

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Small Water Branch

RESOLUTION NO. W-4003*
October 25, 1996

R E S O L U T I O N

(RES. W-4003), FRUITRIDGE VISTA WATER COMPANY (FWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$83,803 OR 9.53% IN 1996.

BY DRAFT ADVICE LETTER ACCEPTED ON SEPTEMBER 13, 1995.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$83,803 or 9.53% for test year 1996. The increase will provide an 11.00% rate of return on rate base in the test year.

BACKGROUND

FWC 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 \$84,490 or 9.60% in 1995. In addition, FWC also requested Consumer Price Index (CPI) increases in the years 1996 and 1997. FWC's request shows 1995 gross revenue of \$879,500 at present rates increasing to \$963,990 at proposed rates.

FWC presently provides service to approximately 444 metered customers and 4,101 flat rate customers in Fruitridge Vista and vicinities, south of Sacramento, Sacramento County.

FWC's present rates were authorized by Resolution W-3668 dated August 11, 1992, which granted a general rate increase of \$76,808 or 9.97%.

DISCUSSION

The Small Water Branch (Branch) made an independent analysis of FWC's operations and issued its report in May, 1996. Appendix A shows FWC'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. FWC used a 1995 test year in its rate increase request. Since the increase authorized in the resolution will take place in 1996, the Branch's recommendations are based on a 1996 test year. Branch found utility's request to increase rates by the CPI in years subsequent to the test year as reasonable, and therefore recommends the CPI increases for 1997 and 1998.

FWC was informed of the Branch's differing views of revenues, expenses, and rate base and FWC disagreed with the Branch. Subsequent negotiations with the Branch, Program Manager, and Division Director have resulted in the final figures adopted in this resolution.

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FWC's draft advice letter requested rates that it estimated would produce a return on rate base of 11.05%. The summary of earnings in Appendix A shows a rate of return of 11.00% at Branch's recommended rates. This rate of return is at the high end of the range of 10.5% to 11.0% recommended by the Finance Branch of the Commission Advisory and Compliance Division for Class B water utilities. This rate is recommended because FWC is a very efficiently operated 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.

FWC's filed tariffs currently contain four rate schedules: No. 1, Metered Service; No. 2, Flat Rate Service; No. 4, Private Fire Protection Service, and No. 9, Metered Construction Service. The Branch's proposed rate schedules are shown in Appendix B.

The adopted quantities and tax calculations are shown in Appendix D.

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 of water will increase from \$8.15 to \$8.92 or 9.45%. 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.

FWC's filed tariffs do not contain the recent revisions to its Rules 5, 8, 10, 11, 15, 16, 20, and 21. The Branch recommends that FWC 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 November 20, 1995. Two letters protesting the rate increase were received by the Branch. The Commission's Consumer Affairs Branch (CAB) has received 15 complaints over the last four years. All complaints were responded to immediately and resolved.

A public meeting was held on December 7, 1995, at the Fruitridge Community Center, located on the northern edge of the service area. The date, time and location of the meeting were specified in the notice of rate increase mailed to each customer on November 20, 1995. The Branch representatives explained Commission rate setting procedures and the utility's representatives explained the need for the rate increase. Six customers attended the meeting. Customers expressed concerns about the magnitude of the rate increase. One customer complained about the presence of particles in his water. The company has investigated the problem, and it has been resolved.

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FINDINGS AND CONCLUSIONS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. Utility should be authorized to file CPI increases in 1997 and 1998. Before the CPI increase is granted, FWC must demonstrate that projected revenues after the CPI increases, will not exceed a rate of return of 11%.
3. The rates 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. FWC's filed tariffs do not contain the recent revisions to its Title Page, Rules 5, 8, 10, 11, 15, 16, 20, and 21, and the Uniform Fire Hydrant Service Agreement.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Fruitridge Vista 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. 1, General Metered Service and No. 2, General Flat Rate Service, and Schedule No. 4, Private Fire Protection 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. Utility is authorized to file CPI increases in 1997 and 1998. Before the CPI increase is granted, FWC must demonstrate that projected revenues after the CPI increase will not exceed a rate of return of 11%.
3. Within 90 days of the effective date of this order, Fruitridge Vista Water Works is authorized to file the recent revisions to its Title Page, Rules 5, 8, 10, 11, 15, 16, 20, and 21, and the Uniform Fire Hydrant Service Agreement.

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4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on October 25, 1996. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

P. GREGORY CONLON
President

JESSIE J. KNIGHT, Jr.

HENRY M. DUQUE

JOSIAH L. NEEPER

Commissioners

Commissioner Daniel Wm. Fessler,
being necessarily absent,
did not participate.

APPENDIX A

Fruitridge Vista Water Company

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 Rate	\$505,200	\$553,780	\$505,191	\$553,117	\$554,209
Metered Rate	367,260	402,540	367,259	402,371	401,642
Private Fire	5,440	6,050	5,544	6,132	6,048
Other Revenue	1,600	1,620	1,600	1,620	1,497
Total Revenue	\$879,500	\$963,990	\$879,594	\$963,240	\$963,397
<u>Operating Expenses</u>					
Purchased Power	120,410	120,410	120,410	120,410	120,410
Other Volume Related	12,000	12,000	12,000	12,000	12,000
Employee Labor	135,020	135,020	140,143	140,143	140,143
Materials	25,580	25,580	25,492	25,492	25,492
Contract Work	14,410	14,410	15,147	15,147	15,147
Transportation	30,790	30,790	22,542	22,542	22,542
Other Plant Maintenance	34,800	34,800	30,829	30,829	30,829
Office Salaries	59,790	59,790	58,105	58,105	58,105
Management Salaries	72,720	72,720	75,995	75,995	75,995
Employee Benefits	50,650	50,650	59,334	59,334	59,334
Uncollectible Accounts	3,850	3,850	3,223	3,223	3,223
Office Svcs. and Rent	30,090	30,090	28,282	28,282	28,282
Office Supplies	28,430	28,430	29,998	29,998	29,998
Professional Services	9,900	9,900	8,000	8,000	8,000
Insurance	46,140	46,140	39,056	39,056	39,056
Regulatory	2,100	2,100	2,500	2,500	2,500
General	17,440	17,440	15,227	15,227	15,227
Subtotal	\$694,120	\$694,120	\$686,283	\$686,283	\$686,283
Less 7,000 to capital	\$687,120	\$687,120			
Depreciation	\$77,770	\$77,770	\$78,988	\$78,988	\$78,988
Property Taxes	15,409	15,409	15,409	15,409	15,409
Payroll Taxes	27,244	27,244	26,632	26,632	26,632
Income Taxes	18,010	53,140	15,541	52,908	52,978
Total Deductions	\$825,550	\$860,683	\$822,852	\$860,220	\$860,290
Net Revenue	53,947	103,307	56,742	103,020	103,109
<u>Rate Base</u>					
Average Plant	\$3,397,125	\$3,397,125	\$3,440,743	\$3,440,743	\$3,440,743
Average Dep. Reserve	1,558,260	1,558,260	1,615,876	1,615,876	1,615,876
Net Plant	1,838,865	1,838,865	1,824,867	1,824,867	1,824,867
Less: Advances	396,663	396,663	387,364	387,364	387,364
Contributions	389,098	389,098	371,944	371,944	371,944
Deferred Taxes	134,224	134,224	141,234	141,234	141,234
Plus: Construction work in progress	381	381	0	0	0
Mat'l. & Supplies	15,500	15,500	13,013	13,013	13,013
Rate Base	\$934,760	\$934,760	\$937,338	\$937,338	\$937,338
Rate of Return	5.77%	11.05%	6.05%	10.99%	11.0%

(END OF APPENDIX A)

APPENDIX B
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Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Fruitridge Vista, Sandra Heights, Pacific Terrace, and Bowling Green subdivisions and vicinity, south of Sacramento, Sacramento County.

RATES

<u>Quantity Rate:</u>	<u>Per Meter</u>	
	<u>Per Month</u>	
All water, per 100 cu. ft.....	\$ 0.262	(I)
<u>Service Charge:</u>		
For 5/8x3/4-inch meter.....	\$ 6.30	(I)
For 3/4-inch meter.....	9.45	
For 1-inch meter.....	15.75	
For 1-1/2-inch meter.....	31.50	
For 2-inch meter.....	50.40	
For 3-inch meter.....	94.45	
For 4-inch meter.....	157.45	
For 6-inch meter.....	314.90	(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. A late charge will be imposed per Schedule No. IC.
2. 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.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Fruitridge Vista, Sandra Heights, Pacific Terrace, and Bowling Green subdivisions and vicinity, south of Sacramento, Sacramento County.

RATES

	<u>Per Service Connection Per Month</u>	
1. For a single residential unit, including premises not exceeding 10,000 sq. ft. in area.....	\$ 10.60	(I)
a. For each additional single-family unit on the same premise and served from the same service connection	\$ 6.80	(I)
b. For each 100 sq. ft. of premises in excess of 10,000 sq. ft.....	\$ 0.10	(I)
2. For each automobile service station, including car wash-rack, where service connection is not larger than one-inch in diameter.....	\$ 22.40	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one-inch in diameter.
2. If the utility so elects, a meter shall be installed and water served under Schedule No. 1, Metered Service.
3. A late charge will be imposed per Schedule No. LC.
4. 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.
5. All bills are subject to the reimbursement fee 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

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and immediately adjoining territory, all located in Sacramento County adjacent to the southerly limits of the City of Sacramento.

RATES

Per Month

For each inch of diameter of service connection..... \$ 3.60 (I)

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection shall be four inches, and the maximum diameter shall not be more than the diameter of the water 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 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 connection for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to the 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 paid by the applicant. Such payment shall not be subject to refund.
5. The utility will supply only such water at such pressure as may be available from time to time as a result of the normal operations of the system.
6. All bills are subject to the reimbursement fee set forth in Schedule No. UP.

(END OF APPENDIX B)

APPENDIX C

COMPARISON OF RATES

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

METERED SERVICE

	<u>Per Meter Per Month</u>		<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8x3/4-inch meter	\$ 5.75	\$ 6.30	9.53%
For 3/4-inch meter	8.60	9.45	9.85%
For 1-inch meter	14.40	15.75	9.38%
For 1-1/2-inch meter	28.75	31.50	9.57%
For 2-inch meter	46.00	50.40	9.57%
For 3-inch meter	86.25	94.45	9.51%
For 4-inch meter	143.75	157.45	9.53%
For 6-inch meter	287.50	314.90	9.53%

Quantity Rates:

Per 100 cu. ft.....	\$ 0.240	\$ 0.262	9.17%
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Usage for a typical residential customer on a 5/8x3/4" meter using an average of 1561 Ccf/yr:

<u>Usage Ccf/Yr.</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
1,561	\$ 380.39	\$ 415.28	\$ 34.89	9.17%

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	\$ 5.75	\$ 6.30	9.53
3.0	6.47	7.09	9.52
5.0	6.95	7.61	9.50
10.0	8.15	8.92	9.45
20.0	10.55	11.54	9.38

ANNUAL FLAT RATE SERVICE

	<u>Per Connection Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
1. For a single-family residential unit or a small business establishment served by a 3/4-inch service, including premises.....	\$ 9.65	\$ 10.60	9.84%
a. For each additional single-family residential or small business establishment on the same premises and served from the same 3/4" service connection	\$ 6.20	\$ 6.80	9.67%

(END OF APPENDIX C)

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Fruitridge Vista Water Company

ADOPTED QUANTITIES
Test Year 1996

Expenses:

1. Purchased power (Electric)		
Vendor	Sacramento Municipal District	
Schedules	GS 27 and GS 47	
Effective Date	May 18, 1995	
Total Cost (\$)	\$120,410	
kwh Used	1,437,152	
Small Commercial GS 27		
\$/kwh Used (Summer rate)		\$0.08047
\$/kwh Used (Winter rate)	\$0.07294	
Large C & I GS 47	Energy Charge	Demand Charge
\$/kwh Used (Summer rate)	\$0.08049	\$8.35
\$/kwh Used (Winter rate)	\$0.07270	\$6.90
2. Purchased water		
	None	
3. Insurance Expenses		
	\$	39,056
4. Ad Valorem Taxes		
	\$	15,409
Composite Tax Rate		1.02%
Assessed Value		\$1,510,686
5. Payroll Taxes		
	\$	24,614
FICA		65%
Federal Unemployment		0.8%
State Unemployment		5.4%
State Employment Training		0.1%

Service Connections

Metered Rate	
5/8x3/4-inch meter	0
3/4-inch meter	4
1-inch meter	150
1-1/2-inch meter	103
2-inch meter	144
3-inch meter	27
4-inch meter	10
6-inch meter	3
Flat Rate	4104
Average Water Production per customer	1,581 Ccf

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Fruitridge Vista 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	\$963,397	\$963,397
2.	O & M Expenses	\$686,283	\$686,283
3.	Taxes Other Than Income	\$ 42,041	\$ 42,041
4.	Depreciation	\$ 78,988	\$ 78,988
6.	Taxable Income for State Tax	\$156,085	
7.	State Tax	\$ 14,516	\$ 14,516
8.	Taxable Income for FIT		\$141,569
9.	Federal Income Tax		\$ 38,462
10.	Total Income Tax	\$ 52,978	

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%
On next \$235,000 taxable income 39%

(END OF APPENDIX D)