

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3984\*  
April 19, 1996

**R E S O L U T I O N**

(Res. W-3984) BENBOW WATER COMPANY (BWC). ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$23,225, OR 29.2% IN  
1996.

BY DRAFT ADVICE LETTER ACCEPTED ON SEPTEMBER 14, 1995

SUMMARY

This Resolution grants an increase in gross annual revenue of \$23,225, or 29.2%, for test year 1996. The increase will provide a 14.24% rate of return on rate base in the test year.

BACKGROUND

BWC requested authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$26,452, or 34.6%, in 1995. BWC's request shows 1995 gross revenue of \$76,381 at present rates increasing to \$102,833 at proposed rates to produce a rate of return on rate base of 12.12%. As 1995 has expired, Branch recommends a 1996 test year. BWC presently serves about 92 metered customers in the unincorporated community of Benbow and vicinity, three miles south of Garberville in Humboldt County.

The present rates, effective since September 15, 1994, were authorized by Resolution W-3879 which granted a ratebase offset of \$16,470, or 27.69%. Resolution W-3648 authorized BWC's last general rate increase of \$14,533, or 32.3%, for a 14.40% return on a rate base of \$87,466 for test year 1992.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of BWC's summary of earnings. Appendix A shows BWC's and the Branch's estimated summary of earnings at present, requested and adopted rates for the test year 1996. Appendix A also shows differences in operating revenues, operating expenses, and rate base.

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

BWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 12.12%. The summary of earnings in Appendix A shows a rate of return of 14.24% at the Branch's recommended rates. This rate

of return is at the midpoint of the 14.00% to 14.50% standard rate of return range recommended by the Finance Branch for small 100% equity-financed water utilities. A 14.24% rate of return was necessitated to ensure the adopted revenues do not exceed Benbow's original request.

BWC's filed tariffs currently contain three rate schedules: No. 1, Metered Service; No. 4, Private Fire Protection Service; No. 5PR, Private Fire Hydrant Service.

For Schedule No. 1, the Branch allowed 74% recovery of fixed costs in the metered service charge (as a percentage of metered revenue to total revenue). This is the same fixed charge percentage authorized by BWC's last general rate increase Resolution W-3648. Though this percentage is well below the 100% recovery allowed by Commission Decision 92-03-093, Branch and BWC both believe a 100% recovery would: (1) unnecessarily burden low quantity users with a high service charge, and (2) discourage water conservation by reducing the quantity charge by over one half. The remainder of the metered revenue was then applied to the quantity charge. Rates for the other two schedules were increased by the approximate gross revenue percentage increase.

BWC's filed tariffs do not contain recent revisions to Rules 5, 8, 10, 20, and 21. The Branch recommends that BWC be ordered to file these revisions to its tariffs.

At the Branch's recommended rates shown in Appendix B, the monthly bill for the 3/4-inch metered customer using 17 CcF of water will increase from \$48.65 to \$65.05, or 34%. 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 September 22, 1995. No letters were received from customers in response to the notice. The Commission's Consumer Affairs Branch has received three complaints since January 1993.

A public meeting was held on October 23, 1995, near BWC's service area. The Branch's representative explained Commission rate-setting procedures and the utility's representative explained the need for the rate increase. Twenty five customers attended the meeting with their primary concern being the expenses, proposed rate design, and the rate of return.

#### 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. BWC should file recent revisions to Tariff Rules 5, 8, 10, 20, and 21.
5. The rate increase authorized herein is justified, and the resulting rates are just and reasonable.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Benbow Water Company to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule Nos. 1, 4, and 5PR. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of filing.
2. Within 60 days of the effective date of this order, Benbow Water Company shall also file the recent revisions to Tariff Rules 5, 8, 10, 20, and 21.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on April 19, 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  
Commissioners

Commissioner Josiah L. Neeper, being necessarily absent, did not participate.

APPENDIX A  
Benbow Water Company  
TEST YEAR 1996

	Utility Estimated @		Branch Estimated @		Adopted Revenues
	Present	Proposed	Present	Proposed	
	Revenues	Revenues	Revenues	Revenues	
Metered	\$ 75,661	\$ 101,863	\$ 78,888	\$ 101,903	\$ 101,903
Fire	\$ 720	\$ 970	\$ 720	\$ 930	\$ 930
<b>Total revenue:</b>	<b>\$ 76,381</b>	<b>\$ 102,833</b>	<b>\$ 79,608</b>	<b>\$ 102,833</b>	<b>\$ 102,833</b>
<b>Operating Expenses</b>					
615-Purchased Power	\$ 9,119	\$ 9,119	\$ 7,958	\$ 7,958	\$ 7,958
618-Other Volume related	\$ 1,566	\$ 1,566	\$ 1,009	\$ 1,009	\$ 1,009
630-Employee Labor	\$ 5,479	\$ 5,479	\$ 5,621	\$ 5,621	\$ 5,621
640-Materials	\$ 5,876	\$ 5,876	\$ 5,508	\$ 5,508	\$ 5,508
650-Contract Work	\$ 7,581	\$ 7,581	\$ 5,032	\$ 5,032	\$ 5,032
660-Transportation	\$ 7,730	\$ 7,730	\$ 6,609	\$ 6,609	\$ 6,609
664-Other Plant Maintenance	\$ 2,452	\$ 2,452	\$ 853	\$ 853	\$ 853
671-Management Salaries	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
676-Uncollectibles	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
678-Office Services	\$ 2,411	\$ 2,411	\$ 2,517	\$ 2,517	\$ 2,517
681-Office Supplies	\$ 5,326	\$ 5,326	\$ 4,398	\$ 4,398	\$ 4,398
682-Professional Services	\$ 3,731	\$ 3,731	\$ 3,224	\$ 3,224	\$ 3,224
684-Insurance	\$ 3,650	\$ 3,650	\$ 3,650	\$ 3,650	\$ 3,650
688-Regulatory Expense	\$ 681	\$ 681	\$ 681	\$ 681	\$ 681
689-General Expense	\$ 1,435	\$ 1,435	\$ 863	\$ 863	\$ 863
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 69,237</b>	<b>\$ 69,237</b>	<b>\$ 60,123</b>	<b>\$ 60,123</b>	<b>\$ 60,123</b>
Depreciation	\$ 5,519	\$ 5,519	\$ 6,097	\$ 6,097	\$ 6,097
<b>Non-Income Taxes</b>					
Ad Valorem	\$ 2,101	\$ 2,101	\$ 2,186	\$ 2,186	\$ 2,186
Payroll	\$ 1,844	\$ 1,844	\$ 2,048	\$ 2,048	\$ 2,048
Business License	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 3,945</b>	<b>\$ 3,945</b>	<b>\$ 4,234</b>	<b>\$ 4,234</b>	<b>\$ 4,234</b>
<b>Income Taxes</b>					
State	\$ 800	\$ 1,493	\$ 851	\$ 3,011	\$ 3,011
Federal	\$ -	\$ 3,396	\$ 1,245	\$ 4,405	\$ 4,405
<b>Total Tax:</b>	<b>\$ 800</b>	<b>\$ 4,889</b>	<b>\$ 2,097</b>	<b>\$ 7,416</b>	<b>\$ 7,416</b>
<b>TOTAL EXPENSES</b>	<b>\$ 79,501</b>	<b>\$ 83,590</b>	<b>\$ 72,551</b>	<b>\$ 77,870</b>	<b>\$ 77,870</b>
<b>NET REVENUE</b>	<b>\$ (3,120)</b>	<b>\$ 19,243</b>	<b>\$ 7,057</b>	<b>\$ 24,963</b>	<b>\$ 24,963</b>
<b>RATE BASE</b>					
Average Plant	\$ 254,908	\$ 254,908	\$ 270,664	\$ 270,664	\$ 270,664
Average Depreciation Reserve	\$ 77,525	\$ 77,525	\$ 78,258	\$ 78,258	\$ 78,258
Net Plant	\$ 177,383	\$ 177,383	\$ 192,406	\$ 192,406	\$ 192,406
Less					
Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	\$ 24,940	\$ 24,940	\$ 21,648	\$ 21,648	\$ 21,648
Plus					
Working Cash	\$ 5,382	\$ 5,382	\$ 3,500	\$ 3,500	\$ 3,500
Materials and Supplies	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
<b>Rate Base</b>	<b>\$ 158,825</b>	<b>\$ 158,825</b>	<b>\$ 175,258</b>	<b>\$ 175,258</b>	<b>\$ 175,258</b>
<b>Rate of Return</b>	<b>-1.96%</b>	<b>12.12%</b>	<b>4.03%</b>	<b>14.24%</b>	<b>14.24%</b>

APPENDIX B  
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Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a monthly basis.

TERRITORY

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

RATES

Quantity Rate:

All water, per 100 cubic feet .....\$ 1.15

Service Charges:

	Per Meter Per Month	SDWBA Yearly Surcharge
For 5/8 x 3/4-inch meter .....	\$ 30.30 (I)	\$ 60.00
For 3/4-inch meter .....	45.50	90.00
For 1-inch meter .....	75.80	150.00
For 1-1/2-inch meter .....	151.60	300.00
For 2-inch meter .....	242.50	480.00
For 3-inch meter .....	454.60	900.00
For 4-inch meter .....	757.70 (I)	1,500.00

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

SPECIAL CONDITIONS

1. The Safe Drinking Water Bond Act (SDWBA) 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 93798.
2. All bills are subject to the reimbursement fee as set forth on Schedule No. UF.

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

RATE

For each inch of diameter of service connection.....\$ Per Month 13.00 (I)

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. 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.
3. 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 service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost shall be paid by the applicant. Such payment shall not be subject to refund.
5. The utility undertakes to supply such water at such pressure as may be available at any time through the normal operation of its system.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

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Schedule No. 5PR

PRIVATE FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to hydrants owned by individuals other than municipalities, organized fire districts, and other political subdivisions of the State.

TERRITORY

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

RATE

	<u>Per Month</u>
For each hydrant .....	\$ 13.00 (I)

SPECIAL CONDITIONS

1. Water delivered for the purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of a written request from an individual. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type, and size.
4. The utility undertakes to supply only such water at such pressures as may be available at any time through the normal operation of its system.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C

Benbow Water Company

COMPARISON OF RATES

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

METERED SERVICE

Quantity Charge:	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Percent Increase</u>
Per CcF.....	\$ 1.15	\$ 1.15	(0%)
Service Charge:			
5/8-inch meter.....	\$ 19.40	\$ 30.30	56%
3/4-inch meter.....	\$ 29.10	\$ 45.50	56%
1 -inch meter.....	\$ 48.50	\$ 75.80	56%
1 1/2 -inch meter.....	\$ 97.00	\$ 151.60	56%
2 -inch meter.....	\$ 155.20	\$ 242.50	56%
3 -inch meter.....	\$ 291.00	\$ 454.60	56%
4 -inch meter.....	\$ 485.00	\$ 757.70	56%

3/4-inch meter comparison:

<u>Monthly Usage</u> <u>100 cu. ft.</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
0	\$29.10	\$ 45.50	\$ 16.40	56%
10	40.60	57.00	16.40	40%
17	48.65	65.05	16.40	34% AVG
20	52.10	68.50	16.40	31%
30	63.60	80.00	16.40	26%
40	75.10	91.50	16.40	22%



APPENDIX D  
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Benbow Water Company

ADOPTED QUANTITIES  
Test Year 1996

Expenses

1. Purchased Power Total: \$ 7,958  
Vendor: Pacific Gas and Electric Company  
For Well #1:

TY kWh 65,766  
TY Ccf 37,581  
TY kWh/Ccf 1.75

Schedule No.		A-6 P
Effective Date		Jan 01, 1996
Customer Charge		\$12.00 per month
Meter Charge		\$ 6.80 per month
Energy Charge		
Summer - 64%		
Peak	16%	\$0.23258
Partial Peak	23%	\$0.10288
Off Peak	61%	\$0.05618
Winter - 36%		
Partial Peak	40%	\$0.11562
Off Peak	60%	\$0.07169

Cost: \$6,344

For Booster #1

TY kWh 5,797  
TY Ccf 2,672  
TY kWh/Ccf 2.17

For Booster #2

TY kWh 4,259  
TY Ccf 2,520  
TY kWh/Ccf 1.69

Schedule No.		A-1 P
Effective Date		Jan 01, 1996
Customer Charge		\$12.00 per month
Energy Charge		
Summer - 64%		\$0.14870
Winter - 36%		\$0.10193

Cost \$1,614

NOTE: TY 1996 quantities  
Water Loss: 12%  
Water Sold: 33,071 Ccf  
Water Pumped: 37,581 Ccf

APPENDIX D  
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Benbow Water Company

ADOPTED QUANTITIES  
Test Year 1996

Expenses

2. Insurance Expense	\$ 3,650
3. Ad Valorem Taxes	\$ 2,186

Service Connections

Domestic Metered Rate:	Number:
5/8 inch meter	28
3/4 inch meter	51
1 inch meter	8
1 1/2 inch meter	2
2 inch meter	2
3 inch meter	0
4 inch meter	1
Total	92

Private Fire:

1 6-inch private fire connection

ADOPTED TAX QUANTITIES

Federal Tax Rate:	15%
California Corporate Franchise Rate:	9.3%

<u>ITEM</u>	<u>State Tax</u>	<u>Federal Tax</u>
1. Operating Revenue	\$102,833	\$102,833
2. O & M Expense	\$ 60,123	\$ 60,123
3. Taxes Other Than Income	\$ 4,234	\$ 4,234
4. Depreciation	\$ 6,097	\$ 6,097
5. Taxable Income for Ccft	\$ 32,379	
6. Ccft @ 9.3% or \$800 minimum	\$ 3,011	
7. Taxable Income for FIT	\$ 29,368	
8. Federal Income Tax @ 15%		\$ 4,405
9. Total Income Tax	\$ 7,416	

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Benbow Water Company  
Adopted Ratebase Quantities

	1993	1994	1995	TEST YEAR 1996
<b>Plant In Service</b>				
BOY Balance	\$ 167,628	\$ 221,147	\$ 251,969	\$ 261,269
Additions	\$ 53,519	\$ 30,822	\$ 9,300	\$ 18,790
Retirements	\$ -	\$ -	\$ -	\$ -
EOY Balance	\$ 221,147	\$ 251,969	\$ 261,269	\$ 280,059
Average	\$ 194,388	\$ 236,558	\$ 256,619	\$ 270,664
LESS:				
Avg land & Intangibles	\$ 9,108	\$ 16,608	\$ 16,608	\$ 16,608
Composite Depreciation Rate	2.4%	2.4%	2.4%	2.4%
Depreciation Expense	\$ 4,447	\$ 5,279	\$ 5,760	\$ 6,097
<b>ACCUMULATED DEPRECIATION</b>				
BOY Balance	\$ 59,724	\$ 64,171	\$ 69,450	\$ 75,210
Depreciation Expense	\$ 4,447	\$ 5,279	\$ 5,760	\$ 6,097
EOY Balance	\$ 64,171	\$ 69,450	\$ 75,210	\$ 81,307
Average	\$ 61,947	\$ 66,810	\$ 72,330	\$ 78,258
<b>CONTRIBUTION BALANCE</b>				
BOY Balance	\$ 23,743	\$ 23,144	\$ 22,546	\$ 21,947
Additions	\$ -	\$ -	\$ -	\$ -
Amortization	\$ 599	\$ 599	\$ 599	\$ 599
EOY Balance	\$ 23,144	\$ 22,546	\$ 21,947	\$ 21,349
Average	\$ 23,444	\$ 22,845	\$ 22,247	\$ 21,648
<b>CONTRIBUTED PLANT</b>				
BOY Balance	\$ 24,940	\$ 24,940	\$ 24,940	\$ 24,940
Additions	\$ -	\$ -	\$ -	\$ -
EOY Balance	\$ 24,940	\$ 24,940	\$ 24,940	\$ 24,940
Average	\$ 24,940	\$ 24,940	\$ 24,940	\$ 24,940
LESS:				
Average Land Amortization	\$ 599	\$ 599	\$ 599	\$ 599
<b>RATEBASE</b>				
Average Plant	\$ 194,388	\$ 236,558	\$ 256,619	\$ 270,664
Avg Accumulated Depreciation	\$ 61,947	\$ 66,810	\$ 72,330	\$ 78,258
Net Plant	\$ 132,440	\$ 169,748	\$ 184,289	\$ 192,406
LESS:				
Advances	0	0	0	0
Avg Cont Balance	\$ 23,444	\$ 22,845	\$ 22,247	\$ 21,648
PLUS:				
Working Cash				3500
M+S				1000
<b>RATEBASE</b>	\$ 108,996	\$ 146,903	\$ 162,043	\$ 175,258