

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Small Water Branch

RESOLUTION NO. W-4032*
March 7, 1997

R E S O L U T I O N

(RES. W-4032), COUNTY WATER COMPANY, INC. (COUNTY).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$57,240 OR 6.03% IN TEST
YEAR 1996.

BY DRAFT ADVISE LETTER ACCEPTED ON JUNE 12, 1996.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$57,240 or 6.03% for test year 1996. The increase will provide a rate of return of 11.25% on rate base in the test year.

BACKGROUND

County 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 \$76,903 or 8.10% in 1996. The utility also requested an increase in the charge for restoration of service and a surcharge to amortize its balancing account. County's request shows 1996 gross revenue of \$944,877 at present rates increasing to \$1,021,780 in 1996 at proposed rates to produce a rate of return on rate base of 12.25%. County presently serves 2,663 metered customers in parts of Bellflower, Artesia, Norwalk, and some unincorporated areas in Los Angeles County.

The last general rate increase was approved on July 18, 1990, by Res. W-3503, which authorized an increase of \$63,839 or 10.1%. County has received annual offset rate increases for increases in the cost of purchased water.

DISCUSSION

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

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

To prevent future inconsistencies between the figures adopted by the Commission and County's annual reports, the Branch recommends that County be directed to record on its books of account the contribution balance adopted in this resolution, and to reflect that balance in its 1997 Annual Report to the Commission. The balance is \$32,760 for contributions as of December 31, 1996.

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County's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 12.25%. The summary of earnings in Appendix A shows a rate of return of 11.25% at the Branch's recommended rates. This is the midpoint of the range of rates of return recommended by the Finance Branch in its memo of October 8, 1996.

Branch believes it is reasonable to allow County to charge customers a fee for restoration of service more in line with the actual cost of such restoration. County should be allowed to file a revised Rule No. 11, Discontinuance and Restoration of Service, to reflect a new rate of \$25 for reconnection during working hours and \$40 for reconnection at other than working hours.

Concurrent with this rate increase, Branch believes it is reasonable to allow a one time surcharge for the repayment of Department of Health Services fees of \$0.96 per customer or \$2,565 total, reflecting fees for the 1995 fiscal year.

In addition, Branch examined County's calculation of the balancing account and agrees it is reasonable to amortize the balance of \$171,499 over three years with a surcharge of \$.0925 per hundred cubic feet.

As a class B water utility, County is entitled to apply for a second test year. It chose not to do so, but requests to file for a CPI-U increase in lieu of the second test year. Branch agrees that County should be allowed to file an advice letter to adjust its rates to reflect the 1997 increase in the consumer price index. It should file using the same procedures and limitations in force for class C and D water utilities. This assures that a CPI increase would not be granted if it would result in a rate of return higher than last authorized. This should have no effect of County's ability to file advice letters to recover increased costs of offsettable items such as water cost.

County files Annual Reports regularly and there are no outstanding Commission orders requiring improvements. In Res. W-3920, dated June 8, 1995, the Commission ordered the Branch to evaluate the necessity and effectiveness of County's temporary late payment charge during County's next General Rate Investigation. Due to constraints of its billing program, the late payment charge was never instituted. Branch understands there is a possibility County could implement the program soon and understands County's desire to implement the charge in the future. Therefore, Branch recommends the late payment charge be continued and reviewed in County's next General Rate Case.

County has not filed updated tariff sheets for Tariff Rules 5, 8, 10, 15, 16, 20, and 21. Forms A thru E, 4, and 10 need the "Refund" statement.

County's filed tariffs currently contain two rate schedules: 1, General Metered Service, and 4, Private Fire Protection Service. Because County's last general rate increase was granted before Branch's 1991 policy on meter service charge ratios was adopted, it requested a rate design that reflects that new policy. Branch agrees, but notes that raising the service charge ratio for the largest metered sizes to be consistent with the 1991 policy would raise rates for some customers more than twice the system average increase. Branch designed rates so that service charges are more in line with the 1991 policy but so that no meter size would face more than twice the system average increase.

The rates proposed by the Branch are included herein as Appendix B.

At the Branch's recommended rates shown in Appendix B, annual bills for an average 5/8 x 3/4-inch metered customer using 154 Ccf of water per year would increase from \$268.30 to \$280.67 per year, or 4.61%. For this typical customer, the balancing account surcharge amounts to a total of \$14.24 additional yearly cost, or approximately 5% of the average bill. 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.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on July 1, 1996. The Branch received one letter protesting the rate increase. A notice of the proposed surcharge for balancing account amortization was mailed to customers on or about December 1, 1996. No letters were received protesting the surcharge. The Commission's Consumer Affairs Branch has received five high bill complaints from County's customers over the last three years.

A public meeting was held on July 31, 1996, at the Norwalk City Hall Council Chambers near the service area. The Branch's representative explained Commission rate setting procedures and the utility's representative explained the need for the rate increase. Two customers were present at the meeting. All of the customers agreed that the water service was good. The meeting lasted approximately one half hour.

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. County should record in its books of account and its 1997 Annual Report to the Commission a contribution balance of \$32,760 as of December 31, 1996.
6. County should be allowed to file a revised Rule 11, Discontinuance and Restoration of Service, to raise the reconnection charge to \$25 during working hours and \$40 after working hours.
7. County should be allowed to impose a one-time surcharge of \$2,565 or \$.96 per customer to recover fees charged by the Department of Health Services for fiscal year 1995.

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8. County should be ordered to file updated tariff Rules 5, 8, 10, 15, 16, 20, and 21; also add the "Refunds" statement to Forms A thru E, 4, and 10.
9. County should be allowed to impose a surcharge of \$.0925 per hundred cubic feet of water sold for three years in order to amortize the balance in its balancing account.
10. County should be authorized to file an advice letter in 1997 for a rate increase based on the most recent year-end increase in the Consumer Price Index for All Urban Consumers (CPI-U) announced by the Bureau of Labor Statistics of the U. S. Department of Labor. No CPI-U increase will be granted if projected revenues after the increase exceeds the rate of return authorized in this Resolution.
11. County's temporary late payment fee established in Res. W-3920 should be continued until County's next GRC filing.

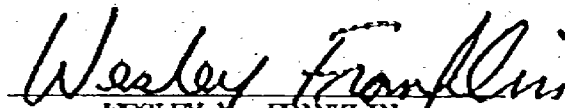
IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for County Water Company, Inc. 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 1 (General Metered Service), and 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. County Water Company, Inc. should record in its books of account and its 1997 Annual Report to the Commission a contribution balance of \$32,760 as of December 31, 1996.
3. County Water Company, Inc. is allowed to file a revised Rule 11, Discontinuance and Restoration of Service, to raise the reconnection charge to \$25 during working hours and \$40 after working hours.
4. County Water Company, Inc. is allowed to impose a one-time surcharge of \$0.96 per customer to recover fees charged by the Department of Health Services for fiscal year 1995.
5. County Water Company, Inc. is allowed to impose a surcharge of \$.0925 per hundred cubic feet of water sold for three years in order to amortize the balance in its balancing account.
6. County Water Company, Inc. is authorized to file an advice letter in 1997 for a rate increase based on the most recent year-end increase in the Consumer Price Index for All Urban Consumers (CPI-U) announced by the Bureau of Labor Statistics of the U. S. Department of Labor. No CPI-U increase will be granted if projected revenues after the increase exceeds the rate of return authorized in this Resolution.

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7. County Water Company, Inc.'s late payment charge previously ordered in Res. W-3920 is continued until it can be reviewed concurrent with its next GRC filing.
8. Within 90 days of the effective date of this order, County Water Company, Inc. shall file the following updated tariff sheets: Rules 5, 8, 10, 15, 16, 20, and 21, and Forms A thru E, 4 and 10.
9. 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 M. FRANKLIN
Executive Director

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

APPENDIX A

County Water Company

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	\$864,564	\$941,337	\$869,235	\$938,778	\$926,385
Private Fire	1,466	1,596	1,488	1,596	1,578
Other Water Serv.	1,327	1,327	1,327	1,327	1,327
Water Rights Leases	77,520	77,520	77,520	77,520	77,520
Total Revenue	\$944,877	\$1,021,780	\$949,570	\$1,019,221	\$1,006,810
<u>Operating Expenses</u>					
Purchased Water	\$590,400	\$590,400	\$597,435	\$597,435	\$597,435
Other Volume Rel.	500	500	0	0	0
Employee Labor	62,734	62,734	42,422	42,422	42,422
Materials	11,500	11,500	11,500	11,500	11,500
Contract Work	7,700	7,700	5,969	5,969	5,969
Transportation	8,120	8,120	8,120	8,120	8,120
Office Salaries	51,683	51,683	29,235	29,235	29,235
Management Salaries	28,964	28,964	68,497	68,497	68,497
Employee Benefits	42,670	42,670	40,773	40,773	40,773
Office Svcs. and Rent	9,570	9,570	9,000	9,000	9,000
Office Supplies	14,440	14,440	14,165	14,165	14,165
Professional Services	3,680	3,680	3,680	3,680	3,680
Insurance	16,650	16,650	18,300	18,300	18,300
General	5,410	5,410	2,600	2,600	2,600
Uncollectibles	3,673	3,999	3,789	4,092	4,038
Regulatory	2,520	2,520	2,520	2,520	2,520
Subtotal	\$860,214	\$860,540	\$858,005	\$858,308	\$858,254
Depreciation	\$23,705	\$23,705	\$21,682	\$21,682	\$21,682
Property Taxes	4,460	4,460	4,460	4,460	4,460
Payroll Taxes	10,030	10,030	12,459	12,459	12,459
Other Taxes and Fees	17,347	18,885	17,441	18,834	18,586
Income Taxes	6,080	29,030	8,137	28,087	24,215
Total Deductions	\$921,836	\$946,650	\$922,184	\$943,830	\$939,656
Net Revenue	\$23,041	\$75,130	\$27,386	\$75,391	\$67,154
<u>Rate Base</u>					
Average Plant	\$864,385	\$864,385	\$861,345	\$861,345	\$861,345
Average Dep. Res.	358,082	358,082	355,345	355,345	355,345
Net Plant	506,303	506,303	506,000	506,000	506,000
Less Advances	18,280	18,280	18,280	18,280	18,280
Contributions	38,590	38,590	33,838	33,838	33,838
Plus Working Cash	142,949	142,949	143,042	143,042	143,042
Rate Base	\$592,382	\$592,382	\$596,924	\$596,924	\$596,924
Rate of Return	3.89%	12.68%	4.59%	12.63%	11.25%

APPENDIX B
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County Water Company, Inc.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished to customers of the County system, Bellflower system, and Suburban system.

TERRITORY

Portions of Artesia, Bellflower, Norwalk, and vicinity, Los Angeles County.

RATES

Quantity Rates:

All water served, per 100 cu. ft..... \$1.501 (I)

Service Charge

	Per Meter Per Month	
For 5/8x3/4-inch meter.....	\$ 4.15	(I)
For 3/4-inch meter.....	6.23	
For 1-inch meter.....	10.38	
For 1-1/2-inch meter.....	17.64	
For 2-inch meter.....	26.60	
For 3-inch meter.....	50.00	
For 4-inch meter.....	78.00	
For 6-inch meter.....	145.00	

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge computed at the Quantity rate.

SPECIAL CONDITIONS

1. The established billing cycle for metered service is every two months. (D)
2. A surcharge of \$0.072 per 100 cubic feet shall be added to the Quantity Rate for amortization of undercollection in the balancing account for a period of three years from May 1, 1995, the effective date of Advice Letter 53 pursuant to Resolution W-3917.
3. A late charge will be imposed per Schedule IC.

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County Water Company, Inc.

Schedule No. 1
(continued)

GENERAL METERED SERVICE

SPECIAL CONDITIONS (continued)

4. In accordance with Section 2714 of the Public Utilities Code, if a tenant a 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. A surcharge of \$0.0925 per 100 cubic feet shall be added to the Quantity Rate for amortization of undercollection in the balancing account for a period of three years from _____, the effective date of Advice Letter ___ pursuant to Resolution W-4032.
6. As authorized by Res. W-4032, all bills are subject to a one-time surcharge of \$0.96. This charge offsets the Department of Health Services fees from July 1, 1995 through June 30, 1996.
7. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(N)

(N)

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County Water Company, Inc.

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Portions of Bellflower, Norwalk, Artesia, and vicinity,
Los Angeles County.

RATES

	<u>Per Month</u>	
For each 4-inch service connection	\$12.70	(I)
For each 6-inch service connection	\$18.65	(I)

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the 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 the cost paid by customer. Such payment shall not be subject to refund.
4. All bills are subject to the reimbursement fee set forth on Schedule UF.

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County Water Company, Inc.

COMPARISON OF RATES

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

METERED SERVICE

	<u>Per Meter</u>	<u>Per Month</u>	
	<u>Present</u>	<u>Recommended</u>	<u>Percent</u>
	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>
For 5/8x3/4-inch meter	\$ 3.25	4.15	27.69%
For 3/4-inch meter	3.60	6.23	73.06%
For 1-inch meter	4.90	10.38	111.84%
For 1-1/2-inch meter	6.50	17.64	171.38%
For 2-inch meter	8.80	26.60	202.27%
For 3-inch meter	16.30	50.00	206.75%
For 4-inch meter	22.10	78.00	252.94%
For 6-inch meter	36.70	145.00	295.10%

Quantity Rates:

Per 100 cu. ft.....	\$1.4908	\$ 1.501	0.68%
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Usage for an average residential customer on a 5/8x3/4-inch service connection using 154 Ccf per year:

<u>Usage</u>	<u>Present</u>	<u>Recommended</u>	<u>Amount</u>	<u>Percent</u>
<u>100 cu. ft.</u>	<u>Bills</u>	<u>Bills</u>	<u>Increase</u>	<u>Increase</u>
154	\$268.30	\$280.67	\$12.37	4.61%

Usage for an average customer on a 4-inch service connection using 3,845 Ccf per year:

<u>Usage</u>	<u>Present</u>	<u>Recommended</u>	<u>Amount</u>	<u>Percent</u>
<u>100 cu. ft.</u>	<u>Bills</u>	<u>Bills</u>	<u>Increase</u>	<u>Increase</u>
3,845	\$5,997.74	\$6,707.77	\$710.03	11.84%

APPENDIX D
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County Water Company, Inc.

ADOPTED QUANTITIES
Test Year 1996

Expenses:

1. Purchased Power	none	
2. <u>Purchased Water</u>		
<u>Vendor</u>		
Southern California Water Co.		
Quantity Purchased	40,309 Ccf (92.5 AF)	
Service Charge	\$355.10 per month	
Quantity Charge	\$1.569 per Ccf	
Cost	\$67,505	
City of Bellflower		
Quantity Purchased	157,386 Ccf (361.3 AF)	
Service Charge	\$366.00 per month	
Quantity Charge	\$497 per AF	
Cost	\$183,963	
City of Norwalk		
Quantity Purchased	321,967 Ccf (739.1 AF)	
Quantity Charge	\$460 per AF	
Cost	\$340,002	
Total Cost of Purchased Water	\$591,470	
3. <u>Insurance Expenses</u>		
General Liability Insurance		
including automobile insurance	\$13,442	
Worker's Compensation Insurance	\$ 4,855	
Total Cost	\$18,297	
4. Ad Valorem Taxes	\$4,460	
Composite Tax Rate	1.014%	
Assessed Value	\$439,931	
5. <u>Payroll Taxes</u>		
FICA	6.2%	\$ 8,690
Medicare	1.45%	\$ 2,032
SDI	0.8%	\$ 896
FUI	0.8%	\$ 306
SUI	1.3%	\$ 497
State training	0.1%	\$ 38
Total		\$12,459
6. <u>Water Testing Expenses (In contract work)</u>		
Copper and Lead		\$1,000
Bacteriological tests		\$1,664
Other tests		\$ 240
Department of Health Services Fees		\$2,565
Total		\$5,469

APPENDIX D
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County Water Company, Inc.

ADOPTED QUANTITIES
Test Year 1996

Service Connections

Metered		
5/8 x 3/4-inch	2,233	
3/4-inch	333	
1-inch	37	
1-1/2 inch	20	
2-inch	37	
3-inch	1	
4-inch	1	
6-inch	1	
Total Metered Customers	2,663	
Metered water sales used to design rates		509,269 Ccf

APPENDIX D
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County Water Company, Inc.

ADOPTED TAX CALCULATIONS
Test Year 1996

<u>Line No.</u>	<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1.	Operating Revenue	\$1,006,810	\$1,006,810
2.	O & M Expenses	858,254	858,254
3.	Taxes Other Than Income	35,505	35,505
4.	Depreciation	21,682	21,682
5.	Interest	0	0
6.	Taxable Income for State Tax	91,369	
7.	State Tax	8,497	8,497
8.	Taxable Income for FIT		82,872
9.	Federal Income Tax.		15,718
10.	Total Income Tax	\$24,215	
	California Corporate Franchise Rate	9.3%	
	Federal Income Tax Rates		
	On first \$50,000 taxable income	15%	
	On \$50,000 to \$75,000 taxable income	25%	
	On income over \$75,000	34%	