

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3951
November 21, 1995

R E S O L U T I O N

(RES. W-3951), VISTA GRANDE WATER SYSTEM (VGWS).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$5,300 OR 27.1% IN
1995.

BY DRAFT ADVICE LETTER ACCEPTED ON MARCH 9, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$5,300, or 27.1% for test year 1995. The increase will provide a 14.25% rate of return on rate base in the test year.

BACKGROUND

VGWS 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 \$10,388 or 56.6% in 1994. Because VGWS's submittal was filed in 1995, the appropriate Test Year for rates to be set should have been 1995. In order not to delay the filing and to use the correct Test Year, the Water Utilities Branch (Branch) and VGWS agreed to increase the 1994 expense figures submitted by VGWS by 2.7% (the Consumer Price Index increase authorized for all Class C and D water utilities for 1994). VGWS presently serves about 118 metered customers in an unincorporated area known as the Vista Grande subdivision, roughly two miles northeast of the city of Red Bluff, Tehama County.

The present rates became effective on March 10, 1988, pursuant to Resolution No. W-3384, which authorized a general rate increase of \$5,206 or 45.0%.

DISCUSSION

The Branch made an independent analysis of VGWS's summary of earnings and issued its report in October 1995. Appendix A shows VGWS's and the Branch's estimated summaries of earnings at present, requested, and adopted rates for the test year 1995. Appendix A also shows differences in operating revenues, operating expenses, and rate base.

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

VGWS has historically applied its depreciation rate of 2.2% incorrectly to the entire plant-in-service without first removing land and intangibles, thus rendering the balance in its depreciation reserve account incorrect. The

Branch reconstructed the depreciation reserve account from January 1, 1987, and concludes that the correct 1994 end-of-year accumulated depreciation reserve balance should be \$31,360. The Branch recommends that this figure be utilized by VGWS for future calculations of the depreciation reserve and shown in its 1995 Annual Report to the Commission.

During the Branch's field investigation, it was observed that the VGWS system lacked production meters, and the well sites needed weed and debris removal.

The Branch recommends that VGWS be ordered to install production meters and authorized to file an advice letter requesting recovery of the costs after they are in place and in full operation.

As part of the agreement noted above, the Branch added an additional \$50 per month to maintain the well sites of all three water utilities that is owned by the Patterson Trust. The pro-rated amount is included in the summary of earnings in Appendix A.

VGWS's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 21.0%. The summary of earnings in Appendix A shows a rate of return of 14.25% at the Branch's recommended rates. This rate of return is the midpoint of the 14.00% to 14.50% standard rate of return range recommended for Class D water utilities by the Finance Branch of the Commission Advisory and Compliance Division.

VGWS files annual reports regularly, and there are no outstanding Commission orders requiring improvements. VGWS's tariffs are up to date.

VGWS's filed tariffs currently contain one rate schedule: Schedule No. 1, General Metered Service. Current rate design policy as set by Decision 92-03-093 allows VGWS to recover up to 100% of its fixed costs through the service charges. In addition, Branch guidelines call for no service element charge to increase by more than twice the system average increase of 27.1%. To meet both conditions, service charge rates were increased 54%, and will recover approximately 63% of VGWS's fixed costs.

Subsequent to the issuance of the Branch's report, VGWS requested revisions be made to its tariff schedules in accordance with Commission Resolution W-3940 which was issued on September 7, 1995. The revisions requested included the establishment of a late payment charge, the inclusion of Public Utilities Code Section 2714 as a special condition in its filed tariffs and some minor changes to its rules. Since W-3940 authorized the Branch to approve these changes in compliance with the resolution, the Branch concurs with VGWS's request. Because of the lateness of the request, VGWS has not noticed its customers of the late payment charge; however, it has indicated that it will do so immediately.

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 a typical metered customer using 2300 cubic feet of water will increase from \$13.23 to \$16.27 or 23.0%. 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 March 20, 1995. The Branch received no letters protesting the rate increase. The Commission's Consumer Affairs Branch has also received no complaints over the last year.

A public meeting was held on Monday, April 17, 1995, near VGWS'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 eight customers attended the meeting with their primary concern being 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. VGWS should be ordered to incorporate the Branch's depreciation reserve figure of \$31,360 as the beginning-of-year depreciation reserve figure in its 1995 Annual Report to the Commission.
6. VGWS should be ordered to install production measuring devices and authorized to file an advice letter requesting recovery of the reasonable costs after they have been installed and are in full operation.
7. VGWS is authorized to make the changes to its tariffs and rules in accordance with Resolution W-3940.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Vista Grande Water System to file an advice letter incorporating the summary of earnings, revised Schedule No. 1, General Metered Service, and new Schedule No. 1C, Late Payment Charge, attached to this resolution as Appendices A and B

Resolution W-3951
Vista Grande Water System/Dr AL/RJT/LHR:jlj

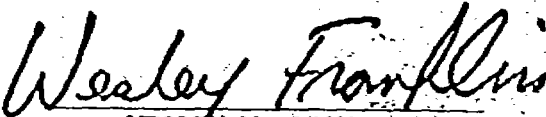
respectively, and concurrently to cancel its presently effective rate Schedule No. 1. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of its filing.

2. Vista Grande Water System shall utilize the figure of \$31,360 as its depreciation reserve for the beginning of year 1995 in its 1995 Annual Report to the Commission.

3. Vista Grande Water System shall install production measuring devices and is authorized to file an advice letter requesting the recovery of all reasonable costs after they have been installed and are in full operation.

4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on November 21, 1995. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

APPENDIX A
 VISTA GRANDE WATER SYSTEM

SUMMARY OF EARNINGS - 1995 TEST YEAR

Item	1995		1995		1995
	Utility Estimated	Branch Estimated	Present	Proposed	Adopted
	Rates	Rates	Rates	Rates	Rates
OPERATING REVENUES					
Metered	\$ 18341	\$ 28729	\$ 18040	\$ 31660	\$ 23340
Other	0	0	1500	1500	1500
Subtotal	18341	28729	19540	33160	24840
OPERATING EXPENSES					
Purchased Water	0	0	0	0	0
Purchased Power	6090	6090	5770	5770	5770
Other Volume Related	410	410	0	0	0
Employee Labor	660	660	980	980	980
Materials	770	770	220	220	220
Contract Work	340	340	430	430	430
Transportation	960	960	960	960	960
Other Plant Maint.	380	380	380	380	380
Office Salaries	5450	5450	5450	5450	5450
Management Salaries	0	0	0	0	0
Employee Pen. & Ben.	0	0	0	0	0
Uncollectibles	80	80	80	150	110
Off. Serv. & Rentals	430	430	630	630	630
Off. Suppl. & Exps.	510	510	980	980	980
Professional Services	100	100	170	170	170
Insurance	510	510	810	810	810
Reg. Commission Exp.	280	280	0	0	0
General Expense	400	400	70	70	70
SUBTOTAL EXPENSES	17370	17370	16930	17000	17000
Depreciation Expense	1170	1170	1210	1210	1210
Taxes Other Than Income	1020	1020	1420	1420	1420
State Taxes	0	1056	800	1260	800
Federal Taxes	0	1217	0	1840	660
TOTAL DEDUCTIONS	19560	21833	20360	22730	21090
NET REVENUE	(1219)	6896	(820)	10430	3750
RATE BASE					
Average Plant	56106	56106	56380	56380	56380
Avg. Depreciation Res.	24881	24881	31970	31970	31970
NET PLANT	31225	31225	24410	24410	24410
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	1150	1150	1380	1420	1420
Matls. & Suppl.	475	475	480	480	480
TOTAL RATE BASE	32850	32850	26270	26310	26310
RATE OF RETURN	(Loss)	21.0%	(Loss)	39.6%	14.25%

APPENDIX B
 (Page 1 of 2)
 VISTA GRANDE WATER SYSTEM

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Vista Grande Subdivision and vicinity, located approximately two miles northeast of the City of Red Bluff, Tehama County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rate:		
All water, per 100 cu.ft.	\$ 0.377	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 7.60	(I)
For 3/4-inch meter	8.40	
For 1-inch meter	11.45	
For 1/1/2-inch meter	15.25	(I)

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company's option be furnished on the account of the landlord or property owner. (N)
2. A late charge will be imposed per Schedule No. LC.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (N)

APPENDIX B
(Page 2 of 2)
VISTA GRANDE WATER SYSTEM

Schedule No. LC

LATE PAYMENT CHARGE

(N)

APPLICABILITY

Applicable to all service

TERRITORY

The incorporated area known as Vista Grande Subdivision and vicinity, located approximately two miles northeast of the City of Red Bluff, Tehama County.

RATES

Late Charge: A late charge of 1.5% on unpaid balance subject to special conditions and minimum charge below:

Minimum charge: The minimum charge is \$1.00

SPECIAL CONDITIONS

1. The balance is unpaid if it is not received by the end of the billing period. This will always provide at least 19 days to pay the bill and avoid the late charge.
2. The late charge should be imposed only once on a delinquent bill since the account would be shut off before a subsequent bill and then subject to the reconnection fee as authorized by Tariff Rule No. 11.
3. This tariff shall expire eighteen months from its effective date.
4. All bills shall be subject to the reimbursement fee as set forth on Schedule No. UF.

(N)

APPENDIX C
 VISTA GRANDE WATER SYSTEM

COMPARISON OF RATES - 1995 TEST YEAR

METERED SERVICE

Per Service Connection Per Month
Present Recommended Percent
Rates Rates Increase

Service Charge:

For 5/8 X 3/4-inch meter	\$ 4.95	\$ 7.60	53.5%
For 3/4-inch meter	5.45	8.40	54.1
For 1-inch meter	7.45	11.45	53.7
For 1 1/2-inch meter	9.90	15.25	54.0

Quantity Rates:

All use, per 100 cu. ft.	\$ 0.36	\$ 0.377	4.7%
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A monthly bill comparison for a customer with a 5/8 x 3/4-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	\$ 4.95	\$ 7.60	\$ 2.65	53.5%
5	6.75	9.49	2.74	40.6
10	8.55	11.37	2.82	33.0
20	12.15	15.14	2.99	24.6
23 avg.	13.23	16.27	3.04	23.0
30	15.75	18.91	3.16	20.1
40	19.35	22.68	3.33	17.2
50	22.95	26.45	3.50	15.3

APPENDIX D
 (Page 1 of 2)
 VISTA GRANDE WATER SYSTEM

ADOPTED QUANTITIES - 1995 Test Year

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

Expenses

1. Purchased Power:

Pacific Gas & Electric
 Rate Schedule A-1
 Effective Date of Schedule 07/15/93
 kWh Used Total 39,766
 Summer 25,053
 Winter 14,713
 \$/kwh
 Summer \$0.15999
 Winter \$0.10967
 Energy Charge \$ 5,622
 Customer Charge \$ 144
 Energy Commission \$ 8
 Total Purchased Power \$ 5,770

2. Ad Valorem Taxes: \$ 656
 Tax Rate 1.00%

3. Water Testing (in contract work) \$ 430

Service Connections:

Meter Size:

5/8 X 3/4-inch	111
3/4-inch	4
1-inch	0
1 1/2-inch	3
TOTAL	118

Metered Water Sales Used To Design Rates: 32,557 Ccf

APPENDIX D
(Page 2 of 2)
VISTA GRANDE WATER SYSTEM

ADOPTED TAX CALCULATIONS - 1995 Test Year

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenues	\$ 24,840	\$ 24,840
2.	Expenses	17,000	17,000
3.	Taxes Other Than Income	1,420	1,420
4.	Depreciation Expense	1,210	1,210
5.	Interest	0	0
6.	Taxable Income for State Tax	\$ 5,210	
7.	State Tax (@ 9.3%)	\$ 800	(Minimum of \$800)
8.	Taxable Income for FIT		\$ 4,410
9.	Federal Income Tax (@ 15%)		\$ 660
10.	Total Income Tax		\$ 1,460

APPENDIX E
(Page 1 of 2)
VISTA GRANDE WATER SYSTEM

Rule No. 3

APPLICATION FOR SERVICE
(continued)

D. Service to a tenant

No tenant applying for residential water service shall be required to pay any charges or penalties on account of non-payment charges by a previous tenant. The company may, however, require that service to subsequent tenants be furnished on the account of the landlord or property owner. (N)

(N)

(N)

APPENDIX E
(Page 2 of 2)
VISTA GRANDE WATER SYSTEM

Rule No. 9

RENDERING AND PAYMENT OF BILLS
(Continued)

3. Proration of bills (Continued)

and the quantity in each of the several quantity rate blocks will be prorated on the basis of the ratio of the number of days in the period to the number of days in an average billing period. The measured quantity of usage will be applied to such prorated amounts and quantities.

(2) Flat Rate Service

The billing period charge will be prorated on the basis of the ratio of the number of days in the period to the number of days in an average billing period.

(3) Average Billing Period

The number of days in an average billing period is defined as 365 divided by the number of billing periods in a year. (It is 30.4 days for a monthly billing period.)

B. Payment of Bills

Bills for service are due and payable upon presentation and payment may be made at any commercial office of the utility or to any representative of the utility authorized to make collections. Collection of closing bills may be made at the time of presentation. If a customer tenders a check in payment of any bill and such check is not honored by the customer's bank, the utility may assess the customer a bad check service charge of \$5.00.

(N)
|
(N)