

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3969\*  
February 7, 1996**R E S O L U T I O N**

(RES. W-3969), JAMES WATER COMPANY (JWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUES OF \$20,530 OR 271.56% IN  
1996.

BY DRAFT ADVICE LETTER FILED ON NOVEMBER 10, 1995.

**SUMMARY**

This Resolution grants an increase in gross annual revenues of \$20,530, or 271.56% for test year 1996. The increase will provide a 13.60% rate of return on rate base in the test year.

**BACKGROUND**

By Application (A.) 95-04-058, JWC requested authorization to cease operations as a public utility water corporation. In Decision (D.) 95-08-031, the Commission authorized a 100% rate increase for JWC. On October 27, 1995, the Division of Ratepayer Advocates (DRA) issued its report which recommended, among other things, that JWC should continue under the regulation of the Commission. This report was presented at the evidentiary hearing on Friday, November 3, 1995, in Kenville. At that hearing, JWC withdrew its request to be relieved of its obligation to serve as a public utility. However, it was evident that JWC needed a rate increase, and it was agreed by all parties that JWC would file an advice letter requesting a general rate increase. On November 10, 1995, JWC filed a draft advice letter, requesting 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 \$20,530 or 271.56% in 1996 over and above those granted by the interim decision. JWC presently serves about 22 flat rate customers in a portion of the unincorporated town of Kenville, Kern County.

The present rates became effective on June 8, 1982, pursuant to D.93585, which set the initial rates for JWC.

**DISCUSSION**

Appendix A shows DRA's estimated summaries of earnings at the rates authorized by D.95-08-031 and at the DRA-recommended rates for test year 1996. At the hearing on November 3, 1995, JWC stated that it agreed with DRA's findings which are shown below:

1. The Commission should find that JWC is a public utility and should continue under the regulation of the Commission.

2. The Commission should order JWC to request Kenville Domestic Water Company to provide a metered interconnection to the appropriate JWC water main for an alternate source of supply.
3. The Commission should authorize JWC to file rate schedules attached as Appendix B upon submission of evidence of compliance with number 2 above.
4. The Commission should authorize JWC to file an advice letter to begin to recover the reasonable costs of installing an interconnection as recommended in number 2 above.
5. The Commission should adopt as reasonable the quantities attached to the DRA report as Appendix D used to develop the report's recommendations.

The summary of earnings in Appendix A shows a rate of return of 13.6% at DRA's recommended rates. According to DRA, this rate of return is within the standard rate of return range recommended for Class D water utilities by the Finance Branch of the Commission Advisory and Compliance Division.

JWC files Annual Reports regularly, and there are no outstanding Commission orders requiring improvements. JWC has not filed the tariffs authorized by the interim decision.

JWC's filed tariffs currently contain one rate schedule: Schedule No. 2, Flat Rate Service. DRA has recommended in its report a metered rate schedule (Schedule No. 1, General Metered Service) in the event that it becomes feasible to convert to metered rates.

The rates proposed by DRA are included herein as Appendix B.

At DRA's recommended rates shown in Appendix B, the monthly bill for a typical flat rate customer using will increase from \$20.00 at the rates authorized by the interim decision to \$45.00 or 225%. 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 November 10, 1995. DRA received one letter protesting the size of the rate increase. The Commission's Consumer Affairs Branch has not received any complaints in the last year.

According to the California Department of Health Services, JWC's water currently meets all health standards.

Since an evidentiary hearing was held, a public meeting was not necessary.

FINDINGS AND CONCLUSIONS

1. DRA's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by DRA (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop DRA'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. JWC should be found to be a public utility and continue to be under the regulation of the Commission.
6. JWC should be ordered to request Kenville Domestic Water Company to provide a metered interconnection for an alternate source of supply and to file an advice letter to begin to recover the reasonable costs of its installation.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for James Water Company to file an advice letter incorporating the summary of earnings, the new Schedule No. 1, General Metered Service, and the revised Schedule No. 2, Flat Rate Service, attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule 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. James Water Company is a public utility and shall remain under the regulation of the Public Utilities Commission.
3. James Water Company shall request Kenville Domestic Water Company to provide a metered interconnection for an alternate source of supply and is authorized to file an advice letter to begin to recover the reasonable costs of its installation after it has been completed and 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 February 7, 1996. 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

APPENDIX A

James Water Company

SUMMARY OF EARNINGS  
 Test Year 1996

	At Present <u>Rates</u>	At Proposed <u>Rates</u>
<b>Operating Revenues:</b>		
Metered Service	\$0	\$0
Flat Rate Service	<u>7,560</u>	<u>\$28,090</u>
Total Revenue	\$7,560	\$28,090
<b>Operating Expenses:</b>		
Power	\$4,103	\$4,103
Other Vol. Related Expense	0	0
Employee Labor	0	0
Materials	1,000	1,000
Contract Work	2,320	2,320
Other Plant Maintenance	0	0
Office Salaries	0	0
Management Salaries	2,000	2,000
Transportation Expense	1,508	1,508
Uncollectables	38	140
Office Rent	0	0
Office Supplies	500	500
Professional Services	200	200
Insurance	1,500	1,500
General Expense	100	100
Regulatory Commission Expense	<u>100</u>	<u>100</u>
Subtotal	\$13,369	\$13,471
Depreciation Exp	2,441	2,441
Franchise Tax	0	0
Property Taxes	696	696
Payroll Tax	318	318
Income Taxes	<u>800</u>	<u>2,557</u>
Total Deductions	\$17,623	\$19,483
Net Revenue	(\$10,063)	\$8,607
<b>Rate Base:</b>		
Average Plant	\$97,831	\$97,831
Average Accumulated Depreciation	34,657	34,657
Net Plant	63,174	63,174
Less: Advances	0	0
Contributions	0	0
Plus: Working Cash	0	0
Materials and Supplies	<u>100</u>	<u>100</u>
Rate Base	\$63,274	\$63,274
Rate of Return	(Loss)	13.60%

APPENDIX B  
Sheet 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

Northeastern portion of Kernville and vicinity in Kern County.

RATES

Quantity Rates:

For all water delivered, per 100 cu. ft. . . . \$0.77

Service Charge:

	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4 - inch meter . . . . .	\$36.00
For 3/4 - inch meter . . . . .	54.00
For 1 - inch meter . . . . .	90.00
For 1-1/2 - inch meter . . . . .	180.00
For 2 - inch meter . . . . .	288.00

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

APPENDIX B  
Sheet 2 of 2

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

(D)

(T)

TERRITORY

Northeastern portion of Kernville and vicinity in Kern County

(T)

RATES

	<u>Per Service Connection Per Month</u>	
For each Single Family Residence . . . . .	\$ 45.00	(I) (T)
For each Trailer Park or Camp, 45 or more spaces . . . . .	548.00	(I) (T)
For each Market, over 6,000 square feet in size. . . . .	239.00	(I) (T)
For each Laundromat. . . . .	430.00	(I) (T)
For each Office, over 1,000 square feet in size. . . . .	45.00	(R) (T)
For each Motel or Lodge with swimming pool, nine (9) or more units . . . . .	308.00	(I) (T)
For each Meeting Hall or Lodge Hall. . . . .	45.00	(I) (T)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. The above flat rates apply to service connections not larger than 1-inch in diameter.
3. All service not covered by the above classifications shall be furnished only on a metered basis.
4. For service covered by the above classifications, if the utility or customer so elect, a meter shall be installed and the service provided under Schedule No. 1, General Metered Service.

(N)

(N)

APPENDIX C

James Water Company  
 COMPARISON OF BILLS

General Metered-Rate Service

For service with a 5/8 x 3/4 - inch meter, customers' bills will be as follows:

<u>Water use in Ccf</u>	<u>At Recom- mended Rates Per Month</u>
0	\$36.00
2	37.54
4	39.07
5	39.84
6	40.61
8	42.15
10	43.68
15	47.52
20	51.36
30	59.04

Flat-Rate Service

	<u>Rate per Month</u>	
	<u>Present</u>	<u>Recom- mended</u>
For each Single Family Residence . . . . .	\$20.00	\$45.00
For each Trailer Park or Camp, 45 or more spaces . . . . .	50.00	548.00
For each Market, 6,000 square feet or more in size . . . . .	50.00	239.00
For each Laundromat . . . . .	50.00	430.00
For each Office, over 1,000 square feet in size . . . . .	50.00	45.00
For each Motel or Lodge with swimming pool, 9 or more units . . . . .	50.00	308.00
For each Meeting Hall or Lodge Hall . . . . .	20.00	45.00

(END OF APPENDIX C)



APPENDIX D  
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James Water Company  
ADOPTED QUANTITIES  
Test Year 1996

Uncollectible Rate	0.500%
Franchise Tax Rate	0.000%
Federal Income Tax Rate	15.00%
California Corporate Franchise Tax Rate	9.30%

- 1. Water Consumption, Metered, Ccf per year --
- Unaccounted for Water, Ccf per year --
- Total Water Consumption, Ccf per year --
- 2. Water Consumption per Customer, Ccf per year --
- 3. Power

Southern California Edison Company  
Rate Schedule PA-1, effective January 1, 1995:

Customer Charge, per Meter per Month	\$16.70
Number of Meters in use	2
Load Charge, per Horsepower (H.P.) for each Load over 2 H.P.	\$1.95
Connected Load over 2 H.P.	9
Energy Charge per kWhr	\$0.09768
Electric Energy Required, kWhr	35,745
 Total Electric Energy Expense	 \$4,103

- 4. Average Number of Services
- Single Family Residence . . . . . 15
- Trailer Park or Camp, 45 or more spaces . . . . . 1
- Market, 6,000 square feet or more in size . . . . . 1
- For each Laundromat . . . . . 1
- Office, over 1,000 square feet in size . . . . . 2
- Motel or Lodge with swim. pool, 9 or more units . . . . . 1
- Meeting Hall or Lodge Hall . . . . . 1
- Total 22

- 5. Payroll, annual
- Employee Labor \$0
- Office Salaries \$0
- Management Salaries \$2,000

APPENDIX D  
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James Water Company

ADOPTED QUANTITIES For Test Year 1995

6. Amount per year Included in Contract Work for:	
Water Testing	\$1,100
Department of Health Services fees	\$400
7. Ad Valorem Tax:	
Tax Rate	1.10%
Assessed Valuation	63,274

ADOPTED INCOME TAX CALCULATIONS

	<u>CCFT</u>	<u>FIT</u>
Operating Revenues	\$28,090	\$28,090
Expenses		
Operations & Maintenance	13,471	13,471
Depreciation	2,446	2,446
Taxes Other than Income	1,014	1,014
CCFT	<u>—</u>	<u>1,038</u>
Subtotal Expenses	16,931	17,969
Deductions		
Tax Depreciation	0	0
Interest Expense	<u>0</u>	<u>0</u>
CCFT Taxable Income	11,159	—
CCFT	1,038	
FIT Taxable Income		10,121
FIT		<u>1,518</u>
Total Income Taxes		<u>\$2,556</u>

(END OF APPENDIX D)