

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3994
August 2, 1996

R E S O L U T I O N

(RES. W-3994), WEIMAR WATER COMPANY (WWC), ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING ADDITIONAL
ANNUAL REVENUES OF \$4,589 OR 2.7% IN 1996.

BY DRAFT ADVICE LETTER ACCEPTED ON MARCH 18, 1996.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$4,589, or 2.7% for test year 1996. The increase will provide a 13.25% rate of return on rate base in the test year.

BACKGROUND

WWC 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 \$18,376 or 10.5% in 1996. WWC's request shows 1996 gross revenue of \$175,165 at present rates increasing to \$193,541 at proposed rates.

WWC presently provides service to approximately 340 metered customers in a service area which is located approximately two miles north of Weimar, Placer County. WWC's service area consists of portions of Sleepy Hollow Acres and vicinity, as well as the unincorporated area including the Frey Subdivision and vicinity, located near Weimar, Placer County. WWC also provides service to 3 resale customers - Timberhills Mutual Water Company, Midway Heights County Water District, and Weimar Institute.

WWC's last general rate increase was approved on May 22, 1979, by Res. W-2519 which authorized a rate increase of \$7,700 or 37% in 1979.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of WWC's operations and issued its report in June, 1996. Appendix A shows WWC'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.

WWC was informed of the Branch's differing views of revenues, expenses, and rate base and stated that it accepts the Branch's estimates.

WVC's draft advice letter requested rates that it estimated would produce a return on rate base of 14.25%. The summary of earnings in Appendix A shows a rate of return of 13.25% at Branch's recommended rates. This rate of return is the midpoint of the range of 12.75% to 13.75% recommended by the Finance Branch of the Commission Advisory and Compliance Division for Class D water utilities. Under guidelines established in Commission 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. Using a 20% operating ratio in the operating ratio method calculation, the rate base/return method produces the greater revenue in this case.

WVC's filed tariffs currently contain two rate schedules: No. 1-A, Annual General Metered Service, and No. TR-1, Resale Service. The rates proposed by the Branch in Appendix B recover 32.7% of WVC's fixed costs through the service charges. Although current rate design policy allows Class D Water Utilities to recover 100% of its fixed costs through the service charge, WVC insists that the percentage of recovery remain at approximately 30 to 35%. Branch's proposed rates for the various meter sizes are consistent with current rate design policy.

At the Branch's recommended rates shown in Appendix B, the monthly bill for a typical residential customer with 5/8x3/4-inch meter using 13.2 Ccf (one Ccf is equal to one hundred cubic feet) of water will decrease from \$26.81 to \$26.03 or 2.9%. The monthly bill for a 2-inch resale customer using 1,573.3 Ccf of water will increase from \$1,784.1 to \$1,946.83 or 9.1%. 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 May 1, 1996. No letters protesting the rate increase were received by the Branch. The Consumer Affairs Branch (CAB) has received 12 complaints since the beginning of 1991. CAB categorized the complaints as: line extension - 1; high bill - 2; high rates - 1; rule complaint - 1, inability to pay - 1; and miscellaneous - 6. All of the complaints were resolved.

A public meeting was held on Wednesday, May 22, 1996, at the Weimar Hills School located at West Weimar Crossroad. The Branch's representative explained Commission rate-setting procedures and the utility's representative addressed issues concerning water quality/utility service, and financial conditions of the company. Five customers (four representing three of the resale customers) attended the meeting. The customers had no complaints about either the utility's service or the requested rate increase. All customers indicated that Mr. Fahlen worked very well with them, and that the utility was very well-run.

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.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Weimar 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 two rate schedules: No. 1-A, Annual General Metered Service, and No. TR-1, Resale 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. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on August 2, 1996. The following Commissioners approved it:

Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

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

APPENDIX A1

Weimar Water Company

SUMMARY OF EARNINGS
Test Year 1996

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	Rates	Rates	Rates	Rates	Rates
<u>Operating Revenue</u>					
Metered Rate	\$175,165	\$193,541	\$172,694	\$177,283	\$177,283
Total Revenue	\$175,165	\$193,541	\$172,694	\$177,283	\$177,283
<u>Operating Expenses</u>					
Water	27,527	27,527	27,527	27,527	27,527
Power	16,431	16,431	16,431	16,431	16,431
Volume Related Expenses	10,619	10,619	10,619	10,619	10,619
Employee Labor	25,900	25,900	25,900	25,900	25,900
Materials	1,975	1,975	1,975	1,975	1,975
Contract Work	1,000	1,000	1,000	1,000	1,000
Laboratory Services	800	800	1,809	1,809	1,809
Transportation	4,919	4,919	4,919	4,919	4,919
Plant Maintenance	3,366	3,366	3,366	3,366	3,366
Management's Salaries	12,000	12,000	12,000	12,000	12,000
Employee Benefits	2,000	2,000	2,000	2,000	2,000
Uncollectible Accounts	939	939	241	241	241
Office Supplies/Expenses	4,425	4,425	4,425	4,425	4,425
Professional Services	1,290	1,290	1,290	1,290	1,290
Insurance	6,432	6,432	4,762	4,762	4,762
Regulatory Expense	3,480	3,480	0	0	0
General Expense	1,982	1,982	232	232	232
Subtotal	\$125,085	\$125,085	\$118,496	\$118,496	\$118,496
Depreciation	\$16,848	\$16,848	\$15,978	\$15,978	\$15,978
Payroll Taxes	7,601	7,601	3,501	3,501	3,501
Property Taxes	2,025	2,025	2,025	2,025	2,025
State Income Tax	2,195	3,904	3,041	3,467	3,467
Federal Income Taxes	3,212	5,712	4,448	5,072	5,072
Total Deductions	\$156,966	\$161,175	\$147,489	\$148,539	\$148,539
Net Revenue	\$18,199	\$32,366	\$25,205	\$28,744	\$28,744
<u>Rate Base</u>					
Average Plant	\$794,980	\$794,980	\$794,980	794,980	\$794,980
Average Dep. Reserve	349,776	349,776	349,776	349,776	349,776
Net Plant	445,204	445,204	445,204	445,204	445,204
Less: Contributions	218,075	218,075	236,854	236,854	236,854
Plus: Working Cash			8,083	8,083	8,083
Mat'l. & Suppl.			500	500	500
Rate Base	\$227,129	\$227,129	\$216,933	\$216,933	216,933
Rate of Return	8.01%	14.25%	11.62%	13.25%	13.25%

APPENDIX B1
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Schedule 1-A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Sleepy Hollow Acres, and vicinity, located approximately two miles north of Weimar, Placer County. Also the unincorporated area including the Frey Subdivision, and vicinity located near Weimar, Placer County.

RATES

Monthly Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>	
For all water, per 100 cu. ft.....	\$ 1.35	(I) (D)

Annual Service Charge:

For 5/8x3/4-inch meter.....	\$ 98.40	
For 3/4-inch meter.....	147.60	(I)
For 1-inch meter.....	246.00	
For 1-1/2-inch meter.....	492.00	
For 2-inch meter.....	782.20	
For 3-inch meter.....	1,476.00	
For 4-inch meter.....	2,460.00	(I)

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.

(D)

APPENDIX B2
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Schedule No. TR-1

RESALE SERVICE

APPLICABILITY

Applicable to all treated water delivered for resale to the Timberhills Mutual Water Company, Midway Heights County Water District, and Weimar Institute.

TERRITORY

Provides water for resale from within the Weimar Water Company service area for the service areas of Timberhills Mutual Water Company, Midway Heights County Water District, and Weimar Institute.

RATES

Monthly Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>	
For all water, per 100 cu. ft.....	\$ 1.196	(I)

Annual Service Charge:

For 5/8x3/4-inch meter.....	\$ 98.40	
For 3/4-inch meter.....	147.60	(I)
For 1-inch meter.....	246.00	
For 1-1/2-inch meter.....	492.00	
For 2-inch meter.....	782.20	
For 3-inch meter.....	1,476.00	
For 4-inch meter.....	2,460.00	(I)

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.

(D)

APPENDIX C

A comparison of monthly customers bills at present and Branch's recommended rates for 1996 test year for a 5/8 x 3/4-inch meter for general service and a 2-inch meter for resale service are shown below:

Meter Size		Present Bill	Recommended Bill	Amount of Increase (Decrease)	Percent of Increase (Decrease)
<u>General Service</u>					
5/8"x3/4" Meter					
Using	0	\$ 8.20	\$ 8.20	\$ 0.00	0.00%
	3	11.56	12.25	0.69	5.97%
	5	14.54	14.95	0.41	2.82%
	10	21.99	21.70	(0.29)	(1.32%)
	15	29.44	28.45	(0.99)	(3.36%)
<u>Resale Service</u>					
2" Meter					
Using	1000	\$1142.00	\$1261.60	\$119.60	10.47%
	1200	1366.00	1500.80	134.80	9.87%
	1400	1590.00	1740.00	150.00	9.43%
	1600	1814.00	1979.20	165.20	9.11%
	1800	2038.00	2218.40	180.40	8.85%
	2000	2262.00	2457.60	195.60	8.65%
	2400	2710.00	2936.00	226.00	8.34%

(END OF APPENDIX C)

APPENDIX D
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Weimar Water Company

ADOPTED QUANTITIES
Test Year 1996

Expenses:

1. Purchased Power (Electric)	
Vendor	Pacific Gas and Electric
Schedules	A-10
Effective Date	1/1/96
Total Cost (\$)	\$16,431
kWh Used	
Customer Charge A-10	\$75.00
A-10: \$/kWh Used (Summer rate)	\$ 0.08915
\$/kWh Used (Winter rate)	\$ 0.07279
2. Purchased Water	
Vendor	Placer County Water Agency
Total Cost (\$)	\$ 27,527
3. Insurance Expenses	
Liability/Property	\$ 2,972
Compensation	\$ 300
Auto Insurance	\$ 1,490
Total Cost	\$ 4,762
4. Ad Valorem Taxes	\$ 2,025
Composite Tax Rate	0.9898%
Assessed Value	\$204,560
5. Payroll Taxes	\$ 3,501
Social Security	2,899
Federal Unemployment	127
State Unemployment	475

Service Connections

Metered Rate	General Service	Resale Service
5/8x3/4-inch meter	336	0
3/4-inch meter	2	0
1-inch meter	1	0
1-1/2-inch meter	0	0
2-inch meter	2	3
Water Sales		
General Service	5,357,918 Ccf	
Resale Service	5,664,047 Ccf	

APPENDIX D
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Weimar Water 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	\$177,283	\$177,283
2.	O & M Expenses	\$118,496	\$118,496
3.	Taxes Other Than Income	5,526	5,526
4.	Depreciation	15,978	15,978
6.	Taxable Income for State Tax	\$ 37,286	
7.	State Tax	\$ 3,467	
8.	Taxable Income for FIT		\$ 33,819
9.	Federal Income Tax*		\$ 5,072
10.	Total Income Tax		\$ 8,539

California Corporate Franchise Rate 9.3%

Federal Income Tax Rates

On first \$50,000 of taxable income 15%

(END OF APPENDIX D)