

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3973*
March 13, 1996

R E S O L U T I O N

(RES. W-3973), PIERPOINT SPRINGS RESORT WATER COMPANY (PSRWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING ADDITIONAL
ANNUAL REVENUES OF \$4,415 OR 36.02% IN 1995.

BY OUIREACH DRAFT ADVICE LETTER ACCEPTED ON OCTOBER 12, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$4,415, or 36.02% for test year 1995. The increase will provide a 13.81% rate of return on rate base in the test year.

BACKGROUND

PSRWC requested assistance in requesting authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service. The Water Utilities Branch (Branch) staff studied PSRWC's operations and recommended that PSRWC request an increase in rates to produce additional revenues of \$4,415 or 36.02% in 1995. PSRWC's request shows 1995 gross revenue of \$13,770 at present rates increasing to \$18,185 at proposed rates. PSRWC presently provides service to approximately 81 annual flat rate customers in a service area located on the edge of the Sequoia National Forest approximately 16 miles east of the City of Springville along State Highway 190 in Tulare County.

The present rates became effective on September 28, 1988, pursuant to Resolution No. W-3409, which authorized a general rate increase of \$5,130 or 64.15%.

DISCUSSION

The Water Utilities Branch (Branch) made an analysis of PSRWC's operations and issued its report in February, 1996. Appendix A shows PSRWC's and the Branch's estimated summary of earnings at present, requested, and adopted rates for the test year. Appendix A also shows differences in operating expenses and rate base that resulted when Branch did a detailed analysis of the utility operations.

PSRWC was informed of the Branch's final views of expenses and rate base and has stated that it accepts the Branch's estimates.

PSRWC's requested rates produce a rate of return on rate base of 13.75%. The summary of earnings in Appendix A shows a rate of return of 13.81% at Branch's

recommended rates. Although this rate of return exceeds PSRWC's requested rate, it falls below the range of rate of return recommended by the Finance Branch of the Commission Advisory and Compliance Division for Class D water utilities and does not result in PSRWC receiving an increase in revenue greater than it requested. Under guidelines established in Decision No. (D.) 92-03-093, Commission staff must calculate net revenues by both the rate base/return method and the operating ratio method, selecting the method that produces the most revenue. Using a 20% operating ratio in the operating ratio method calculation, the rate base/return method produces the greater revenue in this case.

PSRWC's filed tariffs currently contain two rate schedules: No. 1A, Annual Metered Service, and No. 2A, Annual Flat Rate Service. All 81 PSRWC customers receive annual flat rate service.

PSRWC has not filed updated tariffs for its Title Page, Preliminary Statement (both pages), Rule Nos. 5, 8, 10, 11, 15, 16, and the Connection Fee Data Form.

The Branch's proposed rates for annual flat rate service shown in Appendix B, are based on the system average increase authorized in this resolution.

Although there are no metered customers on PSRWC's system, Branch recommends that Annual Metered Service rates be increased. Branch's proposed annual metered service rate design conforms with current rate design policy for Class D water utilities, as stated in D.92-03-093, which calls for recovery of 100% of fixed costs through the service charge and a single-block quantity rate.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on October 16, 1995. No response letters were received by the Branch. The Commission's Consumer Affairs Branch has not received any complaints on PSRWC over the last three years.

A public meeting was held on November 10, 1995, at the Camp Nelson Fire Station approximately one mile north of PSRWC's service area. The Branch's representative explained Commission rate setting procedures and the utility's representative explained the need for the rate increase. Six customers attended the meeting and all were satisfied with the service provided by the utility and had no problem with the increase being requested. One customer, however, complained that at times he experiences low water pressure. The Branch representative instructed the utility to investigate the situation and inform the Branch of its findings and recommendations. The utility's investigation revealed that PSRWC was delivering water at the required pressure at the meter. The low pressure was due to the customer's residence being 20 to 25 feet above the meter.

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 C) 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. PSRWC should be ordered to file updated Title Page, Preliminary Statement (both pages), Rule Nos. 5, 8, 10, 11, 15, 16, and the Connection Fee Data Form.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Pierpoint Springs Resort Water Company 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 No. 1A (Annual Metered Service), and Schedule No. 2A (Annual Flat Rate Service). The effective dates of the revised schedules shall be five days after the date of filing.
2. Within 60 days of the effective date of this resolution, Pierpoint Springs Resort Water Company shall file updated Title Page, Preliminary Statement (both pages), tariff Rule Nos. 5, 8, 11, 15, 16, and the Connection Data Form.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on March 13, 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

Pierpoint Springs Resort Water Company

SUMMARY OF EARNINGS
Test Year 1995

Item	Utility Estimated		Staff Estimated		Staff Recommended Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Flat Rates	\$ 13,770	\$ 18,185	\$13,770	\$ 18,185	\$ 18,185
Total Revenues	13,770	18,185	13,770	18,185	18,185
<u>Operating Expense</u>					
Purchased Power	1,950	1,950	1,950	1,950	1,950
Materials	1,000	1,000	1,000	1,000	1,000
Contract Work	750	750	750	750	750
Other Plant Maint.	1,000	1,000	1,000	1,000	1,000
Office Salaries	0	0	895	895	895
Management Salary	3,700	3,700	2,418	2,418	2,418
Office Serv & Rent	125	125	125	125	125
Office Supplies	80	80	80	80	80
Professional Serv.	100	100	100	100	100
Insurance	1,609	1,609	1,609	1,609	1,609
General Expenses	50	50	50	50	50
Subtotal	10,364	10,364	9,977	9,977	9,977
Depreciation	1,300	1,300	1,290	1,290	1,290
Taxes other than inc.	170	170	557	557	557
Income Taxes	970	1,633	969	1,634	1,634
Total Deductions	12,804	13,467	12,793	13,458	13,458
<u>Net Revenue</u>	966	4,718	977	4,727	4,727
<u>Rate Base</u>					
Average Plant	60,317	60,317	60,317	60,317	60,317
Avg Dep Res	26,000	26,000	26,095	26,095	26,095
Net Plant	34,317	34,317	34,222	34,222	34,222
<u>Less</u> Advances	0	0	0	0	0
Contributions	0	0	0	0	0
<u>Plus</u> Working Cash	0	0	0	0	0
Mat'l & Supp	0	0	0	0	0
Rate Base	34,317	34,317	34,222	34,222	34,222
Rate of Return	2.81%	13.75%	2.85%	13.81%	13.81%

APPENDIX B
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Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including the subdivision known as Pierpoint Springs Subdivision, Tract No. 322, and vicinity, located approximately 16 miles east of the community of Springville, Tulare County.

RATES

Quantity Rate:

Per 100 cu. ft..... \$.70 (R)

Annual Service Charge: Per Meter
Per Year

For 5/8 x 3/4-inch meter.....	\$ 170.00	(I)
For 3/4-inch meter.....	255.00	
For 1-inch meter.....	425.00	
For 1-1/2-inch meter.....	850.00	
For 2-inch meter.....	1,360.00	(I)

The Annual Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rate, for water used during the month.

(continued)

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Schedule No. 2A

ANNUAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including the subdivision known as Pierpoint Springs Subdivision, Tract No. 322, and vicinity, located approximately 16 miles east of the community of Springville, Tulare County.

RATES

	<u>Per Service Connection</u> <u>Per Year</u>	
1. For a single-family residential unit, including premises	\$ 214.00	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	131.50	(I)
2. Caltrans Maintenance Station	214.00	(I)
3. Store Building with Motel	1,070.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one-inch in diameter.
2. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the meter service charge for the same period shall be made on or before that day.

Pierpoint Springs Resort Water Company

ADOPTED QUANTITIES
Test Year 1995

Expenses

1. <u>Purchased Power</u>	
Vendor	Southern California Edison
Schedule No.	PA-1
Effective Date	January 1, 1995
Customer Charge	\$16.70 / month
Service Charge	\$ 1.95 / HP
Energy Charge	\$ 0.09768 / kWh
Pumps	2 - 5 HP submersible
Power Consumption	13,464 kWh
Total cost	\$1,950
2. <u>Purchased Water</u>	None
3. <u>Insurance Expense</u>	
General Liability	\$1,609
4. <u>Ad Valorem Taxes</u>	\$170
Composite Tax Rate	1.0%
Assessed Value	\$16,845
5. <u>Payroll Taxes</u>	
Composite Tax Rate	11.68%
Total	\$387

Service Connections

2. Annual Flat Rate Service:

Single-family residential	79
Caltrans Maintenance Sta.	1
Store Building with Motel	1

3. Water production per customer for metered rates - 60 Ccf

(continued)

APPENDIX C
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ADOPTED TAX CALCULATIONS
Test Year 1995

Federal Tax Rate: 15%
California corporate Franchise Rate: 9.3%
Local Franchise Rate: 0.0%

<u>Line No.</u>	<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1.	Operating Revenue	\$ 18,185	\$ 18,185
2.	O & M Expense	9,977	9,977
3.	Taxes Other Than Income	557	557
4.	Depreciation	1,290	1,290
5.	Interest	0	0
6.	Taxable Income for CCFT	6,631	
7.	CCFT @ 9.3%	800	800
8.	Taxable Income for FIT		5,561
9.	Federal Income Tax @ 15%		834
10.	Total Income Tax	\$1,864	