

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Small Water Branch

RESOLUTION NO. W-4031
March 7, 1997

RESOLUTION

(RES. W-4031), COTTAGE SPRINGS WATER COMPANY (CSWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$1,570 OR 154% IN 1997.

BY DRAFT ADVICE LETTER ACCEPTED ON DECEMBER 18, 1996.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$1,570, or 154%, for test year 1997. The revenue requirement was calculated using the operating ratio method and allows for a 20% margin.

BACKGROUND

CSWC is one of 27 small water utilities, contacted during the summer of 1996 as part of the Small Water Branch's Outreach Program, which had not filed a general rate case in the last 10 years. As a result of the contact, CSWC filed a request for 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 \$1,590 or 154% in 1997. CSWC's request shows 1997 test year gross revenue of \$1,020 at present rates increasing to \$2,590 at proposed rates to produce a return on margin of 20%. CSWC presently serves 17 flat rate customers in the Cottage Springs Subdivision, approximately 35 miles east of Angels Camp, Calaveras County.

The present rates became effective on August 24, 1976, pursuant to Res. W-1979, which authorized a general rate increase of \$220 or 50%.

DISCUSSION

The Small Water Branch (Branch) made an independent analysis of CSWC's summaries of earnings and issued its report dated January 1996. Appendix A shows CSWC's and the Branch's estimated summaries of earnings at present, requested, and adopted rates for the test year 1997.

CSWC's draft advice letter requested rates which it estimated would produce a return on margin of 20%. The summaries of earnings in Appendix A also show a return on margin of 20% at the Branch's recommended rates. This is the standard return on margin that the Branch has utilized since the Commission adopted the Operating Ratio Method (ORM) in Decision 92-03-093 as an alternative to the standard Return on Ratebase Method for Class C and D water utilities. The ORM provided a net revenue of \$290 per year.

In February of 1992, the Commission adopted a policy of capping small water company rate increases at 100% per year. The revenues deferred by capping are made up, with interest, through rates approved for the subsequent year. Rates are lowered to their final level in the third year when all deferred revenues and interest have been recovered. A rate increase greater than 100% in the first year is permitted when necessary to eliminate a negative rate of return or out-of-pocket losses.

An increase of \$1,230 or 121% would be necessary for CSWC to break even; however, the Branch is recommending that the full increase be granted now. The Branch believes that imposing two rate increases and then a decrease would result in more complications for this small company and its customers than was intended in the Commission policy.

There are no outstanding Commission orders requiring system improvements; however, neither of the wells has a production measuring device. Because of the large financial burden that installation of the measuring devices would have on the limited number of customers, the Branch is not recommending their installation at this time. CSWC has been filing annual reports as required.

CSWC's filed tariffs currently contain two rate schedules: Schedule 1A, Annual Metered Service, and Schedule 2A, Annual Flat Rate Service. The meter schedule is an outdated minimum charge schedule which the Branch recommends be converted to the current standard service charge schedule. Although there are no services with meters, the Branch recommends that CSWC retain a meter schedule in the event that CSWC adds metered customers in the future. However, since there are no records to estimate average use, the Branch recommends that prior to charging meter rates, CSWC read and maintain meter readings for at least 12 months to determine usage. If necessary, the meter schedule should be revised at that time.

CSWC's service area map is out of date; Branch recommends that it be updated.

At the Branch's recommended rates shown in Appendix B, the annual bill for a flat rate customer will increase from \$60.00 to \$152.40 or 154%. The adopted quantities and tax calculations are shown in Appendix C.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on December 26, 1996. The Branch received two letters questioning the need for such a large increase. The Commission's Consumer Affairs Branch has received no complaints since January 1995.

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A public meeting was held on January 11, 1997, in CSWC's service area. The Branch's representative explained Commission rate setting procedures. One customer attended the meeting. She had no complaints regarding CSWC.

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 C) 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. CSWC should be ordered to file an updated service area map.
6. Should CSWC add any new metered customers or convert any of its current flat rate customers to meters, it should be ordered to install production measuring devices on its wells and should not be authorized to implement the meter charges until it has at least 12 months meter readings to determine usage. After 12 months the meter schedule should be revised to reflect the usage at that time.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Cottage Springs Water Company to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule Nos. 1A (Annual Metered Service), and 2A (Annual Flat Rate Service). Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall be five days after the date of filing.
2. Within 90 days of the effective date of this resolution, Cottage Springs Water Company shall file an updated service area map.
3. Should Cottage Springs Water Company add new metered services or convert any of its current flat-rate services to meters, it shall first install production measuring devices on each of its wells, read and maintain meter readings for its metered services for at least 12 months and file an advice letter requesting revision of the meter schedule, if necessary.

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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 March 7, 1997. The following Commissioners approved it:

Wesley Franklin
WESLEY M. FRANKLIN
Executive Director

P. GREGORY CONLON
President
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners

Cottage Springs Water Co.
Summary Of Earnings
Test Year 1997

	Description	CSWG Estimated		Branch Estimated		Adopted
		Present	Proposed	Present	Proposed	
Revenue						
	Flat Rate	1020	2590	1020	2590	2590
Expenses						
	Purchased Water	0	0	0	0	0
	Power	670	670	670	670	670
	Other Volume Related	0	0	0	0	0
	Employee Labor	0	0	0	0	0
	Materials	70	70	70	70	70
	Contract Work	80	80	80	80	80
	Transportation	50	50	50	50	50
	Other Plant Maintenance	0	0	0	0	0
	Office Salaries	0	0	0	0	0
	Management Salaries	100	100	100	100	100
	Employee Pensions & Benefits	0	0	0	0	0
	Uncollectibles	0	0	0	0	0
	Office Services & Rentals	84	84	80	80	80
	Office Supplies & Expenses	60	60	60	60	60
	Professional Services	65	65	70	70	70
	Insurance	0	0	0	0	0
	Reg. Commission Expense	0	0	0	0	0
	General	274	274	270	270	270
	Subtotal	1453	1453	1450	1450	1450
	Depreciation Expense	0	0	0	0	0
	Taxes Other Than Income	0	0	0	0	0
	State Taxes	800	800	800	800	800
	Federal Taxes	0	50	0	50	50
	Total Deductions	2253	2303	2250	2300	2300
Net Revenue		-1233	287	-1230	290	290
Rate Base						
	Average Utility Plant	11981	11981	11980	11980	11980
	Average Depreciation Reserve	11981	11981	11980	11980	11980
	Net Plant	0	0	0	0	0
	Construction Work In Progress	0	0	0	0	0
	Materials & Supplies	0	0	0	0	0
	Working Cash	0	0	0	0	0
	Contributions In Aid Of Construction	0	0	0	0	0
	Advances For Construction	0	0	0	0	0
	Rate Base	0	0	0	0	0
Rate Of Return		NA		NA		
Return On Margin			20.00%		20.00%	20.00%

Appendix B
Cottage Springs Water Company
Rate Schedule - Test Year 1997
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Schedule No. 1A
Annual Metered Rate Service

APPLICABILITY

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

TERRITORY

Cottage Springs Subdivision No. 3 and vicinity, located adjacent to State Highway 4, approximately 35 miles east of the community of Angels Camp, Calaveras County.

RATES

	Per Meter Per Month	(N)
Quantity Rate:		
All water, per 100 cu. ft.	\$0.60	
	Per Meter Per Month	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 5.00	
3/4-inch meter	\$ 7.50	
1-inch meter	\$12.50	
1 1/2-inch meter	\$25.00	
2-inch meter	\$40.00	

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

(N)

Appendix B
Cottage Springs Water Company
Rate Schedule - Test Year 1997
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Schedule No. 2A
Annual Flat Rate Service

APPLICABILITY

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

TERRITORY

Cottage Springs Subdivision No. 3 and vicinity, located adjacent to State Highway 4, approximately 35 miles east of the community of Angels Camp, Calaveras County.

RATES

	Per Service Connection Per Year	
For a single-family residential unit, including premises	\$152.40	(I)
For each additional single-family residential unit on the same premises and served from the same service connection	114.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter. (D)
2. 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 (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods. A non-permanent resident may elect to pay the annual charge in two equal installments. Where such a resident has failed to pay the first half of the annual charge due January 1, service will not be restored until the total annual charge has been paid.
- 3.
3. 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 charge 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.

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Appendix C
Cottage Springs Water Company
Adopted Quantities - Test Year 1997

1. Federal Tax Rate: 15.0%
2. State Tax Rate: 8.84%
3. Purchased Power

Pacific Gas and Electric Company
Schedule No. A1, Small General Service, Effective January 1, 1996
Total: \$590

Quantity Charge:

kWh used - total: 3923
kWh used - summer: 2037
kWh used - winter: 1886
\$/kWh - summer: \$0.14870
\$/kWh - winter: \$0.10193

Service Charge:

\$/pump/mo. - single-phase: \$8.10
\$/pump/mo. - polyphase: \$12.10
of pumps - single phase: 1
of pumps - polyphase: 0

Pacific Gas and Electric Company
Schedule No. E-1, Residential Service, Effective January 1, 1996
Total: \$80

Quantity Charge:

kWh used - total: 221
kWh used - summer: 8
kWh used - winter: 213
\$/kWh - baseline: \$0.11589

Minimum Charge: \$0.16427/day

4. Water Testing: \$80
5. Service Connections: 17 Flat Rate