

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION  
Small Water Branch

RESOLUTION NO. W-4005  
October 25, 1996

R E S O L U T I O N

(RES. W-4005), INTERSTATE 5 UTILITY COMPANY, INC. (WATER)  
(I-5WC). ORDER AUTHORIZING A GENERAL RATE INCREASE  
PRODUCING ADDITIONAL ANNUAL REVENUES OF \$1,102 OR 2.85%  
IN 1996.

BY DRAFT ADVICE LETTER ACCEPTED ON JUNE 17, 1996.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$1,102, or 2.85% for test year 1996. The increase will provide a 13.25% rate of return on rate base in the test year.

BACKGROUND

I-5WC 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 \$11,341 or 29.33% in 1996. I-5WC's request shows 1996 gross revenue of \$38,667 at present rates increasing to \$50,008 at proposed rates.

I-5WC presently provides service to approximately 18 metered customers in a service area which is located approximately 23 miles west of the City of Bakersfield. I-5WC's service area consists of the unincorporated Kern County area near Buttonwillow at the intersection of Interstate Route 5 and State Route 58.

I-5WC's last general rate increase was approved on June 17, 1992, by Res. W-3651 which authorized a rate increase of \$6,043 or 17.56% in 1992. The rates were further increased on August 9, 1993, by 2.9% to reflect the increase in the Consumer Price Index.

DISCUSSION

The Small Water Branch (Branch) made an independent analysis of I-5WC's operations and issued its report in September, 1996. Appendix A shows I-5WC'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.

I-5WC was informed of the Branch's differing views of revenues, expenses, and rate base and stated that it accepts the Branch's estimates.

I-5WC'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

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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.

I-5WC's filed tariff currently contains one rate schedule: No. 1, General Metered Service. Current rate design recovers 120% of fixed costs through the service charges. The rates proposed by the Branch in Appendix B recover 100% of I-5WC's fixed costs through the service charges which is consistent with current rate design policy for Class D Water Utilities. 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 1-inch general meter customer using 75 Ccf of water will increase from \$54.20 to \$56.73 or 4.67%. The monthly bill for a 2-inch customer using 300 Ccf of water will increase from \$189.05 to \$204.34 or 8.09%. The monthly bill for a 3-inch customer using 1000 Ccf will increase from \$473.75 to \$549.39 or 15.97%. 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.

I-5WC's filed tariffs do not contain the recent revisions to its Rules 5, 8, 10, 11, 20, and 21. The Branch recommends that I-5WC 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 July 25, 1996. One letter protesting the rate increase was received by the Branch. The Consumer Affairs Branch (CAB) has not received any complaints since the beginning of 1991.

A public meeting was scheduled for Thursday, September 5, 1996, at the offices of Carpenter, Kuhen & Sprayberry at 5601 Truxtun Ave., Suite 200. The date, time and location of the meeting were specified on the notice of rate increase mailed to each customer on July 25, 1996. Branch and Utility representatives were present and waited for approximately 45 minutes after the meeting was scheduled to start. No one showed up.

#### 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.

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4. The rate increase authorized herein is justified and the resulting rates are just and reasonable.
5. I-5WC'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 Interstate 5 Utility Company, Inc. (Water) 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 schedule: No. 1, General Metered 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, Interstate 5 Utility Company (Water) 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 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

Interstate 5 Utility Company, Inc. (Water)

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              | \$38,667              | \$50,008      | \$38,667             | \$ 39,769     | \$39,769    |
| Total Revenue             | \$38,667              | \$50,008      | \$38,667             | \$ 39,769     | \$39,769    |
| <u>Operating Expenses</u> |                       |               |                      |               |             |
| Power                     | 16,500                | 16,500        | 16,500               | 16,500        | 16,500      |
| Materials                 | 660                   | 660           | 660                  | 660           | 660         |
| Contract Work             | 9,250                 | 9,250         | 9,250                | 9,250         | 9,250       |
| Laboratory Services       | 0                     | 0             | 2,210                | 2,210         | 2,210       |
| Transportation            | 740                   | 740           | 740                  | 740           | 740         |
| Plant Maintenance         | 670                   | 670           | 670                  | 670           | 670         |
| Office Salaries           | 650                   | 650           | 650                  | 650           | 650         |
| Management's Salaries     | 1,080                 | 1,080         | 1,080                | 1,080         | 1,080       |
| Uncollectible Accounts    | 800                   | 800           | 675                  | 675           | 675         |
| Office Svcs. and Rent     | 7,740                 | 7,740         | 180                  | 180           | 180         |
| Professional Services     | 990                   | 990           | 990                  | 990           | 990         |
| Insurance                 | 800                   | 800           | 800                  | 800           | 800         |
| General Expense           | 2,210                 | 2,210         | 0                    | 0             | 0           |
| Subtotal                  | \$42,090              | \$42,090      | \$34,405             | \$34,405      | \$34,405    |
| Depreciation              | \$1,579               | \$1,579       | \$1,455              | \$1,455       | \$1,455     |
| Payroll Taxes             | 133                   | 133           | 133                  | 133           | 133         |
| Property Taxes            | 495                   | 495           | 495                  | 495           | 495         |
| Permits & Fees            | 482                   | 482           | 382                  | 382           | 382         |
| State Income Tax          | 800                   | 800           | 800                  | 800           | 800         |
| Federal Income Taxes      | 0                     | 644           | 155                  | 315           | 315         |
| Total Deductions          | \$45,579              | \$46,243      | \$37,820             | \$37,906      | \$37,906    |
| Net Revenue               | (loss)                | \$3,765       | \$847                | \$1,784       | \$1,784     |
| <u>Rate Base</u>          |                       |               |                      |               |             |
| Average Plant             | 145,692               | \$145,692     | \$148,629            | \$148,629     | \$148,629   |
| Average Dep. Reserve      | 0                     | 0             | 107,595              | 107,595       | 107,595     |
| Net Plant                 | 145,692               | 145,692       | 41,034               | 41,034        | 41,034      |
| Less: Contributions       | 125,326               | 125,326       | 30,939               | 30,939        | 30,939      |
| Plus: Miscellaneous       | 6,043                 | 6,043         | 0                    | 0             | 0           |
| Working Cash              | 0                     | 0             | 2,870                | 2,870         | 2,870       |
| Mat'l. & Suppl.           | 0                     | 0             | 500                  | 500           | 500         |
| Rate Base                 | \$26,409              | \$26,409      | \$13,465             | \$ 13,465     | \$13,465    |
| Rate of Return            | (Loss)                | 14.25%        | 6.29%                | 13.25%        | 13.25%      |

APPENDIX B

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The commercial and industrial development in the vicinity of the interchange of Interstate 5 and State Route 58, near Buttonwillow in Kern County.

RATES

Monthly Quantity Rates:

For all water, per 100 cu. ft..... \$ 0.38 (I)

Monthly Service Charge:

|     |                 | Per Meter<br>Per Month |     |
|-----|-----------------|------------------------|-----|
| For | 1-inch meter... | \$ 28.23               | (R) |
| For | 2-inch meter... | \$ 90.34               |     |
| For | 3-inch meter... | \$169.39               | (R) |

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. (N)  
(N)

(END OF APPENDIX B)

APPENDIX C

BILL COMPARISON

A comparison of monthly customers bills at present and Branch's recommended rates for 1996 test year are shown below:

| <u>Ccf<br/>Water Use<br/>Per Month</u> | <u>Size<br/>of<br/>Meter</u> | <u>Rates<br/>Present<br/>Rates</u> | <u>Rates<br/>Recommended<br/>Rates</u> | <u>of<br/>Increase<br/>(Decrease)</u> | <u>Percent<br/>Increase<br/>(Decrease)</u> |
|--|------------------------------|------------------------------------|--|---------------------------------------|--|
| 0                                      | 1"                           | \$33.95                            | \$28.23                                | (\$5.72)                              | (16.85%)                                   |
| 50                                     | 1"                           | \$47.45                            | \$47.23                                | (\$0.22)                              | (0.46%)                                    |
| 75                                     | 1"                           | \$54.20                            | \$56.73                                | \$2.53                                | 4.67%                                      |
| 100                                    | 1"                           | \$60.95                            | \$66.23                                | \$5.28                                | 8.66%                                      |
| 150                                    | 2"                           | \$148.55                           | \$147.34                               | (\$1.21)                              | (0.81%)                                    |
| 175                                    | 2"                           | \$155.30                           | \$156.84                               | \$1.54                                | 0.99%                                      |
| 200                                    | 2"                           | \$162.05                           | \$166.34                               | \$4.29                                | 2.65%                                      |
| 300                                    | 2"                           | \$189.05                           | \$204.34                               | \$15.29                               | 8.09%                                      |
| 500                                    | 3"                           | \$338.75                           | \$359.39                               | \$20.64                               | 6.09%                                      |
| 750                                    | 3"                           | \$406.25                           | \$454.39                               | \$48.14                               | 11.85%                                     |
| 1000                                   | 3"                           | \$473.75                           | \$549.39                               | \$75.64                               | 15.97%                                     |
| 1250                                   | 3"                           | \$541.25                           | \$644.39                               | \$103.14                              | 19.06%                                     |

APPENDIX D  
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Interstate 5 Utility Company, Inc. (Water)

ADOPTED QUANTITIES  
Test Year 1996

Expenses:

|  |                          |
|--|--------------------------|
| 1. Purchased power (Electric)          |                          |
| Vendor                                 | Pacific Gas and Electric |
| Schedules                              | A-6, A-10                |
| Effective Date                         | 1/1/95                   |
| Total Cost (\$)                        | \$16,500                 |
| kWh Used                               | 162,200 kWh              |
| Customer Charge                        | A-6 \$12.00              |
|  | A-10 \$75.00             |
| A-6: \$/kWh Used (Summer rate-Peak)    | \$ 0.23258               |
| \$/kWh Used (Summer rate-Partial-Peak) | \$ 0.10288               |
| \$/kWh Used (Summer rate-Off-Peak)     | \$ 0.05618               |
| \$/kWh Used (Winter rate-Partial-Peak) | \$ 0.11562               |
| \$/kWh Used (Winter rate-Off-Peak)     | \$ 0.07169               |
| A-10: \$/kWh Used (Summer rate)        | \$ 0.08915               |
| \$/kWh Used (Winter rate)              | \$ 0.07279               |
| 2. Purchased water                     |                          |
|  | None                     |
| 3. Insurance Expenses                  |                          |
| Liability/Property                     | \$1,600                  |
| Compensation                           | \$564                    |
| Total Cost                             | \$ 236                   |
|  | \$800                    |
| 4. Ad Valorem Taxes                    |                          |
| Composite Tax Rate                     | \$495                    |
| Assessed Value                         | 1.058119%                |
|  | \$46,781                 |
| 5. Payroll Taxes                       |                          |
| Social Security                        | \$133                    |
| Federal Unemployment                   | 113                      |
| State Unemployment                     | 5                        |
|  | 15                       |

Service Connections

Metered Rate

|              |   |
|--------------|---|
| 1-inch meter | 5 |
| 2-inch meter | 7 |
| 3-inch meter | 6 |

Water Sales

47,720 Ccf

APPENDIX D  
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Interstate 5 Utility Company, Inc. (Water)

ADOPTED TAX CALCULATIONS  
Test Year 1996

| <u>Line No.</u> | <u>Item</u>                  | <u>State Tax</u> | <u>Federal Tax</u> |
|-----------------|------------------------------|------------------|--------------------|
| 1.              | Operating Revenue            | \$ 39,769        | \$ 39,769          |
| 2.              | O & M Expenses               | \$ 34,405        | \$ 34,405          |
| 3.              | Taxes Other Than Income      | \$ 1,010         | \$ 1,010           |
| 4.              | Depreciation                 | \$ 1,455         | \$ 1,455           |
| 6.              | Taxable Income for State Tax | \$ 2,898         |                    |
| 7.              | State Tax*                   | \$ 800           |                    |
| 8.              | Taxable Income for FIT       |                  | \$ 2,099           |
| 9.              | Federal Income Tax*          |                  | \$ 315             |
| 10.             | Total Income Tax             |                  | \$ 1,115           |

California Corporate Franchise Rate 9.3%

Federal Income Tax Rate 15%

(END OF APPENDIX D)