

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3975  
March 13, 1996

**RESOLUTION**

(RES. W-3975), BIG HILL WATER COMPANY (BHC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUES OF \$40,499 OR 61.7% IN 1995.

BY DRAFT ADVICE LETTER ACCEPTED ON SEPTEMBER 13, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$40,499, or 61.7% for test year 1995. The increase will provide a 14.00% rate of return on rate base in the test year.

BACKGROUND

BHC 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 \$41,940 or 63.7% in 1995. BHC's request shows 1995 gross revenue of \$65,800 at present rates increasing to \$107,740 at proposed rates. BHC also requested to reduce its Safe Drinking Water Bond Act (SDWBA) loan surcharge by approximately 30% due to an increase in the number of customers since the SDWBA improvements were made. BHC presently provides service to approximately 215 metered customers in a service area located a few miles north of Sonora and to approximately 66 metered customers in a service area located about one mile south of the town of Soulsbyville in Tuolumne County.

BHC's last general rate increase was approved on March 6, 1987, by Resolution W-3349, which authorized an increase of \$34,880 or 125%. BHC has since received a one-time \$8.21 surcharge per customer for reimbursement of Department of Health Services fees in January, 1993, and a surcharge of \$0.36 per 100 cubic feet of water use (for 36 months) to recover an undercollection in its purchased power balancing account in January, 1996.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of BHC's operations and issued its report in January, 1996. Appendix A shows BHC'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 revenues, operating expenses, and rate base.

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

BHC's draft advice letter requested rates that it estimated would produce a return on rate base of 13.28%. The summary of earnings in Appendix A shows a rate of return of 14.00% at Branch's recommended rates. Although this rate of return exceeds BHC's requested rate, it falls at the lower limit of the range of 14.00% to 14.50% recommended by the Finance Branch of the Commission Advisory and Compliance Division for Class D water utilities and does not result in BHC receiving an increase greater than it requested. Under guidelines established in Decision (D.) 92-03-093, Commission staff must calculate net revenue by both the traditional rate base/return method and the operating ratio method; selecting the method that produces the most revenue. The net revenue generated by the rate base/return method yields an operating ratio of 8.0% which both the Branch and BHC agree is reasonable.

BHC's filed tariffs currently contain two rate schedules: No. BH-1, General Metered Service for Big Hill Division, and No. MG-1, General Metered Service for Monte Grande Division. Current rate design policy as set by D.92-03-093 allows the utility to recover up to 100% of its fixed costs through the service charges. In order to meet Branch's current guideline that no customer shall receive an increase exceeding twice the system average increase authorized in this resolution, Branch's recommended metered rates shown in Appendix B limit recovery of fixed costs through service charges to 66%.

At the Branch's recommended rates shown in Appendix B, the monthly bill, excluding surcharges, for an average metered customer using 9.1 Ccf of water will increase from \$19.49 to \$31.56 or 61.94%. A comparison of customer bills at present and recommended rates, including the SDWA surcharge decrease and the Power Balancing Account surcharge, is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

BHC has not filed updated tariffs for its Rule Nos. 15 and 16, and the Connection Fee Data Form.

#### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on November 21, 1995. The Branch received three letters protesting the rate increase. The Commission's Consumer Affairs Branch (CAB) has received seven complaints since 1990. CAB categorized six of these complaints as "service" complaints and one as a "high bill" complaint.

A public meeting was held on Wednesday, December 13, 1995, at the Sonora City Hall, located at 94 N. Washington St. The Branch's representative explained Commission rate-setting procedures and the utility's representative explained the need for the rate increase. Five customers attended the meeting protesting the magnitude of the increase. The main topic of discussion, however, centered on low pressure and water outages during periods of heavy water use in one particular area of the system. Three of the five customers at the meeting live in the area of discussion.

One customer, who is employed by the Tuolumne Utility District (TUD) felt that the major contributing factor to the low pressures and outages during periods

of heavy system usage was due to the presence of leaks in the system. He presented a map produced by the TUD which showed locations of 43 leaks which he contended represented significant water losses. He felt that repair of the leaks would improve the pressure and outage problems. Two other customers commented that due to their high elevation they do not have water during certain times of the year (when water demand is high). Mr. Still (the owner) conceded that some of the complaints were legitimate. He indicated that he warned these customers before they were connected to the system that there were pressure problems but the customers insisted on receiving service. He also said that improving these customers' situation would necessitate very expensive system improvements. The next morning, Branch's representative measured pressures at two of the three locations (homes of the customers which stated their concerns at the meeting). He found pressures to be about 55 psi, which meet GO 103 standards (40 psi). This indicates that the pressure and outages are not due to elevation, but to the system's inability to deliver enough water. Leaks would be a major contributor to the problem, therefore, Branch recommends that BHC be required to repair all leaks located on the TUD map and conduct a leak detection effort consisting of locating and repairing leaks on an on-going basis.

#### 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 Safe Drinking Water Bond Act surcharges recommended by the Branch (Appendix B) are reasonable and should be adopted.
4. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
5. The rate increase authorized herein is justified and the resulting rates are just and reasonable.
6. The utility should be required to repair all leaks on the TUD map presented at the public meeting. Repair should be completed by June 1, 1996.
7. The utility should be required to conduct an on-going leak detection and repair program.
8. BHC should be ordered to file updated Rules 15 and 16, and the Connection Fee Data Form.

#### IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Big Hill 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 Schedules No. BH-1 (General Metered Service for Big Hill Division), and No. MG-1 (General Metered Service for Monte Grande Division). 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. Big Hill Water Company shall repair all leaks on the TUD map presented at the public meeting. Repair work shall be completed by June 1, 1996.
3. Big Hill Water Company shall conduct an on-going leak detection and repair program.
4. Within 60 days of the effective date of this resolution, Big Hill Water Company shall file updated Rules 15 and 16, and the Connection Fee Data Form.
5. 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

Big Hill Water Company

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>					
Metered Rate	\$65,800	\$107,740	\$65,662	\$106,161	\$106,161
Total Revenue	\$65,800	\$107,740	\$65,662	\$106,161	\$106,161
<u>Operating Expenses</u>					
Purchased Water	\$ 4,830	\$ 4,830	\$ 4,830	\$ 4,830	\$ 4,830
Purchased Power	19,660	19,660	21,390	21,390	21,390
Other Volume Related	3,570	3,570	5,000	5,000	5,000
Employee Labor	18,250	18,250	17,070	17,070	17,070
Materials	4,010	4,010	4,010	4,010	4,010
Contract Work	8,680	8,680	8,680	8,680	8,680
Transportation	10,140	10,140	10,140	10,140	10,140
Office Salaries	7,380	7,380	0	0	0
Management Salaries	2,040	2,040	1,850	1,850	1,850
Uncollectible Accounts	680	680	740	740	740
Office Svcs. and Rent	300	300	7,680	7,680	7,680
Office Supplies	4,270	4,270	4,270	4,270	4,270
Insurance	3,900	3,900	3,330	3,330	3,330
Regulatory	1,150	1,150	1,150	1,150	1,150
General	600	600	430	430	430
Subtotal	\$89,640	\$89,640	\$90,570	\$90,570	\$90,570
Depreciation	\$2,829	\$2,829	\$2,829	\$2,829	\$2,829
Property Taxes	778	778	778	778	778
Payroll Taxes	2,068	2,068	2,525	2,525	2,525
Income Taxes	800	2,886	800	2,167	2,167
Total Deductions	\$96,115	\$98,201	\$97,502	\$98,869	\$98,869
Net Revenue	(30,315)	9,539	(31,840)	7,293	7,293
<u>Rate Base</u>					
Average Plant	\$226,229	\$226,229	\$226,229	\$226,229	\$226,229
Average Dep. Reserve	126,730	126,730	124,767	124,767	124,767
Net Plant	99,499	99,499	101,462	101,462	101,462
Less Contributions	35,160	35,160	56,912	56,912	56,912
Plus Working Cash	6,980	6,980	7,040	7,040	7,040
Mat'l. & Supplies	500	500	500	500	500
Rate Base	\$71,819	\$71,819	\$52,090	\$52,090	\$52,090
Rate of Return	(Loss)	13.28%	(Loss)	14.00%	14.00%

APPENDIX B  
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Schedule No. BH-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Big Hill Division on Big Hill Road and vicinity, located approximately 5 miles east of Columbia, Tuolumne County.

RATES

Quantity Rate:

All water, per 100 cu. ft..... \$1.93

Service Charge:

	Per Meter Per Month	
	Charge	SDWBA Surcharge
For 5/8x3/4-inch meter.....	\$14.00 (I)	\$3.75 (R)
For 3/4-inch meter.....	21.00	5.63
For 1-inch meter.....	35.00	9.38
For 1-1/2-inch meter.....	70.00	18.75
For 2-inch meter.....	112.00 (I)	30.00 (R)

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

SPECIAL CONDITIONS

1. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 82-10-006.
2. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge of \$4.69. This charge offsets the Department of Health Services fee as billed to Big Hill Water Co. for the fiscal years July 1, 1992 to June 30, 1994.
3. As authorized by the California Public Utilities Commission in Resolution W-3961, in order to balance the purchased power account, all bills are subject to a \$0.36 per 100 cu.ft. surcharge for a period of 3 years.

(N)  
 |  
 (N)  
 |  
 (T)  
 |  
 (T)

(continued)

APPENDIX B  
Page 2

Schedule No. RH-1  
(continued)

GENERAL METERED SERVICE

4. A late charge will be imposed per Schedule No. LC. (L)
5. 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. (L)  
|  
(L)
6. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (L)  
(L)

APPENDIX B  
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Schedule NO. MG-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Monte Grande División on Monte Grande Road and vicinity, located approximately one mile south of Soulsbyville, Tuolumne County.

RATES

Quantity Rate:

All water, per 100 cu. ft. .... \$1.93

Service Charge:

	Per Meter Per Month	
	Charge	SWBA Surcharge
For 5/8x3/4-inch meter.....	\$14.00 (I)	\$ 7.84 (R)
For 3/4-inch meter.....	21.00	11.76
For 1-inch meter.....	35.00	19.60
For 1-1/2-inch meter.....	70.00	39.20
For 2-inch meter.....	112.00 (I)	62.72 (R)

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. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 82-10-006.
2. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge of \$4.69. This charge offsets the Department of Health Services fee as billed to Big Hill Water Co. for the fiscal years July 1, 1992 to June 30, 1994. (N)
3. As authorized by the California Public Utilities Commission in Resolution W-3961, in order to balance the purchased power account, all bills are subject to a \$0.36 per 100 cu.ft. surcharge for a period of 3 years. (T)

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Schedule No. MG-1  
(continued)

GENERAL METERED SERVICE

4. A late charge will be imposed per Schedule No. LC. (L)
5. 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. (L)  
|  
(L)
6. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (L)  
(L)

(END OF APPENDIX B)

APPENDIX C  
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COMPARISON OF RATES

A comparison of the present and Branch's recommended rates for Big Hill Division is shown below:

METERED SERVICE

Service Charge:	<u>Per Meter Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
For 5/8x3/4-inch meter	\$6.75	\$14.00	107.41%
For 3/4-inch meter	7.45	21.00	181.88%
For 1-inch meter	10.15	35.00	244.83%
For 1-1/2-inch meter	14.20	70.00	392.96%
For 2-inch meter	38.00	112.00	194.74%

SDWA Surcharge:	<u>Per Meter Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Decrease</u>
For 5/8x3/4-inch meter	\$ 5.35	\$ 3.75	29.91%
For 3/4-inch meter	8.05	5.63	30.06%
For 1-inch meter	12.40	9.38	24.35%
For 1-1/2-inch meter	26.75	18.75	29.91%
For 2-inch meter	42.80	30.00	29.91%

Quantity Rates:

Per 100 cu. ft.	\$ 1.40	\$ 1.93	37.86%
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Power Balancing Account Surcharge:

Per 100 cu. ft.	\$ 0.36
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A comparison of monthly customers' bills at present and Branch's recommended rates (including SDWA and Balancing Account surcharges) for 1995 test year for a 5/8 x 3/4"-inch meter is shown below:

<u>Usage</u> <u>100 cu. ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 12.10	\$ 17.75	\$ 5.65	46.69%
3	16.30	24.62	8.32	51.04%
5	19.10	29.20	10.10	52.88%
9.1	24.84	38.59	13.75	55.35%
15	33.10	52.10	19.00	57.40%
20	40.10	63.55	23.45	58.48%
30	54.10	86.45	32.35	59.80%
50	82.10	132.25	50.15	61.08%
100	152.10	246.75	94.65	62.23%

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COMPARISON OF RATES

A comparison of the present and Branch's recommended rates for Monte Grande Division is shown below:

METERED SERVICE

Service Charge:	<u>Per Meter Per Month</u>		Percent Increase
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8x3/4-inch meter	\$6.75	\$14.00	107.41%
For 3/4-inch meter	7.45	21.00	181.88
For 1-inch meter	10.15	35.00	244.83%
For 1-1/2-inch meter	14.20	70.00	392.96%
For 2-inch meter	38.00	112.00	194.74%

SDWBA Surcharge:	<u>Per Meter Per Month</u>		Percent Decrease
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8x3/4-inch meter	\$11.20	\$ 7.84	30.00%
For 3/4-inch meter	16.75	11.73	29.97%
For 1-inch meter	28.00	19.60	30.00%
For 1-1/2-inch meter	56.00	39.20	30.00%
For 2-inch meter	89.60	62.72	30.00%

Quantity Rates:

Per 100 cu. ft.	\$ 1.40	\$ 1.93	37.86%
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Power Balancing Account Surcharge:

Per 100 cu. ft.	\$ 0.36
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A comparison of monthly customers bills at present and Branch's recommended rates (including SDWBA and Balancing Account surcharges) for 1995 test year for a 5/8 x 3/4-inch meter is shown below:

<u>Usage</u> <u>100 cu. ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 17.95	\$ 21.84	\$ 3.89	21.67%
3	\$ 22.15	\$ 28.71	\$ 6.56	29.62%
5	\$ 24.95	\$ 33.29	\$ 8.34	33.43%
9.1	\$ 30.69	\$ 42.68	\$11.99	39.06%
15	\$ 38.95	\$ 56.19	\$17.24	44.26%
20	\$ 45.95	\$ 67.64	\$21.69	47.20%
30	\$ 59.95	\$ 90.54	\$30.59	51.03%
50	\$ 87.95	\$136.34	\$48.39	55.02%
100	\$157.95	\$250.84	\$92.89	58.81%

(END OF APPENDIX C)

APPENDIX D  
Page 1

Big Hill Water Company

ADOPTED QUANTITIES  
Test Year 1995

Expenses:

1. Purchased Power (Electric)

Vendor	Pacific Gas & Electric Company
Schedules	A1-P
Effective Date	June 1, 1995
Total Cost (\$)	\$21,390
kwh Used (Summer)	90,436
kwh Used (Winter)	63,105
\$/kwh Used (Summer rate)	\$0.15999
\$/kwh Used (Winter rate)	\$0.10967

2. Purchased Water \$4,830

3. Insurance Expenses

General Liability Insurance	\$1,407
Truck and Auto insurance	\$1,005
Worker's Compensation	\$ 915
Total Cost	\$3,327

4. Ad Valorem Taxes

Composite Tax Rate	\$778
Assessed Value	1.0080%
	\$72,099

5. Payroll Taxes

Social Security	\$2,525
Federal Unemployment	7.65%
State Unemployment	0.80%
	5.4%

Service Connections

Metered Rate

5/8x3/4-inch meter	281
3/4-inch meter	0
1-inch meter	0
1-1/2-inch meter	0
2-inch meter	0

Metered Water Sales Used to Design Rates 30,536 Ccf

(continued)

APPENDIX D  
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Big Hill Water Company

ADOPTED TAX CALCULATIONS  
Test Year 1995

<u>Line No.</u>	<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1.	Operating Revenue	\$106,161	\$106,161
2.	O & M Expenses	\$90,570	\$90,570
3.	Taxes Other Than Income	\$3,303	\$3,303
4.	Depreciation	\$2,829	\$2,829
6.	Taxable Income for State Tax	\$9,459	
7.	State Tax	\$880	\$880
8.	Taxable Income for FIT		\$8,579
9.	Federal Income Tax		\$1,287
10.	Total Income Tax		\$2,167
	California Corporate Franchise Rate		9.3%
	Federal Income Tax Rates On first \$50,000 taxable income		15%

(END OF APPENDIX D)