

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION RESOLUTION NO. W-3932  
Water Utilities Branch August 11, 1995

R E S O L U T I O N

(RES. W-3932), LAKE ALPINE WATER COMPANY (LAWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUES OF \$58,006 OR 53.6%  
IN 1995.

BY DRAFT ADVICE LETTER FILED ON APRIL 20, 1994.

SUMMARY

This resolution grants an increase in gross annual revenues of \$58,006, or 53.6%, for test year 1995. The increase will provide a 13.54% rate of return on rate base in the test year.

BACKGROUND

LAWC requested 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 \$58,006 or an increase of 53.6%. LAWC's request shows a present annual revenue of \$108,241 increasing to \$166,247 at proposed rates to produce a rate of return (ROR) of 13.54%. LAWC presently serves about 18 metered and 417 flat rate customers in the town of Bear Valley and vicinity, Alpine County.

The present rates became effective on November 9, 1988, pursuant to Resolution W-3414, which authorized an increase in rates of \$31,660 or 40%.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of LAWC's summary of earnings and issued its report in June 1995. Appendix A shows LAWC's and Branch's estimated summaries of earnings at present, requested, and adopted rates. Appendix A also shows differences in depreciation, operating expenses, and rate base.

LAWC was informed of Branch's differing views concerning depreciation, expenses, and rate base, and stated that it agreed with Branch's findings.

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LAWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 5.66%. The summary of earnings in Appendix A shows a rate of return of 13.54% at Branch's recommended rates. This rate of return is lower than the 14.00% to 14.50% rate of return range recommended by the Finance Branch for Class D utilities, but provides the full increase requested by the utility.

During the next two to three years, LAWC proposes to make the following improvements to its water system:

<u>Item</u>	<u>Estimated Cost</u>
Shed for Propane Tank	\$ 2,500
Concrete Block Bldg.	10,000
Additional Large Filter	15,000
3-Phase Power Completion	2,000
Roof, Bloods Ridge Tank	1,000
New Bands, Roof & Re-seal, Old Spring Tank	15,000
Float Level Switches. Remote Sensors.	
Spring Tank	2,000
Spring, Major Improvements	1,000
Fire Hydrants per Year @ \$7,000	21,000
Total	<u>\$69,500</u>

Branch believes that these improvements are necessary to upgrade the water system. Since the Commission does not allow utilities to earn on plant investments which are not placed in service, Branch recommends that LAWC be allowed to file an advice letter(s) to recover these costs when the above items are placed in service.

Pursuant to Section 2713 of the Public Utilities Code, LAWC is prohibited from charging any rates for service under Schedule 5, Public Fire Hydrant Service, without a formal agreement with a local fire protection agency. Because LAWC has no such agreement, the Branch recommends that Schedule 5 should be cancelled.

At Branch's recommended rates shown in Appendix B, the annual bill for a flat rate residential customer will increase from \$224.00 to \$344.00 or 53.7%. The adopted quantities and tax calculations are shown in Appendix D.

Rate comparison, present, and proposed, is shown in Appendix C.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on June 22, 1994. The Branch received ten letters from customers in response to the notice. All complained about the magnitude of the rate increase. There were also pleas of some condominium owners, who use water only during the vacation or ski season, to convert from flat rate to metered service.

A public meeting was held on July 14, 1994, in LAWC's service area. Branch's representative explained Commission rate setting procedures and the utility representative explained the need for the rate increase. About nine customers attended the meeting with their primary concern being the size of the proposed increase. Other concerns expressed by two managers of condominium associations was that they wanted to have meters installed for each unit so that the owners using condominiums as a second home would end up paying the lower bills as opposed to the flat rate being billed now. LAWC and the developers of the condominium complex have stated that metering of each condominium can't be done by the utility for various complexes because one main feeds kitchens and another feeds bathrooms.

FINDINGS AND CONCLUSIONS

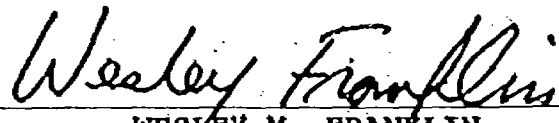
1. Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop Branch's recommendations are reasonable and should be adopted.
4. LAWC's tariff Schedule No. 5, Public Fire Hydrant Service, is no longer applicable and should be cancelled. Utility is missing Rule 20, Water Conservation, and needs it to be incorporated into the tariffs. LAWC's Title Page and Form 3, Bill for Service, are outdated.
5. LAWC should be authorized to file advice letter(s) to begin recovering its costs after plant items listed in this resolution are placed in service.

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IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Lake Alpine Water Company 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 Nos. 1A (Annual Metered Service), 2AR (Annual Residential Flat Rate Service), 4 (Private Fire Protection Service), 5 (Public Fire Hydrant Service) update its Title Page and Form 3, (Bill for Service), and add Rule 20. 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. Lake Alpine Water Company is authorized to file advice letter(s) requesting rate increases to recover its costs after plant items listed in this resolution are placed in service.
3. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 11, 1995. The following Commissioners approved it:



WESLEY M. FRANKLIN  
Acting Executive Director

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

# APPENDIX A

## LAKE ALPINE WATER COMPANY SUMMARY OF EARNINGS TEST YEAR 1995

CPUC ACCT #		PRESENT RATES		REQUESTED RATES		ADOPTE RATES	
		UTILITY	STAFF	UTILITY	STAFF	UTILITY	STAFF
	OPERATING REVENUES						
460	FLAT RATE	\$97,631	\$97,270	\$149,951	\$149,415	\$149,415	\$149,415
462	PRIVATE FIRE PROTECTION	\$769	\$769	\$1,181	\$1,181	\$1,181	\$1,181
470	METERED	\$9,841	\$10,183	\$15,115	\$15,651	\$15,651	\$15,651
	TOTAL REVENUE	\$108,241	\$108,222	\$166,247	\$166,247	\$166,247	\$166,247
	% INCREASE			53.6%	53.6%	53.6%	53.6%
	OPERATING EXPENSES						
615	PURCHASED PWR	\$11,820	\$11,000	\$11,820	\$11,000	\$11,000	\$11,000
618	OTHER VOL RELATED	\$9,000	\$7,000	\$9,000	\$7,000	\$7,000	\$7,000
630	EMPLOYEE LABOR	\$7,000	\$6,000	\$7,000	\$6,000	\$6,000	\$6,000
640	MATERIALS	\$4,000	\$3,000	\$4,000	\$3,000	\$3,000	\$3,000
650	CONTRACT WORK	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
660	TRANSPORTATION	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
664	OTHER PLANT MNTCE	\$1,000	\$500	\$1,000	\$500	\$500	\$500
670	OFFICE SALARIES	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
671	MANAGEMENT SALARY	\$32,800	\$32,800	\$32,800	\$32,800	\$32,800	\$32,800
674	EMP PEN & BEN	\$4,634	\$4,500	\$4,634	\$4,500	\$4,500	\$4,500
676	UNCOLLECTIBLES	\$1,436	\$800	\$1,436	\$800	\$800	\$800
678	OFFICE SERVICES & RENTS	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
691	OFFICE SUPPLIES & EXP	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
682	PROF SERVICES	\$2,000	\$1,500	\$2,000	\$1,500	\$1,500	\$1,500
684	INSURANCE	\$6,927	\$6,927	\$6,927	\$6,927	\$6,927	\$6,927
688	REG COMM FEES	\$200	\$0	\$200	\$0	\$0	\$0
689	GENERAL EXPENSES	\$200	\$200	\$200	\$200	\$200	\$200
403	DEPRECIATION	\$18,175	\$13,279	\$18,175	\$13,279	\$13,279	\$13,279
	SUBTOTAL	\$118,892	\$107,205	\$118,892	\$107,205	\$107,205	\$107,205
408	NON INCOME TAXES	\$10,619	\$10,619	\$10,619	\$10,619	\$10,619	\$10,619
	INCOME TAXES	\$800	\$800	\$8,414	\$11,091	\$11,091	\$11,091
	TOTAL DEDUCTIONS	\$130,311	\$118,625	\$137,925	\$128,916	\$128,916	\$128,916
	NET REVENUE	(\$22,070)	(\$10,403)	\$28,322	\$37,331	\$37,331	\$37,331
	RATE BASE						
101	AVERAGE PLANT	\$898,043	\$831,747	\$898,043	\$831,747	\$831,747	\$831,747
108	AVG DEPREC RESERVE	\$322,122	\$254,471	\$322,122	\$254,471	\$254,471	\$254,471
	NET PLANT	\$575,921	\$577,276	\$575,921	\$577,276	\$577,276	\$577,276
252	LESS ADVANCES	\$0	\$0	\$0	\$0	\$0	\$0
271	LESS CONTRIBUTIONS	\$85,292	\$315,112	\$85,292	\$315,112	\$315,112	\$315,112
105	PLUS CWIP	\$5,239	\$12,133	\$5,239	\$12,133	\$12,133	\$12,133
131	PLUS WORKING CASH	\$3,307	\$196	\$3,307	\$196	\$196	\$196
151	PLUS MATERIALS	\$1,323	\$1,280	\$1,323	\$1,280	\$1,280	\$1,280
	ADJUSTED RATE BASE	\$500,498	\$275,773	\$500,498	\$275,773	\$275,773	\$275,773
	RATE OF RETURN	-4.41%	-3.77%	5.66%	13.54%	13.54%	13.54%

(END OF APPENDIX A)

APPENDIX B  
Sheet 1 of 6

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Bear Valley tracts, and vicinity, located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

RATES

Quantity Rate:

All water, per 100 cu.ft..... \$ 1.31 (I)

Per Meter  
Per Year

Service Charge:

For	3/4-inch meter .....	\$ 192.00 (I)
For	1-inch meter .....	264.00
For	1-1/2-inch meter .....	372.00
For	2-inch meter .....	474.00
For	3-inch meter .....	834.00
For	4-inch meter .....	1,200.00 (I)

The Annual Service Charge is applicable to all service. It is a readiness-to-serve charge to which is added the charge for water used during the billing period computed at the Quantity Rate.

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 permanent 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 in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods.

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Schedule No. 1A  
(continued)

ANNUAL METERED SERVICE

SPECIAL CONDITIONS

2. 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 ( $1/365$ th) of the number of days remaining in the calendar 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. (D)
  
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)  
(L)

APPENDIX B  
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Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Bear Valley tracts, and vicinity, located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

RATES

	<u>Per Service Connection Per Year</u>	
For a single-family residential unit, including premises.....	\$348.00	(I)
For each additional single-family residential unit on the same premises and served from the same service connection .....	\$150.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than 3/4-inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. A meter may be installed at the option of the utility in which event service thereafter will be furnished only on the basis of Schedule No. 1A, Annual 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.



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Schedule No. 2AR  
(continued)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS

1. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent 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 in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods.
2. 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 (1/365th) of the number of days remaining in the calendar 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.

(D)
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(L)  
(L)

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately-owned fire protection systems.

TERRITORY

Bear Valley Tract and vicinity, located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

RATE

For each inch of diameter of service connection...\$ 5.80 (I)

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the

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Schedule No. 4  
(continued)

PRIVATE FIRE PROTECTION SERVICE

4. underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage, or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.
5. The utility undertakes to supply only such pressure as may be available at any time through the normal operations of its system.

(END OF APPENDIX B)