

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3971
February 23, 1996

R E S O L U T I O N

(RES. W-3971), EPTCO WATER SYSTEM, INC. (EPTCO).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$7,285 OR 16.84% IN
1995.

BY DRAFT ADVICE LETTER ACCEPTED ON JULY 28, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$7,285, or 16.84% for test year 1995. The increase will provide an operating ratio of 20.00% over expenses in the test year.

BACKGROUND

EPTCO 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 \$8,380 or 19.90% in 1995. The utility also requested recovery of returned check charges. EPTCO's request shows 1995 gross revenue of \$42,112 at present rates increasing to \$50,492 at proposed rates to produce a rate of return on rate base of 15.30%. EPTCO presently serves 228 flat rate customers and 13 metered customers in an area one mile west of the City of Visalia, Tulare County.

The last general rate increase was approved on July 18, 1992, by Resolution W-3658, which authorized an increase of \$1,487 or 4.03%. EPTCO received a one-time surcharge for reimbursement of Department of Health Services fees in 1992.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of EPTCO's summary of earnings and issued its report in January, 1995. Appendix A shows EPTCO's and the Branch's estimated summary of earnings at present, requested, and adopted rates for the test year 1995.

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

To prevent future inconsistencies between the figures adopted by the Commission and BWS' annual reports, the Branch recommends that EPTCO be directed to record on its books of account the depreciation reserve balance adopted in this resolution, and to reflect that balance in its 1995 Annual Report to the Commission. The balance is \$66,466 for depreciation reserve as of December 31, 1995.

EPTCO's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 15.30%. The summary of earnings in Appendix A shows an operating ratio of 20.00% at the Branch's recommended rates. Under guidelines established in Decision 92-03-093, Commission staff must calculate net revenues by both the traditional rate base/return method and the operating ratio method, selecting the method that produces the most revenue. In this case, because EPTCO's rate base is minimal, Branch finds a 20% operating ratio reasonable. This operating ratio, not authorized rate of return, should be used in the earnings test for any CPI increase.

Branch believes it is reasonable to allow EPTCO to charge customers the actual cost of bank fees incurred as a result of checks returned for insufficient funds. EPTCO should be authorized to file a revised Rule No. 9, Rendering and Payment of Bills, to reflect this change.

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

EPTCO's filed tariffs currently contain three rate schedules: No. 1, General Metered Service; No. 2, General Flat Rate Service; and No. 4, Private Fire Protection Service. EPTCO proposed raising all rates by the system average increase. Branch has no objection.

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

At the Branch's recommended rates shown in Appendix B, annual bills for an average metered customer using 300 Ccf of water per year would increase from \$267.00 to \$312.00 per year, or 16.85%. Rates for a typical flat rate customer with a 10,000 square foot lot would increase from \$142.56 per year to \$166.56 per year, or 16.84%. Bills for larger lot sizes would increase by approximately the same percentage. 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 August 25, 1995. The Branch received no letters protesting the rate increase. The Commission's Consumer Affairs Branch has received 4 complaints from EPTCO's customers over the last three years but only one since 1993.

A public meeting was held on September 26, 1995, at the Lamp Liter Inn, at 3300 West Mineral King in Visalia. The Branch's representative explained Commission rate setting procedures and the utility's representative explained the need for the rate increase. Three customers were present at the meeting. All of the customers agreed that the water service was good. The meeting lasted approximately one half-hour.

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. EPTCO should record in its books of account and its 1995 Annual Report to the Commission a depreciation reserve of \$66,466 as of December 31, 1995.
6. When filing for a CPI rate increase as allowed under Ordering Paragraph No. 1 of Decision 92-03-093, EPTCO's earnings test should be based on the authorized operating ratio of 20%.
7. EPTCO should be allowed to file a revised Rule No. 9, Rendering and Payment of Bills, to include a requirement that the actual cost of bank charges for checks returned for insufficient funds be repaid by the customer after providing notice by publishing in a local newspaper of general circulation.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for EPTCO Water System, 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), and 4 (Private Fire Protection 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. EPTCO should record in its books of account and its 1995 Annual Report to the Commission a depreciation reserve of \$66,466 as of December 31, 1995.
3. When filing for a CPI rate increase as allowed under Ordering Paragraph No. 1 of Decision 92-03-093, EPTCO's earnings test should be based on the authorized operating ratio of 20%.

Resolution W-3971
EPTCO Water System/DR AL/ABJ/TFS:jlj

4. EPTCO is allowed to file a revised Rule No. 9, Rendering and Payment of Bills, to include a requirement that the actual cost of bank charges for checks returned for insufficient funds be repaid by the customer, after providing notice by publishing in a local newspaper of general circulation.

5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on February 23, 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. NEPPER
Commissioners

APPENDIX A

EPTCO Water System

SUMMARY OF EARNINGS
 Test Year 1995

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
<u>Operating Revenues</u>					
Flat Rate	\$39,272	\$47,087	\$38,985	\$46,742	\$45,551
Metered	2,696	3,232	4,126	4,947	4,821
Private Fire	144	173	144	173	168
Total Revenue	\$42,112	\$50,492	\$43,255	\$51,862	\$50,540
<u>Operating Expenses</u>					
Power	\$9,820	\$9,820	\$9,434	\$9,434	\$9,434
Materials	780	780	780	780	780
Contract Work	6,300	6,300	4,004	4,004	4,004
Transportation	925	925	944	944	944
Office Salaries	2,300	2,300	2,300	2,300	2,300
Management Salaries	10,000	10,000	10,447	10,447	10,447
Employee Benefits	2,300	2,300	2,300	2,300	2,300
Office Svcs. and Rent	1,950	1,950	1,759	1,759	1,759
Office Supplies	2,725	2,725	2,440	2,440	2,440
Professional Services	850	850	850	850	850
Insurance	960	960	970	970	970
General	750	750	39	39	39
Uncollectibles	427	450	233	233	233
Regulatory	757	757	100	100	100
Subtotal	\$40,844	\$40,867	\$36,600	\$36,600	\$36,600
Depreciation	\$3,118	\$3,118	\$3,118	\$3,118	\$3,118
Property Taxes	515	515	515	515	515
Payroll Taxes	0	0	0	0	0
Income Taxes	863	1,567	1,133	2,663	2,361
Total Deductions	\$45,340	\$46,067	\$41,366	\$42,896	\$42,954
Net Revenue	(\$3,228)	\$4,425	\$1,889	\$8,996	\$7,946
<u>Rate Base</u>					
End-of-Year Plant	\$88,889	\$88,889	\$91,057	\$91,057	\$91,057
End-of-Year Dep. Res.	59,976	59,976	66,466	66,466	66,466
Net Plant	28,913	28,913	24,591	24,591	24,591
Less Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus Working Cash	0	0	0	0	0
Mat'l. & Supplies	0	0	600	600	600
Rate Base	\$28,913	\$28,913	\$25,913	\$25,913	\$25,913
Rate of Return	(11.16%)	15.30%	7.50%	35.59%	---
Operating Ratio					20.00%

APPENDIX B
Page 1

EPTOD Water System

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract No. 179 and vicinity, approximately 1 mile west of
the City of Visalia, Tulare County.

RATES

Quantity Rate:

All water, per 100 cu. ft..... \$.14 (I)

Service Charge:

	Per Meter Per Month	
For 5/8x3/4-inch meter.....	\$ 9.00	(I)
For 3/4-inch meter.....	13.50	(I)
For 1-inch meter.....	22.50	(I)
For 1-1/2-inch meter.....	45.00	(I)
For 2-inch meter.....	72.00	(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. All bills are subject to the reimbursement fee set forth on
Schedule No. UF. (D)
(L)
(L)

APPENDIX B
Page 2

EPTCO Water System

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Tract No. 179 and vicinity, approximately 1 mile west of
the City of Visalia, Tulare County.

RATES

	<u>Per Service Connection Per Month</u>	
1. <u>Residential Service</u>		
For each single-family residential unit including premises not exceeding 10,000 sq. ft. in area	13.88	(D) (I)
A. For each additional 100 sq. ft. of premises in excess of 10,000 sq. ft.085	(D) (I)
B. For each additional single-family residential unit on the same premises and served from the same service connection	6.49	(D) (I)
2. For Each Grocery Store	31.61	(I)
3. For each laundromat	39.90	(I)
4. For each business office	13.90	(D) (I)

(continued)

APPENDIX B
Page 3

EPTCO Water System

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Tract No. 179 and vicinity, approximately 1 mile west of the City of Visalia, Tulare County.

RATES

Per Month

For each inch of diameter of service connection . . . \$3.51 (I)

SPECIAL CONDITIONS

1. The fire protection service shall be installed by the utility or under the utility's direction. The cost for the entire fire protection installation excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The expense of maintaining the private fire protection facilities on the applicant's premises (including the vault, meter, and backflow device) shall be paid for by the applicant.
3. All facilities paid for by the applicant shall be the sole property of the applicant. The utility and its duly authorized agents shall have the right of ingress to, and egress from, the premises for all purposes in relation to said facilities.
4. 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.
5. 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 main extension from the nearest existing main of adequate capacity shall be required by the utility.

(continued)

APPENDIX C
 Page 1

EPTCO Water System

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	\$ 7.70	9.00	16.88%
For 3/4-inch meter	11.55	13.50	16.88%
For 1-inch meter	19.25	22.50	16.88%
For 1-1/2-inch meter	38.50	45.00	16.88%
For 2-inch meter	61.60	72.00	16.88%

Quantity Rates:

Per 100 cu. ft.....	\$.12	\$.14	16.67%
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Usage for a hypothetical residential customer on a 1-inch service connection using 300 Ccf per year:

<u>Usage</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
100 cu. ft. 300	\$267.00	\$312.00	\$45.00	16.85%

GENERAL FLAT RATE SERVICE

	<u>Per Connection Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
Single-family residential unit not exceeding 10,000 sq. ft. of premises	\$11.88	\$13.88	16.84%
Additional 100 sq. ft. of premises075	.085	13.33%
Additional unit on same premises	5.55	6.49	16.93%
Grocery Store	27.05	31.61	16.86%
Laundromat	34.15	39.90	16.84%
Business Office	11.90	13.90	16.81%

APPENDIX D
Page 1

EPTCO Water System, Inc.

ADOPTED QUANTITIES
Test Year 1995

Expenses:

1. Purchased power	
Vendor	Southern California Edison
Well No. 1	
Schedule	GS-1
Effective Date	January 1, 1995
Customer Charge	\$0.55 per day
Three-Phase Charge	\$0.054 per day
Energy Charge, per kWh	\$0.12037
Energy Tax, per kWh	\$0.0002
Consumption, kWh	2,790
Wells No. 2 and 3	
Schedules	FA-1
Effective Date	January 1, 1995
Customer Charge	\$16.70 per month per well
Horsepower Charge	\$1.95 per HP per month (30-HP total load)
Energy Charge, per kWh	\$0.09768
Energy Tax, per kWh	\$0.0002
Consumption, kWh	75,652
Electric Power Cost	\$9,049
Backup generator	
Standby Charge	\$385
Total Power Cost	\$9,434
2. Insurance Expenses	
General Liability Insurance	\$ 755.50
Automobile Insurance	\$ 214.50
Total Cost	\$ 970.00
4. Ad Valorem Taxes	\$515
Composite Tax Rate	1.00%
Assessed Value	\$51,500
5. Payroll Taxes	none
6. Water Testing Expenses (In contract work)	\$2,004

APPENDIX D
Page 2

EPTCO Water System, Inc.

ADOPTED QUANTITIES
Test Year 1995

Service Connections

Metered		
5/8 x 3/4-inch	0	
3/4-inch	9	
1-inch	3	
1-1/2 inch	0	
2-inch	1	
Total Metered Customers	13	
Metered water sales used to design rates		14,434 Ccf
Flat Rate units	228	
Excess square footage charged	6,702 (hundred square feet)	
Total Customers	241	

APPENDIX D
Page 3

EPTCO Water System, Inc.

ADOPTED TAX CALCULATIONS
Test Year 1995

<u>Line No.</u>	<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1.	Operating Revenue	\$50,540	\$50,540
2.	O & M Expenses	36,600	36,600
3.	Taxes Other Than Income	515	515
4.	Depreciation	3,118	3,118
5.	Interest	0	0
6.	Taxable Income for State Tax	10,307	
7.	State Tax	959	959
8.	Taxable Income for FIT		9,348
9.	Federal Income Tax		1,402
10.	Total Income Tax		\$2,361
	California Corporate Franchise Rate	9.3%	
	Federal Income Tax Rates On first \$50,000 taxable income	15%	