

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3972  
February 23, 1996

R E S O L U T I O N

(RES. W-3972), NISH WATER SYSTEM, INC. (NISH),  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$12,615 OR 14.40% IN  
1995.

BY DRAFT ADVICE LETTER ACCEPTED ON JULY 28, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$12,615, or 14.40% for test year 1995. The increase will provide a rate of return of 14.25% on rate base in the test year.

BACKGROUND

Nish 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 \$13,786 or 17.50% in 1995. The utility also requested recovery of returned check charges. Nish's request shows 1995 gross revenue of \$78,784 at present rates increasing to \$92,570 at proposed rates to produce a rate of return on rate base of 15.27%. Nish presently serves 428 flat rate customers and 60 metered customers in an area one mile north of the City of Visalia, Tulare County.

The last general rate increase was approved on July 18, 1992 by Res. W-3657, which authorized an increase of \$15,954 or 25.57%. Nish 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 Nish's summary of earnings and issued its report in January, 1995. Appendix A shows Nish's and the Branch's estimated summary of earnings at present, requested, and adopted rates for the test year 1995.

Nish 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 Nish 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 Nish's annual reports, the Branch recommends that Nish 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 \$99,913 for depreciation reserve as of December 31, 1995.

Nish's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 15.27%. The summary of earnings in Appendix A shows a rate of return of 14.25% at the Branch's recommended rates. This is the midpoint of the range of rates of return recommended by the CACD Finance Branch for Class C water utilities.

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

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

Nish's filed tariffs currently contain three rate schedules: No. 1, General Metered Service; No. 2R, Residential Flat Rate Service; and No. 4, Private Fire Protection Service. Nish 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 1-inch metered customer using 200 Ccf of water per year would increase from \$234.80 to \$268.64 per year, or 14.41%. Rates for a typical flat rate customer with an 8,000-square foot lot would increase from \$158.40 per year to \$181.20 per year, or 14.39%. 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 no complaints from Nish's customers over the last three years.

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. Nish should record in its books of account and its 1995 Annual Report to the Commission, a depreciation reserve of \$99,913 as of December 31, 1995.
6. Nish 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.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Nish 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. Nish should record in its books of account and its 1995 Annual Report to the Commission a depreciation reserve of \$99,913 as of December 31, 1995.
3. Nish 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.

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4. 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 M. FRANKLIN  
Executive Director

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

APPENDIX A

Nish 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 Revenue</u>					
Flat Rate	\$72,954	\$85,720	\$73,022	\$85,800	\$83,539
Metered	5,542	6,512	16,478	19,362	18,852
Private Fire	288	338	288	338	329
Total Revenue	\$78,784	\$92,570	\$89,788	\$105,500	\$102,720
<u>Operating Expenses</u>					
Power	\$22,000	\$22,000	\$16,140	\$16,140	\$16,140
Materials	550	550	550	550	550
Contract Work	8,100	8,100	7,200	7,200	7,200
Transportation	1,825	1,825	1,904	1,904	1,904
Office Salaries	5,225	5,225	5,225	5,225	5,225
Management Salaries	19,360	19,360	21,067	21,067	21,067
Employee Benefits	4,900	4,900	4,900	4,900	4,900
Office Svcs. and Rent	2,800	2,800	3,547	3,547	3,547
Office Supplies	4,100	4,100	4,921	4,921	4,921
Professional Services	900	900	900	900	900
Insurance	1,320	1,320	1,956	1,956	1,956
General	1,365	1,365	78	78	78
Uncollectibles	940	940	470	470	470
Regulatory	1,388	1,388	200	200	200
Subtotal	\$74,773	\$74,773	\$69,058	\$69,058	\$69,058
Depreciation	\$7,370	\$7,370	\$9,437	\$9,437	\$9,437
Property Taxes	1,053	1,053	1,053	1,053	1,053
Payroll Taxes	0	0	0	0	0
Income Taxes	800	2,001	2,345	5,945	5,308
Total Deductions	\$83,996	\$85,197	\$81,893	\$85,493	\$84,856
Net Revenue	(\$5,212)	\$7,373	\$7,895	\$20,007	\$17,864
<u>Rate Base</u>					
End-of-Year Plant	\$275,466	\$275,466	\$351,989	\$351,989	\$351,989
End-of-Year Dep. Res.	86,567	86,567	99,913	99,913	99,913
Net Plant	188,899	188,899	252,076	252,076	252,076
Less Advances	140,608	140,608	127,289	127,289	127,289
Contributions	0	0	0	0	0
Plus Working Cash	0	0	0	0	0
Mat'l. & Supplies	0	0	600	600	600
Rate Base	\$48,291	\$48,291	\$125,387	\$125,387	\$125,387
Rate of Return	(loss)	15.27%	6.30%	15.96%	14.25%

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Nish Water System

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Fairview Park, Tract 260, and vicinity, located approximately 1 mile north of the City of Visalia, Tulare County.

RATES

Quantity Rate:

All water served, per 100 cu. ft..... \$ .355 (I)

Service Charge

	<u>Per Meter</u> <u>Per Month</u>	
For 5/8x3/4-inch meter.....	\$ 6.55	(I)
For 3/4-inch meter.....	9.90	
For 1-inch meter.....	16.47	
For 1-1/2-inch meter.....	32.78	
For 2-inch meter.....	52.62	
For 3-inch meter.....	98.67	
For 4-inch meter.....	164.45	(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)

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Nish Water System

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service served on an annual basis.

TERRITORY

Fairview Park, Tract 260, and vicinity, located approximately 1 mile north of the City of Visalia, Tulare County.

RATES

	<u>Per Service Connection Per Month</u>	
For each single-family residential unit including premises not exceeding 8,000 sq. ft. in area .....	15.10	(I)
For each additional 100 sq. ft. of premises in excess of 8,000 sq. ft. ....	.101	(I)

SPECIAL CONDITIONS

1. The above residential flat rates apply to a service connection not larger than one inch in diameter.
2. All service not covered by the above classifications will be furnished only on a metered basis.
3. A meter may be installed at the option of the utility for the above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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Nish Water System

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Fairview Park, Tract No. 260 and vicinity, approximately 1 mile north of the City of Visalia, Tulare County.

RATES

	<u>Per Month</u>	
For each inch of diameter of service connection . . .	\$.43	(I)

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of the private fire service facilities.
2. The private fire service facilities shall be installed by the utility or under the utility's direction and shall be the sole property of the applicant but subject to the control of the utility, with the right to alter, repair, replace, and the right to remove upon discontinuance of service.
3. 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.
4. If a water main of adequate size is not available adjacent to the premises to be served, then a new main from the nearest existing main of adequate size will be installed by the utility at the cost of the customer. Such cost shall not be subject to refund.
5. The private fire service facilities will include a detector check valve or other similar device acceptable to the utility which will indicate the use of water. The facilities may be located within the customer's premises or within the public right of way adjacent thereto. Where located within the premises, the utility and its duly authorized agents shall have the right of ingress to and egress from the premises for all purposes related to said facilities. In the event the installation is solely a private fire hydrant facility, the requirement for a detector check valve or other similar device may be waived.

(continued)



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Nish 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	\$ 5.75	6.55	13.91%
For 3/4-inch meter	8.65	9.90	14.45%
For 1-inch meter	14.40	16.47	14.38%
For 1-1/2-inch meter	28.75	32.78	14.02%
For 2-inch meter	46.00	52.62	14.39%
For 3-inch meter	86.25	98.67	14.40%
For 4-inch meter	143.75	164.45	14.40%
Quantity Rates:			
Per 100 cu. ft.....	\$ .31	\$ .355	14.52%

Usage for an average residential customer on a 1-inch service connection using 200 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. 200	\$234.80	\$268.64	\$33.84	14.41%

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 ....	\$13.20	\$15.10	14.39%
Additional 100 sq. ft. of premises .....	.088	.101	14.77%

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Nish Water System, Inc.

ADOPTED QUANTITIES  
Test Year 1995

Expenses:

1. Purchased Power

Vendor	Southern California Edison
Three wells in use	
Schedules	PA-1
Effective Date	January 1, 1995
Customer Charge	\$16.70 per month per well
Horsepower Charge	\$1.95 per HP per month (145 HP total load)
Energy Charge, per kWh	\$0.09768
Energy Tax, per kWh	\$0.0002
Consumption, kWh	121,786
Electric Power Cost	\$15,690
Backup generators	
Diesel Generator	
Standby Charge	\$250
Gas Generator	
Standby Charge	\$200
Total Power Cost	\$16,140

2. Insurance Expenses

General Liability Insurance	\$1,524
Automobile Insurance	\$ 432
Total Cost	\$1,956

4. Ad Valorem Taxes

Composite Tax Rate	\$1,053
Assessed Value	1.00%
	\$105,300

5. Payroll Taxes

none

6. Water Testing Expenses (In contract work) \$2,600

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Nish Water System, Inc.

ADOPTED QUANTITIES  
Test Year 1995

Service Connections

Metered		
5/8 x 3/4-inch	0	
3/4-inch	0	
1-inch	55	
1-1/2 inch	1	
2-inch	1	
4-inch	1	
Total Metered Customers	58	
Metered water sales used to design rates		14,040 Ccf
Flat Rate units	428	
Excess square footage charged	1,579	(hundred square feet)
Total Customers	486	

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Nish 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	\$102,270	\$102,270
2.	O & M Expenses	69,058	69,058
3.	Taxes Other Than Income	1,053	1,053
4.	Depreciation	9,437	9,437
5.	Interest	0	0
6.	Taxable Income for State Tax	23,172	
7.	State Tax	2,155	2,155
8.	Taxable Income for FIT		21,017
9.	Federal Income Tax		3,153
10.	Total Income Tax		\$5,308
	California Corporate Franchise Rate		9.3%
	Federal Income Tax Rates On first \$50,000 taxable income		15%