

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3963**
January 10, 1996

R E S O L U T I O N

(RES. W-3963), BIDWELL WATER COMPANY, INC. (BWC). ORDER
AUTHORIZING AN INTERIM GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$15,395 (18.4%) IN 1996.

BY DRAFT ADVICE LETTER FILED ON DECEMBER 12, 1995.

SUMMARY

This resolution grants an interim increase in gross annual revenue of \$15,395, or 18.4%, for Test Year (TY) 1996. The increase will provide no rate of return on rate base in TY 1996. The increase will provide BWC adequate monies to pay its current operating expenses, including interest and principal payments on its long-term debt.

BACKGROUND

BWC requested authority under Section VI of General Order No. (GO) 96-A and Section 454 of the Public Utilities Code to increase rates by \$15,395, or 18.4%, on an interim basis to meet current operating expenses. BWC further requested an additional \$170,671, or 124%, for a total of \$186,066, or 143%, to produce a 13.4% return on rate base.

BWC presently serves 554 customers in Greenville and vicinity, Plumas County.

The present rates became effective on January 23, 1995, pursuant to Advice Letter No. 25, which authorized a one-time surcharge of \$3.97 to offset charges by the Department of Health Services. The last general rate increase, effective July 31, 1990, was authorized by Decision No. (D.) 90-07-035.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of BWC's operations and summary of earnings and determined that BWC's operating expenses exceeded its revenues. In view of this need for more revenue, and because of the normal regulatory lag associated with processing a large rate increase request, the Branch recommends an interim rate increase, subject to full refund, until the final results of the rate increase request and audit

are processed. Branch finds that BWC needs \$15,395 in additional revenue in TY 1996 to meet its current operating expenses, including interest and principal payments on its long-term debt.

D.90714, dated August 28, 1979, authorized BWC to: (a) enter into a \$557,230 loan agreement, under the Safe Drinking Water Bond Act (SDWBA), with Department of Water Resources (DWR), (b) use the loan proceeds to pay for the installation of necessary improvements listed in the decision, and (c) establish an annual surcharge designed to repay the loan.

The Branch's preliminary investigation revealed that BWC may have misused the SDWBA loan surcharge revenues it collected from its customers. The Branch is currently evaluating how much of the SDWBA loan money was utilized and, at this time, does not recommend an interim increase in the SDWBA loan surcharge until the evaluation has been completed.

Normally, the Branch will not recommend a rate increase until a utility is in full compliance with the Commission's decisions. However, in this case the Branch believes that an interim rate increase solely to meet BWC's cash flow, without deteriorating the service to the customers, should be granted.

In order to ensure proper accounting of the SDWBA loan surcharge monies collected, the Branch recommends that BWC be required to open a separate bank account and obtain the services of a reputable trustee.

NOTICE AND PROTESTS

A notice of the proposed rate increase, dated December 11, 1995, was mailed to each customer. The Branch received four letters protesting the magnitude of the rate increase request. Three of the letters complained of poor system management. These letters will be considered by Branch during its investigation of general rate increase request. An informal public meeting will be held at a later date to discuss the general rate increase request.

At the Branch's recommended rates shown in Appendix A, the monthly bill for a typical residential customer would increase from \$12.25 to \$14.25, or 16.3%, excluding the SDWBA loan surcharge.

FINDINGS

1. The rates recommended by the Branch (Appendix A) are reasonable and should be adopted.
2. The rate increase authorized herein is subject to refund pending a full investigation of the rate increase request.
3. BWC should be reminded that the funds collected for the SDWBA loan are to be used solely for the purpose of repaying the SDWBA loan and are not to be accessed by BWC, unless specifically authorized by the Commission.

4. BWC should be placed on notice that continued disregard of Commission orders could result in fines and other sanctions by the Commission.

IT IS ORDERED that:

1. Bidwell Water Company, Inc. is authorized to make effective revised Schedule No. 1, General Metered Service, Schedule No. 2R, Residential Flat Rate Service, and Schedule No. F1, Fire Hydrant Service, attached to this resolution as Appendix A, and to concurrently cancel its presently effective rate schedules. The effective date of the revised schedules and the cancellation of the current schedules shall be five days after the date of its filing.
2. The rate increase authorized herein is subject to refund pending final resolution of Bidwell Water Company, Inc.'s rate increase request.
3. Bidwell Water Company, Inc. shall begin tracking actual revenues collected from its customers and shall not access any of the SDWBA revenues collected from its customers, unless specifically authorized by the Commission.
4. Bidwell Water Company, Inc. shall establish and maintain a separate balancing account for the SDWBA loan account, in accordance with Decision 90714.
5. As a condition of the rate increase granted herein, Bidwell Water Company, Inc. shall be responsible for refunding or applying, on behalf of its customers, any surplus accrued in the SDWBA balancing account when ordered by the Commission.
6. Within 30 days from the effective date of this order, Bidwell Water Company, Inc. shall acquire the services of a trustee to establish and maintain a separate bank account, preferably interest bearing, to ensure adequate accountability for deposits, disbursements, and for the services of the fiscal agent as related to the SDWBA loan. The trustee must be approved by Commission Advisory and Compliance Division's Finance Branch. All surcharge amounts collected from customers shall be deposited in the trust account within thirty (30) days from the date of collection.
7. Within 60 days from the effective date of this order, Bidwell Water Company shall file documentations with the Chief of the Water Utilities Branch showing compliance with Ordering Paragraphs 4 and 6 of this resolution.

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BWC/DR AL/SEK/RUT/LTR/jlj

8. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 10, 1996. The following Commissioners approved it:

Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

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

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all domestic, commercial and industrial metered water service.

TERRITORY

Greenville and vicinity, Plumas County.

RATES

Quantity Rates:

For all water delivered, per 100 cu. ft. \$ 0.60 (I)

Service Charge:

| | <u>Per Service Connection Per Month</u> | | |
|--------------------------------|---|-----|----------------------------|
| | <u>Charge</u> | | <u>SDWBA Surcharge</u> |
| For 5/8 x 3/4-inch meters..... | \$ 6.35 | (I) | \$ 6.05 |
| For 3/4-inch meters..... | 6.95 | | 6.05 |
| For 1-inch meters..... | 9.40 | | 10.30 |
| For 1 1/2-inch meters..... | 12.70 | | 19.95 |
| For 2-inch meters..... | 16.25 | | 32.05 |
| For 3-inch meters..... | 30.90 | (I) | 60.00 |

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 Rates. (D)

SPECIAL CONDITIONS

1. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the regular metered water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision No. 90885. (D)
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

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Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to flat rate residential water service.

TERRITORY

Greenville and vicinity, Plumas County.

RATES

| | Per Service Connection Per Month Charge | |
|--|--|-----|
| For a single-family residential unit, including premises not exceeding 500 square feet in irrigated area (lawn and garden)..... | \$12.70 | (I) |
| For each additional single-family residential unit on the same premises and served from the same service connection..... | 11.70 | (I) |
| For each 100 sq.ft. of irrigated area in excess of 500 sq.ft..... | 0.30 | (I) |

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one-inch in diameter.
2. If the utility elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.
3. The surcharge in the table below shall be applied to each size service line (may be more than one) which provides flat rate water service to a premise under this schedule.

(D)
(L)

| <u>Size of Service</u> | <u>Monthly Surcharge</u> |
|--------------------------------|--------------------------|
| Residential - less than 1-inch | \$ 6.05 |
| 1-inch | 10.30 |
| 1 1/2-inch | 19.95 |
| 2-inch | 32.05 |
| 3-inch | 60.00 |

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Schedule No. 2R
(Continued)

RESIDENTIAL FLAT RATE SERVICE

The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the regular flat rate water bill. This surcharge must be identified on each bill. The surcharge is specifically for the prepayment of the California SDWBA loan authorized by Decision No. 90885.

4. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)

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Schedule No. F1

FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service for private or public agencies.

TERRITORY

The entire territory served from the company's piped distribution system.

RATES

| | <u>Per Month</u> |
|-------------------|------------------|
| Per Hydrant | \$2.35 |

SPECIAL CONDITIONS

1. The company 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. (D)
2. The customer shall indemnify the company and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claim against the company for any loss or damage resulting from service hereunder. (L)
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)