

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3948
October 18, 1995

R E S O L U T I O N

(RES. W-3948), LLANO DEL RIO WATER COMPANY (LDRWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$41,810 OR 45.5% IN
1995.

BY DRAFT ADVICE LETTER ACCEPTED ON JUNE 13, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$41,810, or 45.5% for test year 1995. The increase will provide a 14.25% rate of return on rate base in the test year.

BACKGROUND

LDRWC requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service. LDRWC's request did not include rate base figures and, therefore, was considered incomplete. Since LDRWC lacked the necessary expertise to complete its rate increase package, the Water Utilities Branch staff (Branch) completed the filing. This resulted in LDRWC's request to increase rates to produce additional revenues of \$57,720 or 62.8% in 1995. LDRWC's request shows 1993 gross revenue of \$89,800 at present rates increasing to \$115,000 at proposed rates. LDRWC presently serves about 165 metered and four miscellaneous customers in an area comprising approximately 1,250 acres located near Llano, Los Angeles County.

The present rates became effective on September 10, 1987, pursuant to Resolution No. W-3369, which authorized a general rate increase of \$31,385 or 65.4%.

DISCUSSION

LDRWC received assistance through the Branch's outreach program in preparing its general rate increase request. Through this program the Branch offers its assistance to small water utilities that do not have staff experienced in regulatory matters.

The Branch made an independent analysis of LDRWC's operations and issued its report in August 1995. Because LDRWC made some additional requests that were too late to include in the report, the Branch issued an addendum report, also dated August 1995. Appendix A shows LDRWC's and the Branch's estimated summaries of earnings at present, requested, and adopted rates for the test year. Appendix A also shows differences in operating revenues, operating expenses, and rate base.

IDRW was informed of the Branch's differing views of revenues, expenses and rate base and stated that it disagreed with the Branch's findings. Following discussions between IDRW and the Branch, both agreed to the summary of earnings as shown in the column headed "Adopted Rates".

As indicated above, IDRW did not submit a rate base figure. The Branch recreated IDRW's plant accounts and established the following values for the plant accounts. The Branch recommends that they be used in the preparation of IDRW's 1995 Annual Report.

Account 301 - Intangible Plant	\$ 0
303 - Land	15,989
304 - Structures	0
307 - Wells	0
311 - Pumping Equipment	14,509
317 - Other Water Source Plant	149
320 - Water Treatment Plant	400
330 - Reservoirs, Tanks & Sandpipes	49,958
331 - Water Mains	150,118
333 - Services & Meter Installations	3,305
334 - Meters	12,434
335 - Hydrants	1,980
339 - Other Equipment	41,684
340 - Office Furniture and Equipment	0
341 - Transportation Equipment	0
TOTAL	\$290,526

IDRW has also requested main replacements of \$54,330 for 1995 and 1996. The Branch concurs; however, it recommends that IDRW be authorized to file for a rate base offset when the mains have been completed and are in full operation, rather than include these amounts in rates.

Without a rate base, IDRW could not establish a rate of return. The Branch made its own estimate of a rate of return and has included it in Appendix A. The summary of earnings in Appendix A shows a loss at present rates and a 14.25% rate of return at the Branch's recommended rates. This rate of return is the midpoint of the 14.00% to 14.5% standard rate of return range recommended by the Finance Branch of the Commission Advisory and Compliance Division for Class D water utilities.

IDRW files Annual Reports regularly and there are no outstanding Commission orders requiring improvements. IDRW has not filed updated tariffs for its Title Page, Preliminary Statement (both pages), Rule Nos. 10, 20 and 21 and Form 3. IDRW's service area map is also out of date and should be updated.

IDRW's filed tariffs currently contain four rate schedules: No. 1, General Metered Service, No. 2, General Flat Rate Service, No. 3L, Irrigation Service, and No. 4, Metered Service for Resale Purposes. Current rate design policy as set by Decision 92-03-093 allows the utility to recover up to 100% of its fixed costs through the service charges. In this case, however, adherence to that policy would result in the majority of customers receiving increases in the service charges in excess of 100%; therefore, the service charges were increase by approximately 45.5%.

LDRWC also requested authority to implement a voluntary water conservation program. Since LDRWC is located in a desert area, the Branch concurs.

Subsequent to the mailing of the proposed rate increase notice, LDRWC requested authorization for the following:

Construction Hook-up Fees
Reconnection Charges
Late Payment Charges
Returned Check Charges

Because of the late date of these requests, the Branch issued an addendum report following its investigation of these issues. The Branch discovered that LDRWC's current rules for construction hook-up fees and reconnection charges are consistent with those of the water industry; therefore, the Branch recommends that these requests be denied. The Branch recommends that a late charge of 1.5% of the delinquent balance with a minimum charge of \$1.00 be authorized on a temporary basis until the next general rate case. The Branch also recommends that a charge of \$5.00 for returned checks be authorized.

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

At the Branch's recommended rates shown in Appendix B, the monthly bill for an average metered customer using 37 Ccf of water will increase from \$32.50 to \$47.36 or 45.7%. 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 July 14, 1995. The Branch received one letter protesting the rate increase. The Commission's Consumer Affairs Branch has received no complaints from August 1, 1994 to August 4, 1995.

A public meeting was held on Monday, August 7, 1995, at the Crystallaire Country Club located in the LDRWC service area. The Branch's representative explained Commission rate setting procedures and the utility's representative explained the need for the rate increase. About 60 customers attended the meeting with their primary concern being the rates being proposed by LDRWC. The customers believed that the rates proposed by LDRWC would generate more revenue than was being requested; however, it was explained that the final rates will be designed by the Branch. Other comments were general in nature and dealt with the expenses of the utility.

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. IDRWC should be authorized to file an advice letter(s) requesting recovery of the costs of the mainline replacements after they have been completed and in full operation. Such replacements should be limited to \$54,330.
6. IDRWC should be ordered to adjust its plant accounts to reflect the Branch's recommended plant figures, depreciation reserve figure and the depreciation rate and use these figures in preparing its 1995 Annual Report.
7. IDRWC should be authorized to file a water conservation plan. Should mandatory conservation and rationing be needed, IDRWC should be authorized to implement mandatory measures in accordance with the former Rule 14.1.
8. IDRWC should be ordered to file updated Title Page, Preliminary Statement (both pages), Service Area Map, Rule Nos. 10, 20, and 21, and Form 3.
9. IDRWC's request for a modified construction hook-up fee should be denied.
10. IDRWC's request for modified reconnection charges should be denied.
11. IDRWC should be authorized to establish a late payment charge of 1.5% of a customer's delinquent balance, or a \$1.00 minimum, on a temporary basis.
12. IDRWC should be authorized to add a return check charge of \$5.00 to its tariffs.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Llano del Rio 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 Schedule Nos. 1 (General Metered Service), 2 (General Flat Rate Service), 3L (Irrigation Service), and 4 (Metered Service for Resale Purposes). 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. Llano del Rio Water Company is authorized to file an advice letter(s) to request recovery of the costs of the mainline replacements after they have been completed and are in full operation. The cost of the replacements are limited to \$54,330.
3. IDRWC shall utilize the Branch's plant account, depreciation reserve, and depreciation rate in preparing its 1995 Annual Report.

4. LDRWC is authorized to file a water conservation plan. Should mandatory conservation and rationing be needed, Llano del Rio Water Company is authorized to implement mandatory measures in accordance with the former Rule 14.1.
5. Within 60 days of the effective date of this resolution, Llano del Rio Water Company shall file updated Title Page, Preliminary Statement (both pages), Service Area Map, tariff Rule Nos. 10, 20, and 21 and Form 3.
6. Llano del Rio Water Company's request for a modified Construction Hook-Up Fee is denied.
7. Llano del Rio Water Company's request for modified Reconnection Charges is denied.
8. Llano del Rio Water Company is authorized to establish a Late Payment Charge of 1.5% of a customer's delinquent balance or a \$1.00 minimum on a temporary basis.
9. Llano del Rio Water Company shall maintain a monthly log of the number of customers subject to the late charge and the amount collected from each customer. The log shall be presented to the Branch when Llano del Rio Water Company files its next general rate case.
10. Llano del Rio Water Company is authorized to add a Return Check Charge of \$5.00 to its tariffs.
11. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on October 18, 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
JOSIAH L. NEEPER
Commissioners

APPENDIX A

LLANO DEL RIO WATER COMPANY

SUMMARY OF EARNINGS

Item	1993 Test Year		1995 Test Year		1995
	Utility Estimated	Staff Estimated	Present	Requested	Test Year
	Present	Requested	Present	Requested	Adopted
	Rates	Rates	Rates	Rates	Rates
OPERATING REVENUES					
Metered	\$ 62000	\$ 77000	\$ 62070	\$103300	\$ 90470
Flat	800	1000	540	710	790
Irrigation	27000	37000	22500	36000	32610
Resale	0	0	6780	9600	9830
TOT. OPER. REVENUES	89800	115000	91890	149610	133700
OPERATING EXPENSES					
Purchased Water	0	0	4150	4150	4150
Purchased Power	21647	21647	21920	21920	21920
Other Volume Related	8287	12287	9850	9850	9850
Employee Labor	14618	14618	0	0	0
Materials	5825	5285	5410	5410	5410
Contract Work	25738	15738	30190	30190	30190
Transportation	6638	6638	9240	9240	9240
Other Plant Maint.	0	0	3340	3340	3340
Office Salaries	6164	6164	0	0	0
Management Salaries	6209	6209	0	0	0
Employee Pen. & Ben.	0	0	0	0	0
Uncollectibles	0	0	0	0	0
Off. Serv. & Rentals	1939	1939	2100	2100	2100
Off. Suppl. & Exps.	1509	1509	1890	1890	1890
Professional Services	252	252	510	510	510
Insurance	5042	5042	5040	5040	5040
Reg. Commission Exp.	0	0	0	0	0
General Expense	1728	1728	1650	1650	1650
SUBTOTAL EXPENSES	105596	99056	95290	95290	95290
Depreciation Expense	12440	12440	8840	8840	8840
Taxes Other Than Income	654	654	1870	2250	2150
Income Tax	800	800	800	9900	6280
TOTAL DEDUCTIONS	119490	112950	106800	116280	112560
NET REVENUE	(29690)	(2050)	(14910)	33330	21140
RATE BASE					
Average Plant	N.A.	N.A.	293030	293030	293030
Avg. Depreciation Res.	N.A.	N.A.	153070	153070	153070
NET PLANT	N.A.	N.A.	139960	139960	139960
Less: Advances	N.A.	N.A.	0	0	0
Contributions	N.A.	N.A.	0	0	0
Plus: Working Cash	N.A.	N.A.	7870	7870	7870
Mats. & Suppl.	N.A.	N.A.	500	500	500
TOTAL RATE BASE	N.A.	N.A.	148330	148330	148330
RATE OF RETURN	N.A.	N.A.	(Loss)	22.5%	14.25%

APPENDIX B
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LLANO DEL RIO WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service with the exception of irrigation service and metered service for resale purposes.

TERRITORY

An area comprising approximately 1,250 acres located in portions of Sections 4, 5, and 6, T.4 N., and Sections 31 and 32, T.5N., all in R.9W., S. B. B. & M., and vicinity, near Llano, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates		
All Water, per 100 cu.ft.	\$ 0.73	(I)
Service Charge		
For 5/8 x 3/4-inch meter	\$13.50	(I)
For 3/4-inch meter	15.00	
For 1-inch meter	20.35	
For 1-1/2-inch meter	27.20	
For 2-inch meter	36.40	(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. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(N)
|
(N)

APPENDIX B
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LIANO DEL RIO WATER COMPANY

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

An area comprising approximately 1,250 acres located in portions of Sections 4, 5, and 6, T.4 N., and Sections 31 and 32, T.5N., all in R.9W., S. B. B. & M., and vicinity, near Llano, Los Angeles County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
		(D)
Crystalaire Country Club drinking fountain, per fountain	\$ 32.90	(N) (N)
		(D)

SPECIAL CONDITIONS

1. All service not covered by the above classification shall be furnished only on a metered basis.
2. Meters shall be installed if either utility or customer so chooses for above classifications, in which event service thereafter shall be furnished only on the basis of Schedule No. 1, General Metered Service.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (N)
(N)

APPENDIX B
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LLANO DEL RIO WATER COMPANY

Schedule No. 3L

IRRIGATION SERVICE

APPLICABILITY

Applicable to untreated gravity water service furnished to the Crystallaire Country Club.

TERRITORY

An area comprising approximately 1,250 acres located in portions of Sections 4, 5, and 6, T.4 N., and Sections 31 and 32, T.5N., all in R.9W., S. B. B. & M., and vicinity, near Llano, Los Angeles County.

RATES

	<u>Per Year</u>	
First 750 acre-feet	\$ 32,610.00	(I)
Over 750 acre-feet, per acre-foot.....	\$ 65.50	(I)

SPECIAL CONDITIONS

1. This schedule is available only upon written agreement, a copy of which agreement is on file with the Public Utilities Commission, and all terms and conditions contained in said agreement are by reference included herein.
2. A monthly charge of \$2,717.50, 1/12 of the initial charge per year, will be due and payable on the first day of each month. Charges for deliveries in excess of 750 acre-feet during the yearly period may be billed monthly or annually at the option of the utility. (I)
3. In the event of a water shortage prevents the utility from making 750 acre-feet suitably available during the year, the initial charge will be reduced by an amount equal to the difference between 750 acre-feet and the quantity in acre-feet actually delivered times \$43.65 per acre-foot and refunds will be made accordingly. (I)
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (N)
(N)

APPENDIX B
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LLANO DEL RIO WATER COMPANY

Schedule No. 4

METERED SERVICE FOR RESALE PURPOSES

APPLICABILITY

Applicable to metered water service furnished for resale purposes to "water purveyors" as hereinafter defined.

TERRITORY

An area comprising approximately 1,250 acres located in portions of Sections, 4, 5, and 6, T.4 N., and Sections 31 and 32, T.5 N., all in R.9 W., S. B. B. & M., and vicinity, near Llano, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rate:		
For each acre-foot	\$ 87.00	(I)

DEFINITION

As used in this schedule, "water purveyor" means a public district whose principal function is the sale of water to retail customers, water public utility, a city water department, or a mutual water company.

SPECIAL CONDITIONS

1. Service under this schedule will be made only when, and as long as, in the judgment of the board of directors or the general manager of the company, the company has water available for such service without interfering with its ability to provide service to all other customers under other schedules.
2. The cost of any special connection or other facilities necessary to make possible the delivery of water pursuant to this schedule shall be paid by such water purveyor, in addition to the charge specified in this schedule.
3. The water supplied under this schedule shall be delivered at available pressures.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(N)
(N)

APPENDIX C

ILANO DEL RIO WATER COMPANY

COMPARISON OF RATES - 1995 TEST YEAR

METERED SERVICE

Per Service Connection Per Month
Present Rates Recommended Rates Percent Increase

Service Charge:

For 5/8 X 3/4-inch meter	\$ 9.30	\$ 13.50	45.2%
For 3/4-inch meter	10.30	15.00	45.6
For 1-inch meter	14.00	20.35	45.4
For 1 1/2-inch meter	18.70	27.20	45.5
For 2-inch meter	25.00	36.40	45.6

Quantity Rates:

All use, per 100 cu. ft.	\$ 0.50	\$ 0.73	46.0%
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A monthly bill comparison for a customer with a 1-inch meter is shown below:

<u>Usage</u> <u>100 cu.ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$14.00	\$20.35	\$ 6.35	45.4%
5	16.50	24.00	7.50	45.5
10	19.00	27.65	8.65	45.5
20	24.00	34.95	10.95	45.6
30	29.00	42.25	13.25	45.7
37 (avg.)	32.50	47.36	14.86	45.7
40	34.00	49.55	15.55	45.7
50	39.00	56.85	17.85	45.8

APPENDIX D
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LLANO DEL RIO WATER COMPANY

ADOPTED QUANTITIES - 1995 Test Year

Federal Tax Rate:	15.0%
State Tax Rate:	9.3%
Depreciation Rate:	3.19%

Expenses

1. Purchased Power:

Southern California Edison

Rate Schedule	PA-1
Effective Date of Schedule	01/01/95
kWh Used Total	246,625
\$/kWh	\$0.09768
Energy Charge	\$ 24,090
Service Charge	\$ 3,908
Customer Charge	\$ 800
L.A. County Tax	\$ 1,440
State Tax	\$ 48
Total Purchased Power	\$ 30,286

2. Ad Valorem Taxes:	\$1,270
Tax Rate	1.0080340%

3. Water Testing (in contract work)	\$2,026
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Service Connections:

Metered

5/8 X 3/4-inch	0
3/4-inch	22
1-inch	132
1 1/2-inch	1
2-inch	<u>2</u>
	157

Flat - 2

Irrigation - 1

Resale - 1

Metered Water Sales Used To Design Rates:

72,709 Ccf - Metered Customers
655 AF - Irrigation Customers
113 AF - Resale Customers

APPENDIX D
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LLANO DEL RIO WATER COMPANY

ADOPTED TAX CALCULATIONS - 1995 Test Year

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenues	\$133,700	\$133,700
2.	Expenses	95,290	95,290
3.	Taxes Other Than Income	2,150	2,150
4.	Depreciation Expense	8,840	8,840
5.	Interest	0	0
6.	Taxable Income for State Tax	\$27,420	
7.	State Tax (@ 9.3%)	2,550	
8.	Taxable Income for FIT		\$24,870
9.	Federal Income Tax (@ 15%)		\$ 3,730
10.	Total Income Tax		\$ 6,280