

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3974**
March 13, 1996

RESOLUTION

(RES. W-3974), YOSEMITE SPRING PARK UTILITY COMPANY, INC. (YSP). ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUE OF \$131,387 OR 19.45% IN 1996.

BY DRAFT ADVICE LETTER ACCEPTED ON MARCH 22, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$131,387, or 19.45% for test year 1996. The increase will provide a 3.54% rate of return on rate base in the test year.

BACKGROUND

YSP 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 \$143,490 or 21.24% in 1996. YSP's request shows 1996 gross revenue of \$675,510 at present rates increasing to \$819,000 at proposed rates to produce a rate of return on rate base of 4.37%. YSP presently serves 1,305 metered rate customers in the unincorporated community of Yosemite Lakes Park, approximately five miles south of Coarsegold, Madera County.

The last general rate increase was approved on July 8, 1987, by Decision (D.) 87-07-011, which authorized an increase of \$84,220 or 32.41%. Subsequent to the rate increase, the utility was sold to the Yosemite Lakes Owners' Association (Owners), a non-profit mutual benefit corporation. The Commission approved this transaction in D.87-08-057 but refused to excuse the Owners from regulation due to the fact they were neither a municipal water company nor a mutual water company. YSP filed an advice letter to reduce the service charge on December 8, 1987. YSP filed Advice Letter 17 on November 4, 1991, requesting that the service charge authorized in D.87-07-011 be reinstated.

DISCUSSION

YSP is a unique public utility water company in that it is mutually owned by its customers. It has an elected board of directors and functions as the equivalent of a mutual water company. YSP's management is currently exploring the option of becoming a mutual water company by reincorporating and taking other administrative steps. Prior to those changes and an application to the

Commission, YSP must obtain Commission approval for any rate increase.

The utility forwarded its 1996 budget to the Branch on February 5, 1996, showing slightly lower requested revenues than in the initial filing. Branch made an independent analysis of the revised request and found it reasonable. Branch made certain adjustments to capital and maintenance expenses to better differentiate operating expenses from plant improvements. Also, Branch removed the utility's PUC surcharge calculation from revenue and expenses. Branch has informed the utility that the surcharge is in addition to the water bill.

The rate increase requested after adjusting expenses falls well short of the Commission's adopted range of returns for class C water companies. Branch explained to YSP that it could request substantially more revenue to allow it a reasonable rate of return. YSP declined, indicating it had determined a reasonable metered rate. Appendix A shows YSP's and the Branch's estimated summary of earnings at present, requested, and adopted rates for the test year 1996.

Appendix A shows differences between Branch and YSP in revenues, expenses, and rate base due to Branch's reallocation of expense items to capital investment accounts and the removal of the PUC surcharge. Net revenue does not change.

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

YSP's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 4.37%. The summary of earnings in Appendix A shows a rate of return of 3.54% at the Branch's recommended rates. Branch calculated net revenues based on standard corporate income taxes even though YSP is owned by a mutual benefit corporation. Absent income taxes, YSP would earn a 5.01% rate of return in the test year.

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

YSP's filed tariffs currently contain three rate schedules: No. 1RA, Annual Metered Service, No. 3MA, Annual Irrigation Metered Service, and No. 5, Public Fire Hydrant Service. Pursuant to Section 2713 of the Public Utilities Code, YSP is prohibited from charging any rates for service under Schedule No. 5, Public Fire Hydrant Service, without a formal agreement with a local fire protection agency. Because YSP has no such agreement, the Branch recommends that Schedule No. 5 be cancelled. YSP requested that the Irrigation Service Schedule be cancelled because it is not in use and the Branch concurs. YSP also requested that the service charge remain constant while the metered quantity charge is raised from \$1.31 per Ccf to \$1.80 per Ccf. Branch has no objections.

YSP has not updated tariffs for its Rules, 10, 15, 16, 20, 21, and for the Connection Fee Data Form.

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

NOTICE AND PROTESTS

At the Branch's recommended rates shown in Appendix B, annual bills for a 3/4-inch metered customer, using the average 200 Ccf per year, increases from \$520.00 to \$618.00 or 18.85%. Bills for the average user in larger service size classifications 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.

A notice of the proposed rate increase was mailed to each customer on April 4, 1995. The Branch received no letters protesting the rate increase. The Commission's Consumer Affairs Branch has received no complaints from YSP's customers over the last three years.

A public meeting was held on May 13, 1995, at the Yosemite Lakes Park Clubhouse in the service area. The Branch's representative explained Commission rate-setting procedures and the utility's representative explained the need for the rate increase. Approximately fifty customers attended the meeting. Most of the discussion centered on efforts to transform the utility to a mutual water company. Many customers spoke about the need for supervision of the elected board of directors and hopes that the Commission would be an impartial judge of operating conditions and fair rates.

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. YSP's tariff Schedule No. 5, Public Fire Hydrant Service is no longer applicable and should be cancelled.
5. YSP's tariff Schedule No. 3MA, Annual Irrigation Metered Service, is not in use and should be cancelled.
6. The rate increase authorized herein is justified, and the resulting rates are just and reasonable.
7. YSP should be ordered to file updated Rules 10, 15, 16, 20, and 21, and the Connection Fee Data Form.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Yosemite Spring Park Utility Company, 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. 1RA (Annual Metered Service) and 3MA (Annual Irrigation 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. Yosemite Spring Park Utility Company, Inc.'s filed tariff Schedules Nos. 5, Public Fire Hydrant Service, and 3MA, Annual Irrigation Metered Service are cancelled.

3. Within 60 days of the effective date of this resolution, Yosemite Spring Park Utility Company, Inc. shall file updated Rules Nos. 10, 15, 16, 20, and 21, and the Connection Fee Data Form.

4. 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 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

Yosemite Spring Park Utility Company

SUMMARY OF EARNINGS
Test Year 1996

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
Operating Revenues					
Metered	\$675,510	\$819,000	\$675,510	\$806,897	\$806,897
Total Revenue	\$675,510	\$819,000	\$675,510	\$806,897	\$806,897
Operating Expenses					
Power	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000
Employee Labor	120,000	120,000	120,000	120,000	120,000
Materials	63,000	63,000	50,000	50,000	50,000
Contract Work	41,000	41,000	41,000	41,000	41,000
Transportation	16,000	16,000	16,000	16,000	16,000
Office Salaries	33,000	33,000	33,000	33,000	33,000
Management Salaries	15,000	15,000	15,000	15,000	15,000
Employee Benefits	1,000	1,000	20,000	20,000	20,000
Office Svcs. and Rent	10,000	10,000	10,000	10,000	10,000
Office Supplies	15,000	15,000	15,000	15,000	15,000
Professional Services	16,000	16,000	16,000	16,000	16,000
Insurance	13,000	13,000	13,000	13,000	13,000
General	4,000	4,000	14,000	14,000	14,000
Regulatory	22,000	22,000	0	0	0
Subtotal	\$559,000	\$559,000	\$554,000	\$554,000	\$554,000
Depreciation	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000
Property Taxes	25,000	25,000	25,000	25,000	25,000
Payroll Taxes	35,000	35,000	15,000	15,000	15,000
Income Taxes	0	0	800	29,551	29,551
Total Deductions	\$731,000	\$731,000	\$706,800	\$735,551	\$735,551
Net Revenue	(\$55,490)	\$88,000	(\$31,290)	\$71,346	\$71,346
Rate Base (In Thousands)					
Average Plant	\$3,349.3	\$3,349.3	\$3,349.3	\$3,349.3	\$3,349.3
Average Deprec. Res.	1,343.6	1,343.6	1,343.6	1,343.6	1,343.6
Net Plant	2,005.8	2,005.8	2,005.8	2,005.8	2,005.8
Less Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus Working Cash	0	0	0	0	0
Mat'l. & Supplies	10.0	10.0	10.0	10.0	10.0
Rate Base	2,015.8	2,015.8	2,015.8	2,015.8	2,015.8
Rate of Return	(loss)	4.37%	(loss)	3.54%	3.54%

APPENDIX B
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Yosemite Spring Park Utility Company

Schedule No. 1RA

ANNUAL METERED SERVICE

APPLICABILITY

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

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TERRITORY

Yosemite Lakes Subdivision and vicinity, Madera County.

RATES

Quantity Rate:

All water, per 100 cu. ft. \$1.80

(I)

Service Charge

	<u>Per Meter</u> <u>Per Year</u>
For 3/4-inch meter.....	258.00
For 1-inch meter.....	352.00
For 1-1/2-inch meter.....	471.00
For 2-inch meter.....	636.80
For 3-inch meter.....	1,177.00
For 4 inch meter.....	1,602.00
For 6 inch meter.....	2,663.70

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the quantity charge computed at the Quantity Rate.

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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.

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Yosemite Spring Park Utility Company

Schedule No. 1RA
(continued)

ANNUAL METERED SERVICE

SPECIAL CONDITIONS

2. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods. Meters will be read and quantity charges billed quarterly in accordance with the utility's established billing periods except that meters may be read and quantity charges billed during the winter season at intervals greater than three months.
3. The opening bill for annual metered service shall be the established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

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Yosemite Spring Park Utility Company

COMPARISON OF RATES

A comparison of the present and Branch's recommended rates is shown below:

METERED SERVICE

	<u>PRESENT</u>	<u>PROPOSED</u>
	(Per Meter Per Year)	
Service Charge:		
For 3/4-inch meter.....	\$258.00	\$258.00
For 1-inch meter.....	352.00	352.00
For 1-1/2-inch meter.....	471.00	471.00
For 2-inch meter.....	636.80	636.80
For 3-inch meter.....	1,177.00	1,177.00
For 4-inch meter.....	1,602.00	1,602.00
For 6-inch meter.....	2,663.00	2,663.00

Quantity Rates:

All water, per Ccf (100 cubic feet).. \$1.31 \$1.80

Usage for an average residential customer on a 3/4 inch service connection using the system average of 200 Ccf per year:

Usage	Present	Recommended	Amount	Percent
<u>100 cu. ft.</u>	<u>Bills</u>	<u>Bills</u>	<u>Increase</u>	<u>Increase</u>
200	\$520.00	\$618.00	\$98.00	18.85%

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Yosemite Spring Park Utility Company, Inc.

ADOPTED QUANTITIES
Test Year 1996

Expenses:

1. <u>Purchased Power</u>		
Vendor	Pacific Gas and Electric	
Schedules	various	
Effective Date	various	
Total Power Cost		\$190,000
2. <u>Insurance Expenses</u>		
General Liability Insurance		\$13,000
3. <u>Ad Valorem Taxes</u>		\$25,000
Composite Tax Rate	1.00%	
Assessed Value		\$2,500,000
4. <u>Payroll Taxes</u>		
Medicare	1.45%	\$2,436
Federal Unemployment	0.80%	280
State Unemployment	2.80%	1,260
State Training	0.10%	35
FICA	6.20%	10,416
Total Payroll Taxes		14,427
6. Water Testing Expenses (In Acct. 650-1)		\$7,000
7. Dept. Health Services Fees included in general expenses		\$10,000

Service Connections

Metered		
3/4-inch service		1,295
1-inch service		9
1-1/2-inch service		0
2-inch service		1
3-inch service		0
4-inch service		0
Total Metered		1,305

APPENDIX D
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Yosemite Spring Park Utility Company

ADOPTED TAX CALCULATIONS
Test Year 1996

<u>Line No.</u>	<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1.	Operating Revenue	\$806,897	\$806,897
2.	O & M Expenses	554,000	554,000
3.	Taxes Other Than Income	40,000	40,000
4.	Depreciation	110,000	110,000
5.	Interest	0	0
6.	Taxable Income for State Tax	102,897	
7.	State Tax	9,569	9,569
8.	Taxable Income for FIT		93,328
9.	Federal Income Tax		19,982
10.	Total Income Tax		\$29,551
	California Corporate Franchise Rate	9.3%	
	Federal Income Tax Rates		
	On first \$50,000 taxable income	15%	
	On \$50,001 to \$75,000 taxable income	25%	