

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3967
FEBRUARY 7, 1996

RESOLUTION

(RES. W-3967), MIRA MONTE WATER COMPANY (MWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$4,540 OR 38.8% IN 1995
AND \$440 OR 2.7% IN 1996.

BY DRAFT ADVICE LETTER ACCEPTED ON MARCH 9, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$4,540, or 38.8%, for test year 1995 and a Consumer Price Index (CPI) increase of \$440, or 2.7% for 1996, as authorized by Decision (D.) 92-03-093 for small water utilities. The increase will provide a 14.25% rate of return on rate base.

BACKGROUND

MWC 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 \$8,669 or 77.8% in 1994. Because MWC's submittal was filed in early 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 MWC agreed to increase the 1994 expense figures submitted by MWC by 2.7% (the Consumer Price Index increase authorized for all Class C and D water utilities for 1994). MWC presently serves about 40 metered and three flat rate customers in an unincorporated community known as the Mira Monte Estates subdivision, roughly five miles west of the city of Red Bluff, Tehama County.

The present rates became effective on March 3, 1980, pursuant to D.91324, which granted a Certificate of Public Convenience and Necessity, authorized MWC's initial tariffs, and set MWC's initial rates.

DISCUSSION

The Branch made an independent analysis of MWC's summary of earnings and issued its report in December 1995. Appendix A shows MWC'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.

MWC was informed of the Branch's differing views of revenues, expenses and rate base and stated that it agreed with the Branch's findings.

MWC 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, 1980, and concludes that the correct 1994 end-of-year accumulated depreciation reserve balance should be \$7,004. The Branch recommends that this figure be utilized by MWC for future calculations of the depreciation reserve and should be shown in its 1995 Annual Report to the Commission.

During the Branch's field investigation, it was observed that the MWC well sites needed weed and debris removal. The Branch added an additional \$50 per month to maintain the well sites of all three water utilities that are owned by the Patterson Trust. The pro-rated amount is included in the summary of earnings in Appendix A.

MWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 26.4%. 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 at the midpoint of 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.

MWC files Annual Reports regularly and there are no outstanding Commission orders requiring improvements. MWC's tariffs are up to date.

MWC's filed tariffs currently contain two rate schedules: Schedule No. 1, General Metered Service, and Schedule No. 2, Flat Rate Service. Current rate design policy as set by D.92-03-093 allows MWC to recover up to 100% of its fixed costs through the metered rate service charges. In addition, Branch guidelines call for no rate element to increase by more than twice the system average increase of 38.8%. In attempting to meet both conditions, the metered rate service charges were increased by approximately 82.0% to 77.6% and will recover approximately 65.1% of MWC's fixed costs. The remainder of the revenue requirement was applied to the flat rate charges.

MWC 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 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 MWC's request.

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 3000 cubic feet of water will increase from \$23.15 to \$32.20 or 39.1%. 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. Customers were noticed of MWC's request for a late payment charge on November 8, 1995. The Branch received no letters of protest. The Commission's Consumer Affairs Branch received no complaints in the last year.

A public meeting was held on Tuesday, April 18, 1995, near MWC'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 five customers attended the meeting with their primary concern being the size of the increase. There were several questions and comments which were general in nature.

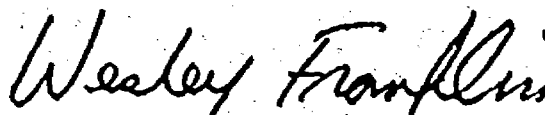
FINDINGS AND CONCLUSIONS

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. MWC should be ordered to incorporate the Branch's depreciation reserve figure of \$7,004 as the beginning of year depreciation reserve figure in its 1995 Annual Report to the Commission.
6. MWC 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 Mira Monte Water Company to file an advice letter incorporating the summary of earnings, the revised Schedule No. 1, General Metered Service, revised Schedule No. 2, Flat Rate Service, and new Schedule No. LC, Late Payment Charge, attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule No. 1 and No. 2. 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. Mira Monte Water Company shall utilize the figure of \$7,004 as its depreciation reserve for the beginning of year 1995 in its 1995 Annual Report to the Commission.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on February 7, 1996. 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
MIRA MONTE WATER COMPANY

SUMMARY OF EARNINGS - 1995 TEST YEAR

Item	1995		1995		1995
	Utility Estimated Present Rates	Proposed Rates	Branch Estimated Present Rates	Proposed Rates	Branch Recommended Rates
OPERATING REVENUES					
Metered	10501	\$ 18778	\$ 11050	\$ 19720	\$ 15090
Flat	648	1040	650	1040	1150
Total	11149	19818	11700	20760	16240
OPERATING EXPENSES					
Purchased Water	0	0	0	0	0
Purchased Power	5710	5710	5710	5710	5710
Other Volume Related	410	410	0	0	0
Employee Labor	660	660	780	780	780
Materials	130	130	130	130	130
Contract Work	570	570	380	380	380
Transportation	560	560	350	350	350
Other Plant Maint.	50	50	50	50	50
Office Salaries	1990	1990	2220	2220	2220
Management Salaries	0	0	0	0	0
Employee Pen. & Ben.	0	0	0	0	0
Uncollectibles	50	50	50	80	70
Off. Serv. & Rentals	410	410	230	230	230
Off. Suppl. & Exps.	190	190	360	360	360
Professional Services	100	100	60	60	60
Insurance	510	510	290	290	290
Reg. Commission Exp.	170	170	0	0	0
General Expense	390	390	60	60	60
SUBTOTAL EXPENSES	11900	11900	10670	10700	10690
Depreciation Expense	544	544	540	540	540
Taxes Other Than Income	350	350	720	720	720
State Taxes	0	800	800	820	800
Federal Taxes	0	624	0	1200	520
TOTAL DEDUCTIONS	12794	14218	12730	13980	13270
NET REVENUE	(1645)	5600	(1030)	6780	2970
RATE BASE					
Average Plant	27219	27219	27180	27180	27180
Avg. Depreciation Res.	6844	6844	7280	7280	7280
NET PLANT	20375	20375	19900	19900	19900
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	837	837	890	890	890
Matls. & Suppl.	42	42	40	40	40
TOTAL RATE BASE	21254	21254	20830	20830	20830
RATE OF RETURN	(Loss)	26.4%	(Loss)	32.6%	14.25%

APPENDIX B
(Page 1 of 3)
MIRA MONTE WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

Mira Monte Estates, a subdivision approximately five miles west 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.....	\$ 0.67	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	\$12.10	(I)
For 3/4-inch meter	\$13.30	(I)
For 1-inch meter	\$18.25	(I)
For 1-1/2-inch meter	\$24.25	(I)
For 2-inch meter	\$32.80	(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. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (N)

APPENDIX B
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MIRA MONTE WATER COMPANY

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate service.

TERRITORY

Mira Monte Estates, a subdivision approximately five miles west of the City of Red Bluff, Tehama County.

RATES

All flat rate service, per month \$32.80 (I)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UP. (N)
(N)

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MIRA MONTE WATER COMPANY

Schedule No. LC

LATE PAYMENT CHARGE

(N)

APPLICABILITY

Applicable to all service.

TERRITORY

Mira Monte Estates, a subdivision approximately five miles west 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
MIRA MONTE WATER COMPANY

COMPARISON OF RATES

METERED SERVICE

	<u>Per Service Connection Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
Service Charge:			
For 5/8 X 3/4-inch meter	\$ 6.65	\$ 12.10	82.0%
For 3/4-inch meter	7.30	13.30	82.2
For 1-inch meter	10.00	18.25	82.5
For 1-1/2-inch meter	13.30	24.25	82.3
For 2-inch meter	18.00	32.80	82.2
Quantity Rates:			
All use, per 100 cu. ft.	\$ 0.55	\$ 0.67	21.8%
<u>FLAT RATE SERVICE</u>	\$ 18.00	\$ 32.80	82.2%

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	\$ 6.65	\$12.10	\$ 5.45	82.0%
5	9.40	15.45	6.05	64.4
10	12.15	18.80	6.65	54.7
20	17.65	25.50	7.85	44.5
30 (avg.)	23.15	32.20	9.05	39.1
40	28.65	38.90	10.25	35.8
50	34.15	45.60	11.45	33.5

APPENDIX D
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MIRA MONTE WATER COMPANY

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	33,636
Summer	27,807
Winter	8,829
\$/kWh	
Summer	\$0.15999
Winter	\$0.10967
Energy Charge	\$ 5,417
Customer Charge	\$ 288
Energy Commission	\$ 7
Total Purchased Power	\$ 5,712

2. Ad Valorem Taxes: \$ 360
Tax Rate 1.0111%

3. Water Testing (in contract work) \$ 380

Service Connections:

Meter Size:

5/8 X 3/4-inch	36
3/4-inch	0
1-inch	4
TOTAL	40

Flat Rate: 3

Metered Water Sales Used To Design Rates: 13,990 Ccf

APPENDIX D
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MIRA MONTE WATER COMPANY

ADOPTED TAX CALCULATIONS - 1995 Test Year

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenues	\$ 16,240	\$ 16,240
2.	Expenses	10,690	10,690
3.	Taxes Other Than Income	720	720
4.	Depreciation Expense	540	540
5.	Interest	0	0
6.	Taxable Income for State Tax	\$ 4,290	
7.	State Tax (@ 9.3%)	\$ 800	(Minimum of \$800)
8.	Taxable Income for FIT		\$ 3,490
9.	Federal Income Tax (@ 15%)		\$ 520
10.	Total Income Tax		\$ 1,320

APPENDIX B
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MIRA MONTE WATER COMPANY

Rule No. 9
(continued)

RENDERING AND PAYMENT OF BILLS

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)
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(N)

APPENDIX B
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MIRA MONTE WATER COMPANY

Rule No. 3
(continued)

APPLICATION FOR SERVICE

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)
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|
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(N)