX D  
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Grand View Gardens Water Company, Inc.

ADOPTED QUANTITIES  
Test Year 1994

Expenses:

1. Purchased Power	
Vendor	Southern California Edison
Schedules	PA-1
Effective Date	January 24, 1994
Customer Charge	\$15.20
Service Charge	\$26.25
Energy Charge, per kWh	\$0.09896
Energy Tax, per kWh	\$0.0002
Consumption, kWh	29,058
Tulare County Tax	1% of electric charges
Total Power Cost	\$3,410
2. Purchased Water	None
3. Insurance Expenses	
General Liability Insurance	\$1,500
Financing of Insurance Premium	\$ 114
Total Cost	\$1,614
4. Ad Valorem Taxes	\$120
Composite Tax Rate	1.0016%
Assessed Value	\$11,981
5. Payroll Taxes	none
6. Water Testing Expenses	
Bacteriological Tests (20 estimated)	\$600
Nitrate Testing (quarterly)	\$400
radiological testing (every 3 yrs)	\$2100 every 3 years (\$700/yr)
Mitigating chlorination	\$320
Total Cost	\$2,400

Grand View Gardens Water Company, Inc.

ADOPTED QUANTITIES  
Test Year 1994

Service Connections

Flat Rate	
Flat Rate 3/4" Service	102
Total Flat Rate	102
Metered	0
Total Metered Rate	0

APPENDIX D  
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Grand View Gardens Water Company, Inc.

ADOPTED TAX CALCULATIONS  
Test Year 1994

<u>Line No.</u>	<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1.	Operating Revenue	\$25,405	\$25,405
2.	O & M Expenses	17,415	17,415
3.	Taxes Other Than Income	120	120
4.	Depreciation	1,026	1,026
5.	Interest	0	0
6.	Taxable Income for State Tax	6,844	6,844
7.	State Tax	800	800
8.	Taxable Income for FIT		6,044
9.	Federal Income Tax		907
10.	Total Income Tax		\$1,707
	California Corporate Franchise Rate		9.3%
	Federal Income Tax Rates		
	On first \$50,000 taxable income		15%

(END OF APPENDIX D)