

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3953 *
November 21, 1995

R E S O L U T I O N

(RES. W-3953), PENNGROVE WATER COMPANY (PWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$25,447 OR 12.9% IN
1995.

BY DRAFT ADVICE LETTER ACCEPTED ON JANUARY 11, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$25,447, or 12.9% for test year 1995. The increase will provide a 14.25% rate of return on rate base in the test year.

BACKGROUND

PWC 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 \$46,508 or 23.7% in 1995. PWC's request shows 1995 gross revenue of \$196,492 at present rates increasing to \$243,000 in 1995 at proposed rates to produce a rate of return on rate base of 13.58%. PWC presently serves about 366 metered customers in its Penngrove service area and 66 metered customers in its Canon Manor service area.

The present rates became effective on April 10, 1991, pursuant to Resolution No. W-3553, which authorized a general revenue increase of \$77,431 or 72%.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of PWC's summary of earnings and issued its report in August 1995. Because of problems encountered during the early stage of the investigation, the Branch requested a financial audit be prepared by the Auditing and Compliance Branch of the Commission Advisory and Compliance Division. The results of the audit are included as Attachment I to the Branch report which was issued in August 1995. Appendix A shows PWC's and the Branch's estimated summary of earnings at present, requested, and adopted rates for the test year 1995. Appendix A also shows differences in revenues, operating expenses, and rate base.

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

FWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 13.58%. The summary of earnings in Appendix A shows a rate of return of 14.25% at the Branch's recommended rates. This is the midpoint of the range of rate of return recommended by the Finance Branch of the Commission Advisory and Compliance Division for Class D water utilities. Although this rate of return exceeds FWC's requested rate, it does not result in FWC receiving more money than it has requested.

The Branch reviewed FWC's balancing account and found it incomplete and not up-to-date. The Branch recommends that FWC be required to file a complete and updated balancing account.

The Branch excluded from utility plant-in-service the requested additions of the Dutch Lane tie-in and the Aqueduct Booster because FWC failed to build three major projects which were authorized and for which money was included in rate base in Commission Resolution W-3553 for FWC's last general rate case filing. FWC built other projects that it felt had higher priority. The Branch still feels that these projects and the projects requested in this filing should be built. In order to ensure that these projects will be built, the Branch is recommending that FWC be allowed to file advice letters to request recovery of their costs after they have been installed and are in full operation.

The Branch further recommends that FWC's 1995 Annual Report should reflect the recommendations of the audit report.

FWC files Annual Reports regularly and there are no outstanding Commission orders requiring improvements. FWC's service area map is not up-to-date.

FWC's filed tariffs currently contain two rate schedules: No. P-1, Metered Service and No. C.M.-1 Metered Service. The present service charges recover 25% of the fixed costs; these should be set to recover up to 100% of the fixed costs without increasing any individual bills by over twice the system's overall increase. FWC has also requested a two-block quantity charge for Canon Manor. The Branch has no objections.

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 in the Pennigrove service area using 13 Ccf will increase from \$34.79 to \$39.19 or 12.7%. In the Canon Manor service area, the corresponding increase is from \$27.64 to \$31.16 or 12.8%. 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 January 1, 1995. The Branch received three letters protesting the rate increase. The Commission's Consumer Affairs Branch has received 21 complaints from FWC's customers over the last three years.

A public meeting was held on Wednesday, February 15, 1995, in the Penngrove Fire Station in Penngrove, California. The Branch's representative explained Commission rate setting procedures and the utility's representative explained the need for the rate increase. About 40 customers attended the meeting with their primary concerns being the expenses and the high increase being proposed. Other complaints were concerned with service problems and FWC's failure to replace mains that the Commission had authorized in its last GRC.

FINDINGS AND CONCLUSIONS

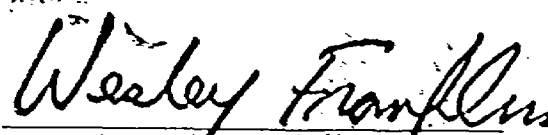
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. The rate increase authorized herein is justified, and the resulting rates are just and reasonable.
5. FWC should be ordered to file a complete and updated balancing account with the Water Utilities Branch and to maintain it on a monthly basis.
6. FWC should be authorized to file an advice letter once a year for the next three years requesting recovery of the reasonable costs of the following plant additions after they have been completed and are in full operation. The priority of the projects should be as shown. All five projects should be completed by the end of 1999.
 - a. Dutch Lane Tie-in Project.
 - b. Replacement of 1,800 Feet of Main on Hatchery Road.
 - c. New 200,000-Gallon Storage Tank.
 - d. Replacement of 1,700 feet of Main on Petaluma Hill Road.
 - e. Aqueduct Booster Project.
7. FWC should be put on notice that it must construct all projects authorized by the Commission unless it has Commission authorization not to do so.
8. FWC should be ordered to file a service area map for its Canon Manor service area and for any other areas which have changed since 1974.
9. FWC should be ordered to use the 1994 audited water plant-in-service figures in the auditor's report as its basis for the beginning of year 1995 in its 1995 Annual Report.

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IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Penngrove 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. P-1 (Metered Service) and C.M.-1 (Metered 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 its filing.
2. Within 60 days of the effective date of this resolution, Penngrove Water Company shall file a complete and updated balancing account with the Water Utilities Branch.
3. Penngrove Water Company is authorized to file an advice letter once a year for the next three years to request recovery of its reasonable costs of plant additions listed in Finding and Conclusion No. 6 after they have been installed and are in full operation.
4. Penngrove Water Company is put on notice that any future disregard of Commission orders could subject it to Commission sanctions.
5. Within 60 days of the effective date of this resolution, Penngrove Water Company shall file a new service area map reflecting its current service areas.
6. Penngrove Water Company shall use the 1994 audited water plant-in-service figures in the auditor's report as its basis for the beginning-of-year 1995 in its 1995 Annual Report.
7. 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

PENNGROVE WATER COMPANY

SUMMARY OF EARNINGS
Test Year 1995

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
<u>Operating Revenue</u>					
Unmetered	0	0.	215	215	215
Metered	<u>196,492</u>	<u>243,000</u>	<u>196,742</u>	<u>243,524</u>	<u>229,189</u>
Total Revenue	196,492	243,000	196,957	243,739	222,404
<u>Operating Expenses</u>					
Purchased Water	57,665	57,665	53,426	53,426	53,426
Purchased Power	9,138	9,138	7,491	7,491	7,491
Other Volume Rel. Exp.	432	432	249	249	249
Employee Labor	832	832	832	832	832
Materials Exp.	10,600	10,600	8,279	8,279	8,279
Contract Work	17,260	17,260	17,260	17,260	17,260
Transportation Exp.	2,987	2,987	2,332	2,332	2,332
Office Salaries	5,897	5,897	6,123	6,123	6,123
Management Salaries	23,625	23,625	23,625	23,625	23,625
Employee Pen. & Ben.	4,125	4,125	4,125	4,125	4,125
Office Serv. & Rentals	2,336	2,336	2,336	2,336	2,336
Office Supplies & Exp.	6,772	6,772	6,277	6,277	6,277
Professional Services	16,166	16,166	11,000	11,000	11,000
Insurance	4,210	4,210	4,210	4,210	4,210
Regulatory Comm. Exp.	1,293	1,293	300	300	300
General Expense	166	166	166	166	166
Uncollectible Exp.	350	350	369	369	369
Total Expenses	163,854	163,854	148,401	148,401	148,401
Depreciation	20,247	20,247	19,969	19,969	19,969
Property Taxes	4,163	4,163	6,962	6,962	6,962
Payroll Taxes	3,186	3,186	3,205	3,205	3,205
Income Taxes	975	11,851	4,010	15,504	9,839
Total Deductions	192,425	203,301	182,548	194,042	188,377
<u>Net Revenue</u>	4,067	39,699	14,409	49,697	34,027
Average Plant	950,696	950,696	833,921	833,921	833,921
Average Depr. Res.	198,895	198,895	199,528	199,528	199,528
Net Plant	751,801	751,801	634,393	634,393	634,393
Less: Advances	115,872	115,872	115,277	115,277	115,277
Contributions	357,960	357,960	295,282	295,282	295,282
Plus: Working Cash	12,284	12,284	12,367	12,367	12,367
Mat'l. & Supp	2,183	2,183	2,586	2,586	2,586
<u>Rate Base</u>	292,436	292,436	238,788	238,788	238,788
<u>Rate of Return</u>	1.39%	13.58%	6.03%	20.81%	14.25%

APPENDIX B
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PENNGROVE WATER COMPANY

Schedule No. P-1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Penngrove and vicinity, Sonoma County.

RATES

Quantity Rates:	Per Meter Per Month	
All water per 100 cu. ft.	\$ 2.42	(I)
Service Charge:		
For 5/8 x 3/4-inch meter.....	7.70	(I)
For 3/4-inch meter.....	11.55	
For 1-inch meter.....	17.00	
For 1-1/2-inch meter.....	25.00	
For 2-inch meter.....	35.00	
For 3-inch meter.....	65.00	
For 4-inch meter.....	95.00	(I)

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPENDIX B
Page 2

PENNGROVE WATER COMPANY

Schedule No. C.M.-1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Canon Manor and vicinity, Sonoma County.

RATES

Quantity Rates:	Per Meter Per Month	
First 500 cu.ft., per 100 cu.ft.	\$ 0.62	(I)
Over 500 cu.ft., per 100 cu.ft.	1.36	(I)
Service Charge:		
For 5/8 x 3/4-inch meter.....	7.70	(I)
For 3/4-inch meter.....	11.55	
For 1-inch meter.....	17.00	
For 1-1/2-inch meter.....	25.00	
For 2-inch meter.....	35.00	
For 3-inch meter.....	65.00	
For 4-inch meter.....	95.00	

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C
 Page 1

PENNGROVE WATER COMPANY

COMPARISON OF RATES (1995)-PENNGROVE

A comparison of present and Branch's recommended rates for metered service in Penngrove is shown below:

METERED SERVICE Service Charge:	Per Meter Per Month		
	Present Rates	Recomm. Rates	% Incr.
For 5/8 x 3/4-inch meter	\$ 6.19	\$ 7.70	24.4%
For 3/4-inch meter	9.07	11.55	27.3%
For 1-inch meter	12.37	17.00	37.5%
For 1-1/2-inch meter	16.50	25.00	51.5%
For 2-inch meter	22.27	35.00	57.2%
For 3-inch meter	41.24	65.00	57.6%
For 4-inch meter	56.09	95.00	69.4%

Quantity Rate:

All Water, per 100 cu.ft.....	\$ 2.20	\$ 2.42	10.0%
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Comparison of monthly customer bills at present and Branch recommended rates for 1991 test year for a 5/8 x 3/4-inch meter in Penngrove is shown below:

Usage 100 cu.ft.	Present Bills	Recommended Bills	Amount Increase	Percent Increase
0	\$ 6.19	\$ 7.70	\$ 1.51	24.4%
3	12.79	14.97	2.18	17.0%
5	17.19	19.81	2.62	15.3%
10	28.19	31.92	3.73	13.3%
13 Avg.	34.79	39.19	4.40	12.7%
20	50.19	56.15	5.96	11.9%
30	72.19	80.38	8.19	11.3%
50	116.19	128.83	10.41	10.9%
100	226.19	249.96	23.77	10.5%

APPENDIX C
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PENNGROVE WATER COMPANY

COMPARISON OF RATES (1995)-CANON MANOR

A comparison of present and Branch's recommended rates for metered service in Canon Manor is shown below:

METERED SERVICE Service Charge:	Per Meter Per Month		
	Present Rates	Recomm. Rates	% Incr.
For 5/8 x 3/4-inch meter	\$ 6.19	\$ 7.70	24.4%
For 3/4-inch meter	9.07	11.55	27.3%
For 1-inch meter	12.37	17.00	37.5%
For 1-1/2-inch meter	16.50	25.00	51.5%
For 2-inch meter	22.27	35.00	57.2%
For 3-inch meter	41.24	65.00	57.6%
For 4-inch meter	56.09	95.00	69.4%

Quantity Rate:

First 500 cu.ft., per 100 cu.ft. ...	\$ 0.57	\$ 0.62	8.8%
Over 500 cu.ft., per 100 cu.ft. ...	1.24	1.36	9.7%

Comparison of monthly customer bills at present and Branch recommended rates for 1991 test year for a 5/8 x 3/4-inch meter in Canon Manor is shown below:

Usage 100 cu.ft.	Present Bills	Recommended Bills	Amount Increase	Percent Increase
0	\$ 6.19	\$ 7.70	\$ 1.51	24.4%
3	7.90	9.57	1.67	21.1%
5	9.04	10.82	1.78	19.6%
10	15.24	17.60	2.36	15.5%
20 Avg.	27.64	31.16	3.52	12.8%
30	40.04	44.73	4.69	11.7%
50	64.84	71.86	7.02	10.83%
100	126.84	139.69	12.85	10.13%

(End of Appendix C)

Appendix D
Page 1

PENNGROVE WATER COMPANY

ADOPTED QUANTITIES

Test Year 1995

Federal Tax Rate: 15%
State Tax Rate: 9.3%

Expenses:

1. Purchased Power:

Pacific Gas & Electric Co.
Rate Schedule: A-10
Effective Date: July 15, 1993

	Summer	Winter	Total
Kwhr Used	40,939	21,794	62,733
Number of Meters	1	1	
Demand-KW	16.7	14.5	
Demand Charge-\$/Max.KW/M	6.70	1.65	
State Energy Tax-\$/Kwh	0.00020	0.00020	
Energy Charge-\$/Kwh	0.09816	0.08015	
Customer Charge-\$/Meter/M	75	75	
Purchased Power-\$	5,146	2,345	7,491

2. Purchased Water

Sonoma County Water Agency
CCF 70,756
\$ per CCF 0.751
4"-meter Conn.-\$/Meter/M 12
Total Purchased Water-\$ 53,426

3. Ad Valorem Taxes \$ 6,962
Composite Tax Rate 1.01%

Service ConnectionsMetered Connection

	Penngrove	Canon Manor
5/8 x 3/4-inch meter	344	66
3/4-inch meter	0	0
1-inch meter	20	0
1-1/2-inch meter	0	0
2-inch meter	4	0
3-inch meter	0	0
4-inch meter	0	0
Total Metered Service Connections	368	66

Water Sales And Production

	Sales, Ccf	Production, Ccf	Water Loss
Penngrove	66,546	70,756	5.95%
Canon Manor-Total	14,920	15,182	1.72%
Less than 5 Ccf	3,960		
Over 5 Ccf	10,960		

Appendix D
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PENNGROVE WATER COMPANY

ADOPTED INCOME TAX CALCULATIONS
Test Year 1995

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	222,404	222,404
2.	Expenses	148,401	148,401
3.	Taxes Other Than Income	10,167	10,167
4.	Depreciation Expense	19,969	19,969
5.	Interest	0	0
6.	Depreciation on Taxed Cont.	911	911
7.	Taxable Income for State Tax	42,955	
8.	State Tax @ 9.3% (800 Min.)	3,995	3,995
9.	Taxable Income for FTI		38,960
10.	Federal Income Tax @ 15%		5,844
11.	Total Income Tax		9,839

(End of Appendix D)