

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Small Water Branch

RESOLUTION NO. W-3997
September 4, 1996

R E S O L U T I O N

(RES. W-3997), TAHOE SWISS VILLAGE UTILITY, INC.-
GLENRIDGE SYSTEM (TSVU-G). ORDER AUTHORIZING AN
INTERIM GENERAL RATE INCREASE PRODUCING ADDITIONAL
ANNUAL REVENUES OF \$5,227 OR 51.56% IN 1996.

BY DRAFT NOTICE LETTER ACCEPTED ON MARCH 7, 1996.

SUMMARY

This Resolution grants an interim increase in gross annual revenues of \$5,227 or 51.56% for test year 1996. The increase will provide a 13.25% rate of return on rate base in the test year.

BACKGROUND

TSVU-G 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 \$8,515 or 84.95% in 1996. TSVU-G's request shows 1996 gross revenue of \$10,023 at present rates increasing to \$18,538 in 1996 to produce a rate of return on rate base of 15.89%. TSVU-G presently serves 39 flat-rate customers in its Glenridge Park Subdivision, located about one-fourth mile north of Meeks Bay, El Dorado County.

The present rates for the Glenridge System became effective on February 21, 1991, pursuant to Resolution No. W-3545, which authorized a general rate increase of \$3,939 or 64.7%.

DISCUSSION

The Water Utilities Branch (Branch) made an independent analysis of TSVU-G's summary of earnings and issued its report in July 1996. Appendix A shows TSVU-G's and the Branch's estimated summaries of earnings at present, requested, and adopted rates for the test year 1996. Appendix A also shows differences in operating expenses and rate base.

TSVU-G was informed of the Branch's differing views of revenues, expenses, and rate base and stated that it disagreed with the Branch's findings. Following discussions between TSVU-G and the Branch, both agreed to the summary of earnings as shown in the column headed "Adopted Rates".

According to the California Department of Health Services, the water meets all primary health standards.

TSVU-G's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 15.89%. The summary of earnings in Appendix A shows a rate of return of 13.25% in 1996 at the Branch's recommended rates. This rate of return is at the midpoint of the 12.75% to 13.75% standard rate of return range recommended by the Finance Branch for small 100% equity-financed water utilities.

TSVU-G files Annual Reports regularly and there are no outstanding Commission orders requiring improvements. However, TSVU-G reported in its 1995 annual report inaccurate figures for operating revenues and power expense. The Branch recommends that TSVU-G be put on notice that it must submit annual reports that contains only accurate figures and that the reporting of inaccurate figures in its annual reports will not be tolerated.

Commission Ordering Paragraph No. 2 of Resolution No. W-3545, effective February 21, 1991, required TSVU-G to install a suitable water production measuring device within 180 days of the effective date of the resolution. TSVU-G complied with Ordering Paragraph No. 2 in 1995, four years after the established time schedule. As a result of its noncompliance, TSVU-G was not able to determine the quantity of water produced each month from its well, as required by Section II-4b of General Order (G.O.) 103. TSVU-G, therefore, was not able to provide the Branch with historical monthly water production for its Glenridge Park System. To ensure compliance with G.O. 103, the Branch recommends that TSVU-G be required to provide monthly water production in its annual reports starting with its 1996 annual report.

One of differing items between the Branch and TSVU-G was the issue of snow removal around fire hydrants during the snow season. The Branch believes that the utility is responsible for maintaining the fire hydrant service and, therefore, allocated an annual expense of \$890 for snow removal. TSVU-G contends that it is not in business of removing snow around the fire hydrants and that it is not in TSVU-G's means to provide or agree to provide or guarantee the services associated with the snow removal around fire hydrants. Thus, TSVU-G has appealed the Branch's recommendation on this issue. Ordering Paragraph 7 of Decision 92-03-093 authorizes Class D water utilities to file for an informal hearing before an Administrative Law Judge (ALJ) to resolve any dispute that may arise in consideration by Branch of a utility's advice letter filing for rate case review.

In response to its request for comments on the TSVU-G's rate increase request, Branch received two letters, dated March 29, 1996 and April 9, 1996, from the Meeks Bay Fire Protection District (MBFPD) indicating that MBFPD does not have an agreement with TSVU-G for removal of snow around the fire hydrants and that TSVU-G does not remove or shovel snow around the fire hydrants during the winter, thus possibly posing a danger to structures during a fire. Since this issue has never come up before and the TSVU-G disputes Branch's recommendation, it should be set aside pending an informal hearing with the ALJ's and the Commission's final recommended decision.

According to TSVU-G, it has not paid property taxes since 1990 when it bought the Glenridge System because the previous owner received a waiver from the county. In view of the fact that TSVU-G was authorized expenses for property taxes in its last general rate increase in 1991 and TSVU-G never paid any

property taxes, the Branch disallowed the property taxes which TSWU-G estimated at \$232. However, should TSWU-G start paying property taxes in future, Branch recommends it be allowed to file an advice letter requesting recovery of the property taxes.

In the past three years, TSWU-G has sold undetermined amounts of water from fire hydrants to the U.S. Forest Service and a company engaged in logging operation. However, TSWU-G does not have a tariff rate schedule on file for measured rate service to trucks. Therefore, Branch recommends that TSWU-G be required to file a tariff schedule for measured service to trucks.

TSWU-G's filed tariffs for its Glenridge system currently contain two rate schedules: Schedule No. 1AR, Annual Metered Service, and Schedule No. 2AR, Annual Residential Flat Rate Service. Although there are no metered services, TSWU-G wishes to retain the metered schedule in order to afford its customers the opportunity to obtain metered services. The Branch concurs. The Branch also recommends that Schedule No. 3AR, Measured Service for Trucks, be added to TSWU-G's tariffs to account for water sold to any users of this service. The rates proposed by the Branch are included herein as Appendix B, pages 1, 2, and 3.

TSWU-G's filed tariffs do not contain recent revisions to Tariff Schedule UF, Schedule LC, Tariff Rule Nos. 5, 8, 10, 15, 16, 20, and 21, and Form No. 12. TSWU-G should be ordered to file up-to-date tariffs to replace these obsolete rules.

At the Branch's recommended rates shown in Appendices B and B-1, the annual bill for a typical flat-rate customer will increase from \$257 to \$391, or an increase of 52.15%. A comparison of 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 March 11, 1996. The Branch received five letters protesting the rate increase. The Commission's Consumer Affairs Branch received no complaints in the last three years.

A public meeting was held on Monday, April 15, 1996, at the Meeks Bay Fire Station. 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 with their primary concern being TSWU-G's expenses, investment, and profitability of the company.

FINDINGS AND CONCLUSIONS

1. The Branch's recommended interim summary of earnings (Appendix A) is reasonable and should be adopted.
2. The interim rates recommended by the Branch (Appendix B) are reasonable and should be adopted subject to adjustment as noted in Finding No. 4 below.

3. The interim quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. The interim rate increase authorized herein is justified, and the resulting rates are just and reasonable but should be subject to refund pending the completion of Administrative Law Judge's recommended decision regarding the issue of snow removal around fire hydrants.
5. TSVU-G should be ordered to file a revised 1995 annual report for its Glenridge Park System to correct the incorrect figures reported for total operating revenue and power expense.
6. Should TSVU-G start paying property taxes in the future, it should be allowed to file an advice letter requesting recovery of that expense.
7. TSVU-G should be ordered to file Tariff Schedule No. 3AR, Measured Service for Trucks attached as Appendix B to this resolution.
8. TSVU-G should be ordered to include in its annual reports, starting with 1996, the monthly water production, including monthly water sales under Tariff Schedule No. 3AR-Measured Service For Trucks.
9. TSVU-G should be ordered to file updated Tariff Schedule UF, Schedule LC, Tariff Rule Nos. 5, 8, 10, 15, 16, 20, and 21, and Form No. 12.
10. TSVU-G should be put on notice that noncompliance with Commission orders will not be tolerated and that annual reports must reflect the operations of the utility correctly and completely.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Tahoe Swiss Village Utility, Inc. to file an advice letter for its Glenridge system incorporating the summary of earnings and the schedules attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate Schedule Nos. 1AR (Annual Metered Service), and 2AR, (Annual Residential Flat Rate 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. The interim rate increase authorized herein is subject to refund pending the Commission's decision regarding the issue of snow removal around fire hydrants.
3. Within 60 days of the effective date of this resolution, Tahoe Swiss Village Utility, Inc. shall file a corrected 1995 Annual Report.
4. Within 60 days of the effective date of this resolution, Tahoe Swiss Village Utility, Inc. shall file updated Tariff Schedule UF, Schedule LC, Tariff Rule Nos. 5, 8, 10, 15, 16, 20, and 21, and Form No. 12.
5. Tahoe Swiss Village Utility, Inc. shall include in its annual reports, starting with 1996, the monthly water production and sales and annual revenues under Tariff Schedule No. 3AR, Measured Service For Trucks.

September 4, 1996

6. If Tahoe Swiss Village Utility, Inc. is required to start paying property taxes in the future, it is authorized to file an advice letter requesting the recovery of such expenses.

7. Tahoe Swiss Village Utility, Inc. is put on notice that future noncompliance with Commission orders will put the utility subject to sanctions by the Commission.

8. All future annual reports filed by Tahoe Swiss Village Utility, Inc. must reflect the operations of the utility in a correct, complete and professional manner.

9. Tahoe Swiss Village Utility, Inc. shall, within 60 days of this order, request an informal hearing with an Administrative Law Judge to define the utility's obligation for snow removal under General Order 103.

10. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 4, 1996. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

DANIEL Wm. FESSLER
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

President P. Gregory Conlon,
being necessarily absent, did
not participate.

APPENDIX A

TAHOE SWISS VILLAGE UTILITY, INC.
Glenridge Park System

SUMMARY OF EARNINGS
Test Year 1996

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Flat	10,023	18,538	10,023	18,538	15,250
Other	0	0	114	114	114
Total Revenue	10,023	18,538	10,137	18,652	15,364
<u>Operating Expenses</u>					
Purchased Power	2,700	2,700	2,071	2,071	2,071
Other Volume Rel. Exp.	404	404	0	0	0
Materials	270	270	270	270	270
Contract Work (Excl. Water Testing)	925	925	925	925	925
Water Testing	402	402	402	402	402
Transportation Exp.	300	300	300	300	300
Other Plant Maintenance	300	300	300	300	300
Management Salaries	1,200	1,200	1,200	1,200	1,200
Employee Pen. & Ben.	200	200	200	200	200
Office Supplies & Exp.	150	150	150	150	150
Professional Services	315	315	315	315	315
Insurance	270	270	270	270	270
Regulatory Comm. Exp.	112	112	112	112	112
General Expense	100	100	100	100	100
Total Expenses	7,648	7,648	6,615	6,615	6,615
Depreciation	1,875	1,875	2,007	2,007	2,007
Property Taxes	232	232	0	0	0
Payroll Taxes	302	302	111	111	111
Income Taxes	800	2,124	874	2,272	1,675
Total Deductions	10,857	12,181	9,606	11,004	10,408
<u>Net Revenue</u>	(834)	6,357	531	7,648	4,956
Average Plant	82,801	82,801	80,613	80,613	80,613
Average Depr. Res.	42,902	42,902	43,310	43,310	43,310
Net Plant	39,899	39,899	37,303	37,303	37,303
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l. & Supp	100	100	100	100	100
<u>Rate Base</u>	39,999	39,999	37,403	37,403	37,403
<u>Rate of Return</u>	(2.09%)	15.89%	1.42%	20.45%	13.25%

APPENDIX B
Page 1

TAHOE SWISS VILLAGE UTILITY, INC.
Glenridge Park System

Schedule No. 1AR

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Glenridge Park Subdivision, and vicinity, located about one-fourth mile north of Meeks Bay, El Dorado County.

RATES

Quantity Rate:	Per Meter Per Month	
All water per 100 cu. ft.	\$ 2.01	(I)
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$ 181.00	(I)
For 3/4-inch meter.....	198.00	
For 1-inch meter.....	271.00	
For 1-1/2-inch meter.....	361.00	
For 2-inch meter.....	487.00	(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.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)
(L)

APPENDIX B
Page 2

TAHOE SWISS VILLAGE UTILITY, INC.
Glenridge Park System

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Glenridge Park Subdivision, and vicinity, located about one-fourth mile north of Meeks Bay, El Dorado County.

RATES

	<u>Per Service Connection</u> <u>Per Year</u>	
For a single-family residential unit, 3/4-inch size, including premises	\$391.00	(I)
For each additional single-family residential unit on the same premises and served from the same 3/4-inch service connection.....	\$326.00	(I)
For a single-family residential unit, 1-inch size, including premises.....	\$651.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connections not larger than one-inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual General 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 minimum meter service charge for the same period shall be made on or before that day.

(continued)

September 4, 1996

APPENDIX B
Page 3

Schedule No. 2AR
(continued)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (continued)

4. The annual flat rate 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 flat rate charges in advance at intervals of less than one year in accordance with the utility's established billing periods.
5. The established billing cycle is every six months.
6. The opening bill for flat rate service shall be the established annual flat rate 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 charges 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.
7. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPENDIX B
Page 4

TAHOE SWISS VILLAGE UTILITY, INC.
GLENRIDGE PARK SYSTEM

Schedule No. 3AR

MEASURED SERVICE FOR TRUCKS

APPLICABILITY

Applicable to all tank truck water sales.

TERRITORY

Glenridge Park Subdivision, and vicinity, located about one-fourth mile north of Meeks Bay, El Dorado County.

RATES

Quantity Rate

Per 100 cu.ft.	\$2.01	(N)
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Service Charge

Per day of service rendered	\$8.50	(N)
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SPECIAL CONDITIONS

1. All bills are subject to reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C
Page 1

TAHOE SWISS VILLAGE UTILITY, INC.
Glenridge Park System

COMPARISON OF RATES

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

FLAT RATE SERVICE

	<u>Per Connection Per Year</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
For single-family residential unit, 3/4-inch size, including premises.....	\$ 257.00	\$391.00	52.15%
For each additional single-family residential unit on the same premises and service from the same 3/4-inch service..	214.00	326.00	52.15%
For a single-family residential unit, 1-inch size, including premises.....	428.00	651.00	52.15%

METERED SERVICE

	<u>Per Meter Per Year</u>		<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8x3/4-inch meter	\$119.00	\$181.00	52.15%
For 3/4-inch meter	130.00	198.00	52.15%
For 1-inch meter	178.00	271.00	52.15%
For 1-1/2-inch meter	237.00	361.00	52.15%
For 2-inch meter	320.00	487.00	52.15%

Quantity Rates:

Per 100 cu.ft.	\$ 1.32	\$ 2.01	52.15%
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(END OF APPENDIX C)

APPENDIX D

Page 1

TAHOE SWISS VILLAGE UTILITY, INC.
Glenridge Park System

ADOPTED QUANTITIES

Test Year 1996

Federal Tax Rate: 15%
State Tax Rate (Minimum \$800): 9.3%

Expenses:

1. Purchased Power:
Sierra Pacific Power Company
Rate Schedule: A-1
Effective Date: January 1, 1995

kWh Used	22,417
Energy Charge (\$/kWh)	0.08809
PUC Reimbursement Surcharge Fee (\$/kWh)	0.00012
Energy Commission Surcharge (\$/kWh)	0.00020
Total Effective Rate (\$/kWh)	0.08841
Customer Charge (\$/Month)	8.00

Service Connections

Metered Connection

5/8 x 3/4-inch meter	0
4-inch meter	0
1-inch meter	0
1-1/2-inch meter	0
2-inch meter	0

General Flat Rate Service

Residential

1. For a single-family residential unit
unit, 3/4-inch size, including premises 39
 2. For each additional single-family
residential unit on the same premises
and served from the same 3/4-inch service
connection 0
 3. For a single-family residential
unit, 1-inch size, including premises 0
- Total 39

APPENDIX D
Page 2

TAHOE SWISS VILLAGE UTILITY, INC.
Glenridge Park System

ADOPTED INCOME TAX CALCULATIONS
Test Year 1996

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$ 15,364	\$ 15,364
2.	Expenses	6,615	6,615
3.	Taxes Other Than Income	111	111
4.	Depreciation Expense	2,007	2,007
5.	Interest	0	0
6.	Depreciation on Taxed Cont.	0	0
7.	Taxable Income for State Tax	6,631	
8.	State Tax @ 9.3% (\$800 Min.)	800	800
9.	Taxable Income for FIT		5,831
10.	Federal Income Tax @ 15%		875
11.	Total Income Tax		\$ 1,675

(END OF APPENDIX D)