

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3942
September 27, 1995

R E S O L U T I O N

(RES. W-3942), DONNER LAKE WATER COMPANY (DLWC),
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$39,881 OR 13.0% IN
1995 AND \$6,850 OR 2% IN 1996.

BY DRAFT ADVICE LETTER ACCEPTED ON NOVEMBER 30, 1994.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$39,881, or 13.0% for test year 1995 and \$6,850 or 2% for test year 1996. The increases will provide a 13.25% rate of return on rate base in the test years.

BACKGROUND

DLWC 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 \$171,816 or 57% in 1995 and \$84,311 or 17.8% in 1996. DLWC's request shows 1995 gross revenue of \$301,156 at present rates increasing to \$472,972 in 1995 and to \$557,283 in 1996 at proposed rates to produce a rate of return on rate base of 10.5%. DLWC presently serves about 1140 flat-rate and 44 metered customers along the southern and western shores of Donner Lake in Nevada and Placer Counties.

The present rates became effective on March 22, 1989, pursuant to Resolution No. W-3435, which authorized a general rate increase of \$25,767 or 9.92%.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of DLWC's summary of earnings and issued its report in June 1995. Appendix A shows DLWC's and the Branch's estimated summaries of earnings at present, requested, and adopted rates for the test years 1995 and 1996. Appendix A also shows differences in operating revenues, operating expenses, and rate base.

DLWC included in its request an estimated \$1,272,338 for the addition of a filtration plant mandated by the Department of Health Services (DHS). The Branch, however, is recommending that the cost of the plant addition be recovered through a surcharge instead of including it in DLWC's rate base. The Branch has included \$50,000 in rate base for a watershed survey and preliminary engineering costs, but is recommending that that plant be taken out of rate base and included in the loan amount at the time the loan and related surcharge for recovery of loan is approved.

DLWC was informed of the Branch's differing views of revenues, expenses, and rate base and stated that it agreed with the Branch's findings, although the method for recovery of the treatment plant has still to be determined.

DLWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 10.5%. The summary of earnings in Appendix A shows a rate of return of 13.25% in 1995 and 1996 at the Branch's recommended rates. This rate of return is the midpoint of the 13.00% to 13.50% standard rate of return range recommended by the Finance Branch of the Commission Advisory and Compliance Division for Class C water utilities.

The Branch excluded \$100,000 for main replacements on the premise that this amount would be funded from the proposed loan to build the treatment plant. DLWC claims that these replacements are critical and need to be completed as soon as possible and since the method of reimbursement for the treatment plant is still to be decided, has requested alternative and more expedient reimbursement methods. The Branch concurs and recommends that DLWC be authorized to file an advice letter to recover this cost when the mains are placed in service.

DLWC files Annual Reports regularly and there are no outstanding Commission orders requiring improvements. DLWC has not filed updated tariffs for its Preliminary Sheet (Second sheet), Rule Nos. 10, 15, 16, 20 and 21, and the Connection Fee Data Form.

DLWC's filed tariffs currently contain three rate schedules: Nos. 1A, Annual General Metered Service; 2A, Annual General Flat Rate Service; and 3A, Fire Protection Service. Since the vast majority (96%) of DLWC's customers are on the flat rate schedule, no consideration was given to the current rate design policy as set by Decision 92-03-093 which allows the utility to recover up to 100% of its fixed costs through the service charges. There are no customers being served private fire protection service; therefore, DLWC has requested that Schedule 3A, Fire Protection Service be deleted. The Branch concurs.

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 flat-rate customer will increase from \$241.80 per year to \$273.00 per year. 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 November 30, 1994. The Branch received about 14 letters protesting the rate increase or the meeting date. The Commission's Consumer Affairs Branch received eight complaints from January 1, 1992 to December 31, 1994. No complaints have been received in 1995.

A public meeting was held on Tuesday, December 27, 1994, in the Truckee-Donner Public Utility District Board Room in Truckee, California. The Branch's representative explained Commission rate setting procedures and the utility's representative explained the need for the rate increase. About 17 customers attended the meeting with their primary concern being the date of the meeting. The public meeting was scheduled on December 27th to allow maximum customer participation in this resort area where snow skiing is quite popular. Other complaints were concerned with the costs involved with the treatment plant and there were several questions and comments which were general in nature.

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. DLWC should be authorized to eliminate Tariff Schedule 3A from its tariffs and file revised Preliminary Sheet (Second sheet), Rule Nos. 10, 15, 16, 20 and 21, and the Connection Fee Data Form.
6. DLWC should be authorized to file an advice letter requesting a surcharge to offset the costs of the filtration plant mandated by DHS after the facility has received the approval of DHS and is in full operation.
7. DLWC should be authorized to establish a memorandum account to record the reasonable costs of operation and maintenance associated with the filtration plant, including property taxes and depreciation expense and to file an advice letter requesting recovery of those costs no earlier than 12 months after the plant has received the approval of DHS and is in full operation.
8. DLWC should be authorized to file an advice letter requesting recovery of its reasonable costs of the main replacements after they have been installed and in full operation.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Donner Lake 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, 2A, and 3A. 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, Donner Lake Water Company shall file updated Preliminary Statement (Second sheet), tariff Rule Nos. 10, 15, 16, 20, and 21, and the Connection Fee Data Form.
3. Donner Lake Water Company is authorized to file an advice letter requesting a surcharge to offset the costs of the filtration plant mandated by the Department of Health Services after the facility has received the approval of DHS and is in full operation.
4. Donner Lake Water Company is authorized to establish a memorandum account to record the reasonable costs of operation and maintenance associated with the new filtration plant, including property taxes and depreciation expense and to file an advice letter requesting recovery of these costs no earlier than 12 months after the facility has received the approval of DHS and is in full operation.
5. Donner Lake Water Company is authorized to file an advice letter requesting recovery of the reasonable costs of the main replacements not covered in Ordering Paragraph 3 above after they have been installed and in full operation.
6. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 27, 1995. The following Commissioners approved it:

Wesley Franklin

WESLEY M. FRANKLIN
Acting Executive Director

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

APPENDIX A
DONNER LAKE WATER COMPANY
SUMMARY OF EARNINGS

	Estimated 1995 At Present Rates				Estimated 1995 At Proposed Rates				Estimated Test Year 1995
	Staff	Utility	Utility Exceeds Amount	Staff %	Staff	Utility	Utility Exceeds Amount	Staff %	Staff Recommended Rates
Operating Revenues:									
Metered	20,809	20,319	(490)	-2.4%	32,872				23,520
Flat	285,310	280,837	(4,473)	-1.6%	447,910				322,490
Total Revenue	306,119	301,156	(4,963)	-1.6%	480,782	472,972	(7,810)	-1.6%	346,000
Operating Expenses:									
Purchased water	1,700	0	(1,700)		1,700	0	(1,700)		1,700
Purchased power	41,108	61,475	20,367	49.5%	41,108	61,475	20,367	49.5%	41,108
Other volume related	8,778	0	(8,778)		3,688	0	(3,688)		8,778
Employee labor	58,627	58,627	0	0.0%	58,627	58,627	0	0.0%	58,627
Materials	8,399	14,430	6,031	71.8%	8,399	14,430	6,031	71.8%	8,399
Contract work	18,923	12,600	(6,323)	-33.4%	18,923	12,600	(6,323)	-33.4%	18,923
Transportation expense	15,750	15,750	0	0.0%	15,750	15,750	0	0.0%	15,750
Other plant maintenance	4,527	12,529	8,002	176.8%	4,527	12,529	8,002	176.8%	4,527
Employee pension & bene.	3,168	3,168	0	0.0%	3,168	3,168	0	0.0%	3,168
Office services & rentals	36,000	36,000	0	0.0%	36,000	36,000	0	0.0%	36,000
Office supplies & expenses	10,292	3,675	(6,617)	-64.3%	10,292	3,675	(6,617)	-64.3%	10,292
Professional services	7,890	16,600	8,710	110.4%	7,890	16,600	8,710	110.4%	7,890
Insurance	10,345	13,376	3,031	29.3%	10,345	13,376	3,031	29.3%	10,345
Regulatory commission exp.	2,000	2,000	0	0.0%	2,000	2,000	0	0.0%	2,000
Total Expenses	225,806	250,230	24,424	10.6%	220,717	250,230	29,513	13.4%	225,806
Depreciation	28,731	44,089	15,358	53.5%	28,731	44,089	15,358	53.5%	28,731
Property Tax	6,034	13,205	7,171	118.8%	6,034	13,205	7,171	118.8%	6,034
Payroll Tax	6,375	5,267	(1,108)	-17.4%	6,375	5,267	(1,108)	-17.4%	6,375
State Taxes	3,643	800	(2,843)	0.0%	20,360	13,781	(6,579)	-32.3%	7,362
Income Taxes	5,329	0	(5,329)	0.0%	60,690	35,666	(25,024)	-41.2%	12,925
Total Deductions	275,919	313,591	37,672	13.7%	342,907	362,238	19,331	5.6%	287,224
Net Revenue	30,200	(12,435)	(42,635)	-141.2%	137,875	110,734	(27,141)	-19.7%	58,776
Rate Base:									
Average Plant	1,024,846	1,651,328	626,482	61.1%	1,024,846	1,651,328	626,482	61.1%	1,024,846
Average Depr. Res.	(493,362)	(506,621)	(13,260)	2.7%	(493,362)	(506,621)	(13,260)	2.7%	(493,362)
Net Plant	531,485	1,144,707	613,223	115.4%	531,485	1,144,707	613,223	115.4%	531,485
Less: Advances	(9,243)	(9,243)	0	0.0%	(9,243)	(9,243)	0	0.0%	(9,243)
Contributions	(84,120)	(86,315)	(2,195)	2.6%	(84,120)	(86,315)	(2,195)	2.6%	(84,120)
Add: Materials & supplies	5,464	5,464	0	0.0%	5,464	5,464	0	0.0%	5,464
Rate Base	443,586	1,054,613	611,028	137.7%	443,586	1,054,613	611,028	137.7%	443,586
Rate of Return	6.81%	-1.19%			31.06%	10.50%			13.25%

APPENDIX A
DONNER LAKE WATER COMPANY
SUMMARY OF EARNINGS

Sheet 2 of 2

	Estimated 1996 At Present Rates				Estimated 1996 At Proposed Rates				Estimated Test Year 1996
	Staff	Utility	Utility Exceeds Amount	Staff %	Staff	Utility	Utility Exceeds Amount	Staff %	Staff Recommended Rates
Operating Revenues:									
Metered	22,832				37,022				24,131
Flat	325,212				533,428				328,716
Total Revenue	348,044	472,972	124,928	35.9%	570,450	557,283	(13,167)	-2.3%	352,850
Operating Expenses:									
Purchased water	1,700	0	(1,700)		1,700	(1,700)	(3,400)		1,700
Purchased power	41,423	82,830	41,407	100.0%	41,423	82,830	41,407	100.0	41,423
Other volume related	8,936	0	(8,936)		8,936	0	(8,936)		8,936
Employee labor	60,444	62,103	1,659	2.7%	60,444	62,103	1,659	2.7%	60,444
Materials	8,551	18,504	9,953	116.4%	8,551	18,504	9,953	116.4	8,551
Contract work	19,510	13,234	(6,276)	-32.2%	19,510	13,234	(6,276)	-32.2%	19,510
Transportation expense	15,750	15,750	0	0.0%	15,750	15,750	0	0.0%	15,750
Other plant maintenance	4,608	13,633	9,025	195.9%	4,608	13,633	9,025	195.9	4,608
Employee pension & bene.	3,311	3,311	0	0.0%	3,311	3,311	0	0.0%	3,311
Office services & rentals	37,876	36,000	(1,876)	-5.0%	37,876	36,000	(1,876)	-5.0%	37,876
Office supplies & expenses	10,477	3,712	(6,765)	-64.6%	10,477	3,712	(6,765)	-64.6%	10,477
Professional services	8,135	17,447	9,312	114.5%	8,135	17,447	9,312	114.5	8,135
Insurance	10,531	18,376	7,845	74.5%	10,531	18,376	7,845	74.5%	10,531
Regulatory commission exp.	2,000	2,000	0	0.0%	2,000	2,000	0	0.0%	2,000
Total Expenses	231,550	266,900	55,350	23.9%	231,550	266,900	55,350	23.9%	231,550
Depreciation	29,441	61,336	31,895	108.3%	29,441	61,336	31,895	108.3	29,441
Property Tax	6,143	13,469	7,326	119.3%	6,143	13,469	7,326	119.3	6,143
Payroll Tax	6,490	5,533	(957)	-14.7%	6,490	5,533	(957)	-14.7%	6,490
State Taxes	7,482	800	(6,682)	-89.3%	7,482	5,554	(2,051)	-27.3%	7,368
Income Taxes	13,243	(4,780)	(18,023)	-136.1%	13,243	8,543	(7,703)	-58.2%	12,965
Total Deductions	294,349	363,258	68,909	23.4%	389,475	361,335	(8,140)	-2.1%	293,956
Net Revenue	53,695	109,714	56,019	104.3%	180,975	175,948	(5,027)	-2.8%	58,894
Rate Base:									
Average Plant	1,049,746	2,321,041	1,271,295	121.1%	1,049,746	2,321,041	1,271,295	121.1	1,049,746
Average Depr. Res.	(522,447)	(559,333)	(36,886)	7.1%	(522,447)	(559,333)	(36,886)	7.1%	(522,447)
Net Plant	527,299	1,761,708	1,234,409	234.1%	527,299	1,761,708	1,234,409	234.1	527,299
Less: Advances	(9,243)	(9,243)	0	0.0%	(9,243)	(9,243)	0	0.0%	(9,243)
Contributions	(80,679)	(83,855)	(3,176)	3.9%	(80,679)	(83,855)	(3,176)	3.9%	(80,679)
Add: Materials & supplies	7,000	7,000	0		7,000	7,000	0		7,000
Rate Base	444,377	1,675,610	1,231,233	277.1%	444,377	1,675,610	1,231,233	277.1	444,377
Rate of Return	12.06%	6.55%			40.73%	10.50%			13.25%

APPENDIX B
Sheet 1 of 2

DONNER LAKE WATER COMPANY

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Donner Lake and vicinity, Nevada and Placer Counties.

RATES

Monthly Quantity Rate:

All Water, per 100 cu. ft \$ 0.67 (I)

Annual Service Charge:

Per Meter
Per Year

For	1-inch meter	\$ 234.00	(I)
For	1-1/2-inch meter	330.00	
For	2-inch meter	432.00	
For	3-inch meter	768.00	
For	4-inch meter	1224.00	(I)

The annual 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. 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 at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established periods for water used.

(continued)

APPENDIX B
Sheet 2 of 2

DONNER LAKE WATER COMPANY

Schedule No. 2A

ANNUAL GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Donner Lake and vicinity, Nevada and Placer Counties.

RATES

	<u>Per Meter</u>	<u>Per Connection</u>
	<u>Per Year</u>	
1. For-single family residential unit including premises	\$ 273.00	(I)
a. For each additional unit on same premises	138.00	(I)
2. For each hotel, apartment, or motel, including first room or apartment	273.00	(I)
a. For each additional room or unit	138.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one-inch diameter.
2. All service not covered by the above classification shall be furnished only on a metered basis.
3. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule 1A, Annual General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid advance, refund of the pro-rated difference between such flat rate payment and the annual service charge shall be made on or before that day.

APPENDIX B-1

Donner Lake Water Company — Attrition Increases

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

SCHEDULE NO. 1A, ANNUAL GENERAL METERED SERVICE 1996

Annual Service Charge:

For	1-inch meter	\$ 3.00	(I)
For	1-1/2-inch meter	6.00	
For	2-inch meter	6.00	
For	3-inch meter	9.00	
For	4-inch meter	15.00	(I)

Quantity Rates:

All water, per 100 cu.ft.....	\$ 0.67
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SCHEDULE NO. 2A, ANNUAL GENERAL FLAT RATE SERVICE

Service Charges:

1. For single-family residential unit including premises	\$ 3.00	(I)
a. For each additional unit on same premises	3.00	(I)
2. For each hotel, apartment, or motel, including first room or apartment	3.00	(I)
a. For each additional room or unit	3.00	(I)

APPENDIX C

DONNER LAKE WATER COMPANY

COMPARISON OF RATES

METERED SERVICE

Per Meter Per Year

	<u>Present Rates</u> TY 95	<u>Proposed Rates</u> (Decrease)	<u>Percent Increase</u>
For 1 - inch meter	\$ 207.60	\$ 234.00	12.7%
For 1-1/2-inch meter	291.00	330.00	13.4%
For 2 - inch meter	381.60	432.00	13.2%
For 3 - inch meter	681.60	768.00	12.7%
For 4 - inch meter	1086.60	1224.00	12.6%

Quantity Rates:

Per 100 cu.ft	\$ 0.59	\$ 0.67	13.6%
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FLAT RATE SERVICE

Per Service Connection Per Year

	<u>Present Rates</u>	<u>Proposed Rates</u> TY 95	<u>Percent Increase</u> (Decrease)
For single-family residential unit including premises	\$ 241.80	\$ 273.00	12.9%
For each additional unit on same premises	120.60	138.00	14.4%
For each hotel, apartment or motel, including first room or apartment	241.80	273.00	12.9%
For each additional room or unit	120.60	138.00	14.4%

APPENDIX D
Sheet 1 of 2

DONNER LAKE WATER COMPANY

ADOPTED QUANTITIES

Test Years 1995 and 1996

Offset Items

1. Purchased Power

Truckee-Donner Public Utility District
Effective Date February 1995
Rate Schedule D Medium Commercial

Customer Charge \$80 per month
Demand Charge \$9.77 per kilowatt of
billing demand
Energy charge \$0.03990 per kWh

		<u>1995</u>	<u>1996</u>
Total Cost	\$ 41,108	\$ 41,423	
Total kWh		422,815	427,043
Average Unit Cost \$/kWh	\$ 0.097	\$ 0.097	
2. Payroll			
Employee Labor	\$ 58,627	\$ 60,444	
Office Salaries	12,000	12,372	
Management Salaries		12,000	12,372
3. Payroll Taxes	\$ 6,375	6,490	
4. Ad Valorem Taxes		\$ 6,034	6,143

APPENDIX D
 Sheet 2 of 2

DONNER LAKE WATER COMPANY

ADOPTED QUANTITIES

<u>Service Connections</u>	<u>Test Years</u>	
	<u>1995</u>	<u>1996</u>
1. Meter Size		
31 1".....		31
1 1-1/2".....		1
11 2".....		11
0 3".....		0
<u>1</u> 4".....		<u>1</u>
Total Metered	44	44
=		=
2. Flat Rate		1,119
1,130 Additional services same connection	38	38

Metered Water Sales Used to Design Rates

	<u>Usage - Ccf/yr</u>	
General Metered	14,911	15,715
	<u> </u>	<u> </u>

ADOPTED TAX CALCULATIONS

1. Operating Revenues	\$346,000	\$ 352,850
2. Expenses	225,806	231,550
3. Depreciation	28,731	29,441
4. Taxes Other Than Income	12,409	12,633
5. Taxable Income for State Tax	79,054	79,226
7. State Tax (9.3%)	7,352	7,368
8. Taxable Income for FIT	<u>71,702</u>	<u>71,858</u>