

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Small Water Branch

RESOLUTION NO. W-3998
September 4, 1996

R E S O L U T I O N

(RES. W-3998), GEYSERVILLE WATER WORKS (GWW),
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$9,232 OR 11.75% IN 1996.

BY DRAFT ADVICE LETTER ACCEPTED ON MARCH 29, 1996.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$9,232 or 11.75%, for test year 1996. The increase will provide a 13.75% rate of return on rate base in the test year.

BACKGROUND

GWW 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 \$22,214 or 28.28% in 1996. GWW's request shows 1996 gross revenue of \$78,550 at present rates increasing to \$100,764 at proposed rates.

GWW presently provides service to approximately 203 metered customers and 82 flat rate customers in Geyserville and vicinity, Sonoma County.

GWW's present rates were authorized by Resolution W-3878, dated September 1, 1994, which granted an offset rate increase of \$3,810 or 5.27%. GWW's last general rate increase was authorized by Resolution W-3772, dated May 19, 1993, which granted an increase of \$19,780 or 37.6%.

DISCUSSION

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

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

GWW'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 13.75% at Branch's recommended rates. This rate of return is at the high end 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. This rate is recommended because GWW is a very efficiently

operated small water utility. 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.

GW's filed tariffs currently contain two rate schedules: No. 1, General Metered Service, and No. 2, General Flat Rate Service. The Branch's proposed General Flat Rate Schedule shown in Appendix B, was derived by increasing the present rates by the system average increase authorized in this resolution. The Branch's proposed General Metered Rate Schedule shown in Appendix B, moves toward conforming with the current rate design policy for Class D water utilities, as stated in D.93-03-093 dated March 31, 1992, which allows for the recovery of up to 100% of fixed costs through service charge. Branch's metered rate design increases the current 44% recovery of fixed costs in service charges to 50%. Branch's metered rate design also attempts to approach the "service charge allocation by meter size" ratios established in Branch's Rate Design Policy Memorandum dated January 18, 1991, by recommending service charge ratios that fall midway between the ratios in GW's present rates and the ratios established in the Branch's Rate Design Policy Memorandum.

At the Branch's recommended rates shown in Appendix B, the monthly bill for a 5/8x3/4-inch metered customer using 10.0 Ccf (one Ccf is equal to one hundred cubic feet) of water will increase from \$15.00 to \$16.55 or 10.33%. 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.

GW's filed tariffs do not contain the recent revisions to its Rules 5, 8, 11, 20, and 21. The Branch recommends that GW be ordered to file these revisions to its tariffs.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on May 7, 1996. No letters protesting the rate increase were received by the Branch. The Commission's Consumer Affairs Branch (CAB) has not received any complaints over the last four years.

A public meeting was scheduled for Wednesday, May 28, 1996, at the Geyserville Elementary School located on the northwestern part of town. The date, time and location of the meeting were specified in the notice of rate increase mailed to each customer on May 7, 1996. Branch and utility representatives were present and waited for approximately 40 minutes after the meeting was scheduled to start. No one showed up.

September 4, 1996

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.
5. GW's filed tariffs do not contain the recent revisions to its Rules 5, 8, 10, 11, 20, and 21.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Geyserville Water Works 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, General Metered Service, and No. 2, General 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. Within 90 days of the effective date of this order, Geyserville Water Works should also file the recent revisions to its Rules 5, 8, 10, 11, 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 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

Geyserville Water Works

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>					
Flat Rate	\$ 19,290	\$ 24,743	\$ 19,290	\$ 24,743	\$ 21,560
Metered Rate	59,260	76,021	59,260	76,021	66,222
Total Revenue	\$ 78,550	\$100,764	\$ 78,550	\$100,764	\$ 87,782
<u>Operating Expenses</u>					
Purchased Power	7,000	7,000	6,597	6,597	6,597
Other Volume Related	450	450	450	450	450
Employee Labor	0	0	0	0	0
Materials	0	0	0	0	0
Contract Work	4,500	4,500	4,500	4,500	4,500
Water Testing	800	800	800	800	800
Transportation	2,220	2,220	2,220	2,220	2,220
Other Plant Maintenance	1,550	1,550	1,550	1,550	1,550
Office Salaries	11,400	11,400	11,400	11,400	11,400
Management Salaries	12,500	12,500	12,500	12,500	12,500
Employee Benefits	0	0	0	0	0
Uncollectibles	0	0	0	0	0
Office Svcs. and Rent	1,440	1,440	1,440	1,440	1,440
Office Supplies	3,500	3,500	3,500	3,500	3,500
Professional Services	1,000	1,000	1,000	1,000	1,000
Insurance	2,000	2,000	2,000	2,000	2,000
Regulatory	0	0	0	0	0
General	900	900	981	981	981
Subtotal	\$ 49,260	\$ 49,260	\$ 48,938	\$ 48,938	\$ 48,938
Depreciation	\$ 5,505	\$ 5,505	\$ 5,115	\$ 5,115	\$ 5,115
Property Taxes	1,062	1,062	1,062	1,062	1,062
Income Taxes	10,290	10,290	5,368	10,456	7,476
Total Deductions	\$ 66,117	\$ 66,117	\$ 60,483	\$ 65,571	\$ 62,591
Net Revenue	12,050	34,647	18,067	35,193	25,191
<u>Rate Base</u>					
Average Plant	\$380,039	\$380,039	\$318,420	\$318,420	\$318,420
Average Dep. Reserve	82,368	82,368	80,888	80,888	80,888
Net Plant	297,671	297,671	237,532	237,532	237,532
Less: Advances	0	0	0	0	0
Contributions	55,531	55,531	55,531	55,531	55,531
Deferred Taxes	0	0	0	0	0
Plus: Construction work in progress	0	0	0	0	0
Mat'l. & Supplies	1,000	1,000	1,000	1,000	1,000
Rate Base	\$243,140	\$243,140	\$183,001	\$183,001	\$183,001
Rate of Return	4.96%	14.25%	9.87%	19.23%	13.75%

APPENDIX B
Page 1

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Geyserville and vicinity, Sonoma County

RATES

	<u>Per Meter</u> <u>Per Month</u>	
<u>Quantity Rate:</u>		
All water, per 100 cu. ft.....	\$ 0.715	(I)
<u>Service Charge:</u>		
For 5/8x3/4-inch meter.....	\$ 9.40	(I)
For 3/4-inch meter.....	13.45	
For 1-inch meter.....	20.55	
For 1-1/2-inch meter.....	34.95	
For 2-inch meter.....	53.55	
For 3-inch meter.....	121.95	
For 4-inch meter.....	183.00	
For 6-inch meter.....	307.15	(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 in Schedule No. UF

(continued)

APPENDIX B
Page 2

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Geyserville and vicinity, Sonoma County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
1. For a single-family residential unit.....	\$ 23.30	(I)
a. For each additional single-family unit on the same premise and served from the same service connection....	\$ 16.55	(I)
2. For commercial establishments.....	\$ 18.85	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one-inch in diameter.
2. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No.1, General Metered Service.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C
COMPARISON OF RATES

A comparison of the present and Branch's recommended rates 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	\$ 8.00	\$ 9.40	17.50%
For 3/4-inch meter	10.90	13.45	23.39%
For 1-inch meter	15.00	20.55	37.00%
For 1-1/2-inch meter	19.50	34.95	79.23%
For 2-inch meter	27.10	53.55	97.60%
For 3-inch meter	87.60	121.95	39.21%
For 4-inch meter	111.50	183.00	64.12%
For 6-inch meter	167.30	307.15	83.59%

Quantity Rates:

Per 100 cu. ft	\$ 0.70	\$ 0.715	2.14%
----------------	---------	----------	-------

A comparison of monthly customers bills at present and Branch's recommended rates for 1995 test year for a 5/8 x 3/4-inch meter is shown below:

<u>Consumption (Ccf)</u>	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
0.0	\$ 8.00	\$ 9.40	17.50
3.0	10.10	11.54	14.31
5.0	11.50	12.97	12.83
10.0	15.00	16.55	10.33
20.0	22.00	23.70	7.73

(END OF APPENDIX C)

APPENDIX D
Page 1

Geyserville Water Works

ADOPTED QUANTITIES
Test Year 1996

Expenses:

1. Purchased Power (Electric)

Vendor	Pacific Gas and Electric	
Schedules	A 6 P	
Effective Date	Jan 1, 1996	
Total Cost (\$)	\$ 6,597	
kwh Used	75,053	
Customer Charge	\$ 12.00 (per month)	
Meter Charge	\$ 6.80 (per month)	
Energy Charge:	<u>Summer</u>	<u>Winter</u>
Peak	\$0.23258	
Partial Peak	\$0.10288	\$0.11562
Off-Peak	\$0.05618	\$0.07169

2. Purchased water

None

3. Insurance Expenses

\$ 2,000

4. Ad Valorem Taxes

\$ 1,062

Composite Tax Rate 1.087%

Assessed Value \$97,646

Service Connections

Metered Rate

5/8x3/4-inch meter	190
3/4-inch meter	0
1-inch meter	3
1-1/2-inch meter	3
2-inch meter	<u>7</u>

Flat Rate

Residential	60
Additional Small	7
Commercial	<u>15</u>

Total 203

82

Total Metered Water Consumption

53,576 Ccf

APPENDIX D
Page 2

Geyserville Water Works

ADOPTED TAX CALCULATIONS
Test Year 1996

<u>Line No.</u>	<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1.	Operating Revenue	\$ 87,782	\$ 87,782
2.	O & M Expenses	\$ 48,857	\$ 48,857
3.	Taxes Other Than Income	\$ 1,062	\$ 1,062
4.	Depreciation	\$ 5,115	\$ 5,115
5.	Taxable Income for State Tax	\$ 32,667	
6.	State Tax	\$ 3,035	
7.	Taxable Income for FIT		\$ 29,632
8.	Federal Income Tax		\$ 4,440
9.	Total Income Tax	\$ 7,475	

California Corporate Franchise Rate 9.3%

Federal Income Tax Rates

On first \$50,000 taxable income	15%
On next \$25,000 taxable income	25%
On next \$25,000 taxable income	34%

(END OF APPENDIX D)