

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3956  
December 18, 1995

**R E S O L U T I O N**

(RES. W-3956), GRAEAGLE WATER COMPANY, INC. (GWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$27,448 OR 10.92% IN  
1995.

BY DRAFT ADVICE LETTER ACCEPTED ON JUNE 12, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$27,448, or 10.92% for test year 1995. The increase will provide a 13.25% rate of return on rate base in the test year.

BACKGROUND

GWC 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 \$35,700 or 14.5% in 1995. GWC's request shows 1995 gross revenue of \$247,500 at present rates increasing to \$283,200 in 1995 at proposed rates to produce a rate of return on rate base of 11.41%. GWC presently serves about 688 flat rate customers and 57 metered customers in the unincorporated community of Graeagle and vicinity, located approximately fifty miles north of Truckee on State Route 89, Plumas County.

The present rates became effective on March 1, 1991, pursuant to Resolution No. W-3546, which authorized a general revenue increase of \$45,087 or 25.26%.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of GWC's summary of earnings and issued its report in December, 1995. Appendix A shows GWC'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.

GWC 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 GWC and the Branch, both agreed to the summary of earnings as shown in the column headed "Adopted Rates".

GWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 11.41%. The summary of earnings in Appendix A shows a rate of return of 13.25% 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 C water utilities. Although this rate of return exceeds GWC's requested rate, it does not result in GWC receiving more money than it has requested.

The Branch excluded from utility plant-in-service 1/4 of the total cost of the project to retrofit Subdivision #1 which the utility estimated would be completed in 1995. More recent information available to the Branch indicated that the project will be only 3/4 complete in 1995. It is likely that the project will be finished in 1996 so the Branch recommends that GWC be allowed to file an advice letter to offset the cost of completing the retrofit project once the project is complete. In addition, Branch retired original cost of the parts of Subdivision #1 that were replaced in 1991, 1994 and 1995 which the utility failed to do. The retirement adjustments were \$5,161 in 1991, \$5,161 in 1994 and \$5,161 in 1995. Branch recommends that GWC reflect these retirement adjustments in its 1995 Annual Report.

GWC files Annual Reports regularly and there are no outstanding Commission orders requiring improvements.

GWC's filed tariffs currently contain five rate schedules: No. 1, General Metered Service; No. 2 General Flat Rate Service; No. 2S, Seasonal Flat Rate Service; No. 4, Private Fire Protection Service; No. 5, Public Fire Hydrant Service; and No. 6, Flat Rates on Connections Larger than 3/4 Inches.

The Branch modified the rate schedules to reduce the discount for seasonal customers and to implement standard service size ratios. As a result, some customers will see their rates increased by up to twice the system average increase. Because of this limitation, seasonal rates were only partly phased out. Branch recommends that GWC propose to eliminate seasonal rates in its next GRC.

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

At the Branch's recommended rates shown in Appendix B, an annual flat rate bill increases from \$279 to 302.39 or 8.38%. Annual bills for a 5/8 X 3/4 inch metered customer, using the average 113 Ccf per year, increases from 229.74 to \$232.50 or 1.2%. Bills for larger services increase more steeply due to the change in service charge ratios, though no increase is greater than 22.7%. Rates charged to the Feather River Park Golf Course increase from \$3,875.21 to \$4,535.85 or 17.05%. Private Fire Protection was raised from \$2.45 to \$2.69 per inch per month, an increase of 9.9%. Public Fire Hydrant service is provided on a contract with the local fire protection agency, wherein the agency agrees to pay tariffed rates. Branch proposes to raise this rate from \$6.61 to \$7.27, per hydrant per month, an increase of 9.9%. 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 7, 1995. The Branch received one letter protesting the rate increase. The Commission's Consumer Affairs Branch has received 5 complaints from GWC's customers over the last three years.

A public meeting was held on Thursday, August 3, 1995, at the Community Hall in Graeagle. The Branch's representative explained Commission rate setting procedures and the utility's representative explained the need for the rate increase. Five customers were present at the meeting and their primary concern had to do with inequities in rates. Their complaint centered on a golf course on the system using approximately 25% of the systems water yet paying a relatively small share of the total revenues. One customer representing a condominium association felt that his type of service should have a lower rate since the units have no outside watering. In general, however, customers agreed that the water company was well run and the rate increase request was not unreasonable.

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. GWC should be authorized to file an advice letter to recover the reasonable costs associated with the completion of the project to retrofit Subdivision No. 1 as soon as the project is complete.
6. GWC should be required to record retirements of \$5,161 in 1991, \$5,161 in 1994 and \$5,161 in 1995 in its 1995 Annual Report.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Graeagle Water Company, Inc. 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), 2S (Seasonal flat Rate Service), 4 (Private Fire Protection Service), 5 (Public Fire Hydrant Service) and 6 (Flat Rates on Connections Larger Than 3/4 Inches). 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.

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2. Graeagle Water Company, Inc. is authorized to file an advice letter rate increase request to recover reasonable costs for the completion of the project to retrofit Subdivision No. 1 once the project is complete.

4. Graeagle Water Company, Inc. shall record retirements of \$5,161 in 1991, \$5,161 in 1994, and \$5,161 in 1995 in its 1995 Annual Report to the Commission.

5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on December 18, 1995. The following Commissioners approved it:

*Wesley Franklin*

WESLEY M. FRANKLIN  
Executive Director

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

Item	Utility Estimated		Branch Estimated		Recommended Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<b>Operating Revenue</b>					
Flat Rate	\$218,400	\$250,100	\$216,689	\$247,466	\$240,034
Metered	20,600	23,600	26,251	29,979	29,567
Private Fire	640	728	470	537	522
Public Fire	6,660	7,572	6,742	7,700	7,477
Other	1,200	1,200	1,200	1,370	1,200
<b>Total Revenue</b>	<b>247,500</b>	<b>283,200</b>	<b>251,352</b>	<b>287,052</b>	<b>278,800</b>
<b>Operating Expenses:</b>					
Power	5,950	5,950	5,050	5,050	5,050
Other Volume Related	1,800	1,800	1,800	1,800	1,800
Materials	4,700	4,700	4,700	4,700	4,700
Contract Work	59,300	59,300	56,000	56,000	56,000
Transportation	5,000	5,000	5,000	5,000	5,000
Other Plant maint	1,560	1,560	1,500	1,500	1,500
Office Salaries	24,700	24,700	24,700	24,700	24,700
Management Salaries	24,000	24,000	18,500	18,500	18,500
Office Services and Rent	150	150	650	650	650
Office Supplies and Expns	3,380	3,380	3,380	3,380	3,380
Professional Services	9,170	9,170	4,660	4,660	4,660
Insurance	4,540	4,540	4,560	4,560	4,560
General Expenses	5,300	5,300	5,300	5,300	5,300
Regulatory Comm Expns	0	0	1,000	1,000	1,000
<b>Subtotal</b>	<b>149,550</b>	<b>149,550</b>	<b>136,800</b>	<b>136,800</b>	<b>136,800</b>
Depreciation Expense	25,460	25,460	24,373	24,373	24,373
Property Taxes	12,130	12,770	11,750	11,750	11,750
Income Taxes	10,130	20,380	13,017	27,581	24,252
<b>Total Deductions</b>	<b>197,270</b>	<b>208,160</b>	<b>185,940</b>	<b>200,504</b>	<b>197,175</b>
<b>Net Revenue</b>	<b>50,230</b>	<b>75,040</b>	<b>65,412</b>	<b>86,548</b>	<b>81,625</b>
<b>Rate Base</b>					
Average Plant	1,173,400	1,173,400	1,142,030	1,142,030	1,142,030
Average Deprec. Reserve	369,700	369,700	384,849	384,849	384,849
Net Plant	803,700	803,700	757,181	757,181	757,181
Less Advances	61,800	61,800	58,142	58,142	58,142
Contributions	86,800	86,800	85,898	85,898	85,898
Plus Working Cash	2,100	2,100	2,381	2,381	2,381
Materials and Supplie	700	700	734	734	734
<b>Rate Base</b>	<b>657,900</b>	<b>657,900</b>	<b>616,256</b>	<b>616,256</b>	<b>616,256</b>
<b>Rate of Return</b>	<b>7.63%</b>	<b>11.41%</b>	<b>10.61%</b>	<b>14.04%</b>	<b>13.25%</b>

APPENDIX B  
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Graeagle Water Company

Schedule No. 1  
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES

Quantity Rate:

All water, per 100 cu. ft..... \$0.80

Service Charge

Per Meter Per Month

For 5/8x3/4-inch meter.....	11.86	(I)
For 3/4-inch meter.....	17.79	
For 1-inch meter.....	28.46	
For 1-1/2-inch meter.....	35.58	
For 2-inch meter.....	46.25	
For 3-inch meter.....	94.88	
For 4-inch meter.....	213.48	(I)

The 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 established billing cycle for service is every two months. (D)
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

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 Graeagle Water Company  
 Schedule No. 2  
GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES

	<u>Per Service Per Year</u>	
1. For a single-family residence, business establishment, or manager's quarters of a motel or trailer park, including premises . . . . .	\$302.39	(I)
2. For additional buildings in the same premises and served from the same service connection:		
(1) each residence, cabin, or trailer with housekeeping accommodations . . . . .	126.52	(I)
(2) each hotel or motel room with bathroom facilities only . . . . .	63.65	(I)
(3) each trailer facility with partial plumbing . . . . .	44.57	(I)
1" Service . . . . .	453.59	(I)
1 1/2" Service . . . . .	695.50	(I)
2" Service . . . . .	967.65	(I)
4" Service . . . . .	1,768.98	(I)

SPECIAL CONDITIONS

- 1. The established billing cycle for service is every two months. (D)
- 2. All rates are subject to the reimbursement fee set forth on Schedule No. UF. (N)

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Graeagle Water Company

Schedule No. 25  
SEASONAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water furnished on a seasonal basis.

TERRITORY

The unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES

	<u>Per Service Per Year</u>	
1. For a single-family residence, business establishment, or manager's quarters of a motel or trailer park, including premises . . . . .	\$264.59	(I)
2. For additional buildings in the same premises and served from the same service connection:		
(1) each residence, cabin, or trailer with housekeeping accommodations . . . . .	110.70	(I)
(2) each hotel or motel room with bathroom facilities only . . . . .	55.70	(I)
(3) each trailer facility with partial plumbing . . . . .	39.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than 3/4 inch in diameter.
2. The established billing cycle for service is every two months.
3. The seasonal service charge applies to service during the 8-month period commencing March 16 and ending November 15. (D)
4. All rates are subject to the reimbursement fee set forth on Schedule No. UP.

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Graeagle Water Company

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES

Per Month

For each inch of diameter of service connection . . . \$2.69 (I)

SPECIAL CONDITIONS

1. The fire protection service 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 not be 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 underwriters having jurisdiction, are installed according to the 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.

(Continued)

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Graeagle Water Company

Schedule No. 4  
(Continued)

PRIVATE FIRE PROTECTION SERVICE

5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
6. The established billing cycle is every two months.
7. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

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Graeagle Water Company

Schedule No. 5

PUBLIC FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

The unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES

	<u>Per Month</u>	
For each hydrant . . . . .	\$7.27	(I)

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rate under Schedule No. 1, General Metered Service.
2. Relocation of any fire hydrant shall be at the expense of the party requesting relocation.
3. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the specific location at which each is to be installed.
4. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
5. The established billing cycle is every two months.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

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Graeagle Water Company

Schedule No. 6  
SEASONAL FLAT RATE IRRIGATION SERVICE (C)

APPLICABILITY

Applicable to all flat rate water furnished to outside irrigators (C)  
with service connections larger than 3/4 inch on a seasonal basis. (C)

TERRITORY

The unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES

	Per Service Connection <u>Per Season</u>	(C) (D)
1" Service . . . . .	\$302.39	(D) (I)
1-1/2" Service . . . . .	463.66	(D) (I)
2" Service . . . . .	645.10	(D) (I)
4" Service . . . . .	1,179.32	(D) (I)
Feather River Park Golf Course . . . . .	4,535.85	(D) (I)

SPECIAL CONDITIONS

1. The utility may, at its discretion, interrupt service to irrigation customers during the following periods: (Memorial Day Weekend, July Fourth Weekend, or Labor Day Weekend) with such interruption only to be used in the case that service to other customers would be impacted by continued irrigation. No service should be interrupted for more than four days. No punitive action under Rule 15 should be triggered by excessive use of irrigation water for one week before and one week after any service interruption. (N)
2. The seasonal service charge applies to service during the 8-month period commencing March 16 and ending November 15.
3. The established billing cycle for service is every two months.
4. All rates are subject to the reimbursement fee set forth on Schedule No. UF. (N)

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Graeagle Water Company  
COMPARISON OF RATES

A comparison of the present and Branch's recommended rates is shown below:

METERED SERVICE

	<u>Per Meter Per Month</u>		<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8x3/4-inch meter	\$11.63	\$11.86	1.98%
For 3/4-inch meter	12.79	17.79	39.09%
For 1-inch meter	17.44	28.46	63.21%
For 1-1/2-inch meter	23.25	35.58	53.03%
For 2-inch meter	31.33	46.25	47.63%
For 3-inch meter	58.06	94.88	63.42%
For 4-inch meter	78.93	213.48	170.47%

Quantity Rates:

Per 100 cu. ft.....	\$ 0.80	\$ 0.80	0.00%
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Usage for an average residential customer on a 5/8x3/4 inch service connection using 113 OCF per year:

<u>Usage</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
100 cu. ft. 113	\$229.74	\$232.50	\$2.76	1.20%

Usage for a customer on a 4 inch service connection using 7,700 OCF per year:

<u>Usage</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
100 cu. ft. 7,700	\$7,107.16	\$8,721.76	\$1,614.60	22.72%

ANNUAL FLAT RATE SERVICE

	<u>Per Connection Per Year</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
3/4-inch service .....	\$279.00	\$302.39	8.38%
Additional unit with kitchen .....	116.74	126.52	8.38%
Additional unit, bathroom only .....	58.74	63.65	8.36%
Additional unit with partial plumbing .....	41.12	44.57	8.39%
1-inch service .....	379.56	453.59	19.50%
1-1/2-inch service .....	580.95	695.50	19.72%
2-inch service .....	805.53	967.65	20.13%
4-inch service .....	1,456.23	1,768.98	21.48%

(Continued)

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Graeagle Water Company  
COMPARISON OF RATES

SEASONAL FLAT RATE SERVICE

3/4-inch service .....	\$232.50	\$264.59	13.80%
Additional unit with kitchen .....	97.28	110.70	13.80%
Additional unit, bathroom only .....	48.95	55.70	13.79%
Additional unit with partial plumbing .....	34.26	38.99	13.81%
1-inch service .....	253.04	302.39	19.50%
1-1/2-inch service .....	387.50	463.66	19.65%
2-inch service .....	537.02	645.10	20.13%
4-inch service .....	970.82	1,179.32	21.48%
Feather River Park Golf Course .....	3,875.21	4,535.85	17.05%

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Graeagle Water Company, Inc.

ADOPTED QUANTITIES  
Test Year 1995

Expenses:

1. Purchased power	
Vendor	Plumas Sierra Rural Electric Cooperative
Schedules	A-1
Effective Date	January 24, 1994
a. Treatment Plant	
Customer Charge	\$86.25
Energy Charge, per Kwh	\$0.0721
Energy Tax, per Kwh	\$0.0002
Consumption, Kwh	29,687
b. Booster Pump #1	
Customer Charge	\$31.25
Energy Charge, per Kwh	\$0.0721
Energy Tax, per Kwh	\$0.0002
Consumption, Kwh	13,381
a. Booster Pump #2	
Customer Charge	\$31.25
Energy Charge, per Kwh	\$0.0721
Energy Tax, per Kwh	\$0.0002
Consumption, Kwh	2,249
Total Power Cost	\$5,050
2. Purchased water	None
3. Insurance Expenses	
General Liability Insurance	\$4,560
Total Cost	\$4,560
4. Ad Valorem Taxes	\$11,750
Composite Tax Rate	1.00%
Assessed Value	\$1,175,000
5. Payroll Taxes	none
6. Plant for retrofit of Subdivision No. 1 included in 1995 ratebase	\$28,700

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Graeagle Water Company, Inc.  
ADOPTED QUANTITIES  
Test Year 1994

Service Connections

Metered

5/8 x 3/4" service	55
3/4" service	0
1" service	5
1-1/2" service	0
2" service	1
3" service	1
4" service	1

Total Metered 63

Flat Rate

Annual

Flat Rate 3/4" Service	627
Additional Unit w/ kitchen	15
Additional Unit w/ bath only	29
Additional Trailer w/ part plumbing	0
1" Service	2
1-1/2" service	3
2" service	1
4"	1

Total Annual Flat Rate 634 Service Connections  
677 Units

Seasonal

Flat Rate 3/4" Service	55
Additional Unit w/ kitchen	70
Additional Unit w/ bath only	33
Additional Trailer w/ part plumbing	6
1" Service	0
1-1/2" service	16
2" service	2
4"	1
golf course	1

Total Seasonal Flat Rate 75 Service Connections  
178 Units

Total Flat Rate 709 Service Connections  
855 Units

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Graeagle Water Company, Inc.

ADOPTED TAX CALCULATIONS  
Test Year 1994

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$25,405	\$25,405
2.	O & M Expenses	17,415	17,415
3.	Taxes Other Than Income	120	120
4.	Depreciation	1,026	1,026
5.	Interest	0	0
6.	Taxable Income for State Tax	6,844	6,844
7.	State Tax	800	800
8.	Taxable Income for FIT		6,044
9.	Federal Income Tax		907
10.	Total Income Tax		\$1,707
	California Corporate Franchise Rate	9.3%	
	Federal Income Tax Rates On first \$50,000 taxable income	15%	