

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Small Water Branch

RESOLUTION W-4046
June 25, 1997

RESOLUTION

(RES. W-4046), ALISAL WATER CORPORATION, MOSS LANDING DIVISION. (MLD). ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING \$44,532 OR 143.2% ADDITIONAL REVENUE IN TEST YEAR 1997 AND AN ADDITIONAL \$19,153 OR 25.6% IN 1998.

BY DRAFT ADVICE LETTER ACCEPTED ON DECEMBER 27, 1996.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$44,020 or 143.2% for test year 1997 and an additional \$19,153 or 25.6% in 1998. This increase will provide a 14.2% return on rate base for 1997 and a 13.7% return on rate base in 1998.

BACKGROUND

Alisal Water Corporation (Alisal), Moss Landing Division (MLD) requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$44,532 or 143.2% in 1997 and an additional \$19,153 or 25.6% for 1998. The purposes of the rate increase are to recover increased operating expenses, to comply with the requirements of the local fire district in restoring fire flows and replacing defective hydrants, to make permanent repairs to facilities damaged by the Loma Prieta earthquake, and to provide an adequate rate of return. MLD's request shows 1996 gross revenues of \$30,720 at present rates would increase to \$74,740 at proposed rates. MLD estimates that it will serve approximately 120 metered customers in Moss Landing, in Monterey County.

The present rates were in effect in the Moss Landing Harbor District when it was acquired by Alisal Water Corporation on February 9, 1988. The purchase was approved by the Commission on July 18, 1990, in Decision (D.) 90-07-057 which continued the same rates in effect. The present rates consist of a minimum charge rate structure with a minimum charge of \$7.00 per month including 500 cubic feet of water used. Water usage above the minimum is \$0.90 per 100 cubic feet (Ccf).

DISCUSSION

The Small Water Branch (Branch) made an independent analysis of MLD's summary of earnings. Appendix A shows MLD's and the Branch's estimated summary of earnings at present, requested, and adopted rates for the test years 1997 and 1998. The Branch's estimates of expenses differed very little from those of the utility. There were no disagreements on the expense levels.

The North County Fire Protection District is requiring MLD to make several improvements to the system. MLD must replace a main that was on the bridge to the island which was destroyed by an automobile accident the cost of which was not recovered by insurance. Also, there are 10 deteriorated fire hydrants within the system that will have to be replaced since parts are no longer available. These improvements are necessary to restore fire protection to the island area and replace hydrants which are difficult to operate.

The Loma Prieta earthquake did a significant amount of damage to the mains and facilities of MLD. Immediately after the earthquake, the Alisal personnel worked to restore water service to the Moss Landing area. These were emergency repairs to get the water service restored. Permanent repairs should be made to increase the reliability of the system.

MLD also serves the Moss Landing Heights Area (Heights) as the successor to an agreement that the harbor district had with the homeowner's association. The water supply to the Heights area was contaminated by sea water intrusion and the area is now served at the same rates as other customers of MLD. The water system in the Heights is deteriorated and subject to failure. The last members of the board for the homeowner's association have died or left the area. There is no one running the association or the water facilities for that area. Many residents, who have recently moved there, are not aware that they own the water facilities.

Some of the customers in the Heights want to sell the facilities to Alisal. Alisal will consider purchasing the water facilities and subsequently making improvements, however Alisal needs to insure that the sellers have the authority to sell the facilities. If the Heights area water facilities were purchased by Alisal, then the repairs and upgrades to those facilities would be a higher priority than some of the other budgeted items for MLD. MLD would defer \$30,000 for the Supervisory Control and Data Acquisition (SCADA) system and make badly needed repairs to the Heights area. Since the public meeting, there has been little progress in reactivating the homeowner's association for the purpose of transferring the facilities to MLD.

Alisal files its annual reports regularly. There is one outstanding Commission order regarding a complaint of Bixler vs. Alisal Water Corporation. There was a recent hearing on that matter and the utility and the complainant have settled their main disagreements. The matter will soon be resolved. There are no other outstanding Commission orders.

MLD's current rate structure consists up of one general metered schedule with a minimum charge type schedule. The Commission has abandoned minimum charge schedules for service charge schedules. The change from a minimum charge schedule to a service charge schedule with revised meter ratios will result in a significant increase in bills for many customers. However, since there has been a long time since the rates have been adjusted and changed from the minimum charge schedule to a service charge schedule, the Branch believed it better to move to the current rate design policy in one move. Some methods of gradually moving to the current rate design policy offered a piecemeal approach with various problems including possibly shifting revenue from one group of customers to another.

This resolution provides for a step increase in the second year as requested by the utility. To do all of the revenue adjustment at once would greatly increase rates. The utility believes that spreading the increase over two years is more acceptable to the customers. The Branch investigated deferring some of the improvements to the second year to reduce the amount of the increase in the first year. However, the major part of this increase is for earthquake repairs and fire flow improvements. These badly needed

improvements should not be delayed, and the fire chief opposed delays in the fire flow improvements and hydrant replacements.

Some customers of the Moss Landing Area have private fire service connections for sprinkler systems in their buildings. There has been no additional charge for this service. It is common in the water utility industry to charge for standby fire service. Because a large portion of this increase is for fire protection and fire flow improvements, a private fire service schedule should be established. The Branch examined standby fire service rate schedules for other utilities and the costs involved in the fire flow and hydrant improvements for the MLD. The Branch recommends the establishment of a standby fire service rate of \$5.00 per inch per month. However, since these customers have heretofore received this service free of charge, the Branch recommends that MLD notify each customer with a private fire service connection that the fire service schedule has been established and what the rate will be to allow the customer to have the option of paying for the standby fire service or discontinuing the service. The Branch estimates that the utility will receive about \$1,440 per year from this service and that some customers may opt to discontinue service.

The rates proposed by the Branch are included herein as Appendix B. The step increase for 1998 is included as Appendix C.

Metered rates for a typical residential 5/8 x 3/4-inch metered customer using 15 Ccf per month would increase from \$16.00 to \$31.25, a 95.3% increase. Rates for larger services increase more steeply due to the change in service charge ratios and the change from the minimum charge. The system average increase is 143%. A comparison of rates at present and recommended rates is shown in Appendix D. The adopted quantities are shown in Appendix E.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on January 17, 1997. No letters or protests were received by the Branch. The fire chief wrote a letter outlining the improvements that were required to restore fire flows to the island area and replace deteriorated fire hydrants.

On February 20, 1997, a public meeting was held at the Castroville Community Center. The Branch's representative explained Commission rate setting procedures and MLD's Controller explained the need for the rate increase. Three customers, all from the Moss Landing Heights area, and the local fire chief attended the meeting. The fire chief reiterated the need for the improvements to fire flow for the island area and the need to replace deteriorated fire hydrants. The customers were not concerned with the rate increase as much as the ownership and maintenance of the water facilities in the Heights area. At the end of the meeting, the customers from the Heights area discussed the options for maintenance or transfer of ownership with the owners of the MLD.

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 step rates to be effective January 1, 1998, (Appendix C) are reasonable and should be adopted.

4. The Private Fire Service Schedule is reasonable and should be adopted.
5. The utility should notify each private fire service customer with the rate to be charged for private fire service and the option to pay the charges or to discontinue private fire service.
6. The quantities (Appendix E) used to develop the Branch's recommendations are reasonable and should be adopted.
7. The rate increase authorized herein is justified, and the resulting rates are just and reasonable.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Alisal Water Corporation 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). Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of their filing.
2. MLD is ordered to notify any customers who have standby private fire service connections that the service will be offered under Schedule 4-ML (Private Fire Service) and those customers shall have the option of paying the rate in Schedule 4-ML or discontinuing service.
4. On or after December 1, 1997, MLD is authorized to file an advice letter requesting the step increase for 1998 included in Appendix C. Such filing shall comply with General Order 96-A. The effective date of the revised schedules shall be no earlier than January 1, 1998, or 5 days after filing, whichever is later.

5. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 25, 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
ALISAL WATER CORPORATION
Moss Landing Division
Summary of Earnings for 1997

	Utility Estimated		Branch Estimated		TY 1997
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	Adopted Rates
Operating Revenues					
Metered	\$30,720	\$74,740	\$30,720	\$74,740	\$73,300
Flat Rate	\$0	\$0	\$0	\$0	
Private Fire	0	0	0	0	1,440
Other	0	0	0		
Total Revenues	30,720	74,740	30,720	74,740	74,740
Operating Expenses:					
Purchased Water	0	0	0	0	0
Purchased Power	6,854	6,854	6,854	6,854	6,854
Other Volume Related	0	0	0	0	0
Employee Labor	3,690	3,690	3,690	3,690	3,690
Transportation	5,530	5,530	5,530	5,530	5,530
Materials	347	347	347	347	347
Contract Work	705	705	705	705	705
Other Plant maint	1,157	1,157	1,157	1,157	1,157
Office Salaries	5,798	5,798	5,798	5,798	5,798
Management Salaries	5,626	5,626	5,626	5,626	5,626
Employee Benefits	2,973	2,973	2,973	2,973	2,973
Office Services and Rent	1,220	1,220	1,220	1,220	1,220
Office Supplies and Expenses	1,121	1,121	1,121	1,121	1,121
Uncollectibles	569	569	569	569	569
Insurance	953	953	953	953	953
Reg. Comm. Exp.	1,000	1,000	800	800	800
General Expenses	569	569	569	569	569
Total Operating Exp.	38,112	38,112	37,912	37,912	37,912
Depreciation Expense	5,525	5,525	5,525	5,525	5,525
Other Taxes	3,346	4,227	2,457	3,338	3,338
State Income Tax	800	2,403	800	2,601	2,601
Federal Income Taxes	0	3,672	-2,396	3,805	3,805
Total Income Taxes	800	6,075	-1,596	6,406	6,406
Total Deductions	47,783	53,939	44,298	53,181	53,181
Net Revenue	-17,063	20,801	-13,578	21,559	21,559
Average Plant			188,471	188,471	188,471
Average Deprec. Reserve			14,872	14,872	14,872
Less: Contributions			30,651	30,651	30,651
Plus: Working Cash			1,524	1,524	1,524
Mat'l & Suppl			500	500	500
Tax on CIAC			6,824	6,824	6,824
Rate Base	151,277	151,277	151,797	151,797	151,797
Rate of Return	-11.28%	13.75%	-8.94%	14.20%	14.20%

APPENDIX A
ALISAL WATER CORPORATION
Moss Landing Division
Summary of Earnings for 1998

Utility Estimated		Branch Estimated		TY 1998 Adopted Rates
Present Rates	Proposed Rates	Present Rates	Proposed Rates	

Operating Revenues					
Metered	\$31,232	\$93,893	\$31,232	\$93,893	\$92,453
Flat Rate	\$0	\$0	\$0	\$0	\$0
Private Fire	0	0	0	0	1,440
Other	0	0	0	0	0
Total Revenues	31,232	93,893	31,232	93,893	93,893
Operating Expenses:					
Purchased Water	0	0	0	0	0
Purchased Power	6,968	6,968	6,968	6,968	6,968
Other Volume Related	0	0	0	0	0
Employee Labor	3,801	3,801	3,801	3,801	3,801
Transportation	5,696	5,696	5,696	5,696	5,696
Materials	357	357	357	357	357
Contract Work	726	726	726	726	726
Other Plant maint	1,192	1,192	1,192	1,192	1,192
Office Salaries	5,972	5,972	5,972	5,972	5,972
Management Salaries	5,795	5,795	5,795	5,795	5,795
Employee Benefits	3,062	3,062	3,062	3,062	3,062
Office Services and Rent	1,245	1,245	1,245	1,245	1,245
Office Supplies and Expense	1,155	1,155	1,155	1,155	1,155
Uncollectibles	569	569	569	569	569
Insurance	982	982	982	982	982
Reg. Comm Exp.	1,000	1,000	800	800	800
General Expenses	586	586	586	586	586
Total Operating Exp.	39,106	39,106	38,906	38,906	38,906
Depreciation Expense	8,726	8,726	8,726	8,726	8,726
Other Taxes	3,286	4,538	3,326	4,579	4,579
State Income Tax	800	3,712	800	3,876	3,876
Federal Income Taxes	0	5,673	-3,079	5,671	5,671
Total Income Taxes	800	9,385	-2,279	9,547	9,547
Total Deductions	51,918	61,755	48,679	61,758	61,758
Net Revenue	-20,686	32,138	-17,447	32,135	32,135
Average Plant			277,432	277,432	277,432
Average Deprec. Reserve			22,645	22,645	22,645
Less: Contributions			29,423	29,423	29,423
Plus: Working Cash			1,569	1,569	1,569
Mat'l & Suppl			6,824	6,824	6,824
Tax on CIAC			500	500	500
Rate Base	233,734	233,734	234,257	234,257	234,257
Rate of Return	-8.85%	13.75%	-7.45%	13.72%	13.72%

Appendix B
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ALISAL WATER CORPORATION
Moss Landing Division

Schedule No. 1-ML

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Moss Landing Harbor and Town, the Monterey Dunes area, and North along the Monterey Bay Coast.

RATES

Quantity Rates:

For all water delivered, per 100 cu. ft. \$0.93 (I)

Service Charge:

For 5/8 X 3/4 inch meter	\$17.30	(I)
For 3/4 inch meter	\$26.00	
For 1 inch meter	\$43.50	
For 1 - 1/2 inch meter	\$87.00	
For 2 inch meter	\$139.00	
For 3 inch meter	\$260.00	(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 Rates.

SPECIAL CONDITIONS

1. A late charge will be imposed per Schedule No. LC.
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.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Appendix B
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ALISAL WATER CORPORATION
Moss Landing Division

Schedule No. 4-ML

SERVICE TO PRIVATELY OWNED FIRE PROTECTION SYSTEMS

APPLICABILITY

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

TERRITORY

Moss Landing Harbor and Town, the Monterey Dunes area, and North along the Monterey Bay Coast.

RATES

For each inch of diameter of service connection \$5.00

SPECIAL CONDITIONS

1. The facilities for service to a privately owned fire protection system will be installed by the utility at the cost of the applicant. Such payment shall not be subject to refund.
2. 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 will be installed by the Utility at the cost of the applicant. Such cost shall not be subject to refund.
3. Service hereunder is for private protection service to which no connections for other than fire protection purposes are allowed and which are regularly inspected by underwriters having jurisdiction, are installed according to specifications of the Utility, and are maintained to the satisfaction of the Utility. The Utility may require the installation of a detector check valve with meter for protection against theft, leakage, or waste of water.
4. The utility will supply only such water at such pressure as may be available from time to time as a result of normal operation of Utility's system.
5. A late charge will be imposed per Schedule No. LC.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Appendix C
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ALISAL WATER CORPORATION
Moss Landing Division

Step Increase for 1998

The following increases in rates can be put into effect on January 1, 1998, by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

Schedule No. 1-ML

Quantity Rates:	1998
For all water delivered, per 100 cu. ft.	\$0.24
Service Charge:	
For 5/8 X 3/4 inch meter	\$4.20
For 3/4 inch meter	\$6.25
For 1 inch meter	\$10.25
For 1 - 1/2 inch meter	\$20.50
For 2 inch meter	\$33.00
For 3 inch meter	\$63.00

Appendix D
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ALISAL WATER CORPORATION
Moss Landing Division

COMPARISON OF RATES

	Minimum Charge*	Service Charge
For 5/8 X 3/4 inch meter	\$7.00	\$17.30
For 3/4 inch meter	\$7.00	\$26.00
For 1 inch meter	\$7.00	\$43.50
For 1-1/2 inch meter	\$7.00	\$87.00
For 2 inch meter	\$7.00	\$139.00
For 3 inch meter	\$7.00	\$260.00

* The minimum charge included 500 cu. ft of water per month.

Quantity Rates:

For all water delivered, per 100 cu. ft.		\$0.93
For water over 500 cu ft., per 100 cu. ft.	\$0.90	

Private fire Service Rate

Per inch of diameter per month	None	\$5.00
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Appendix E
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ALISAL WATER CORPORATION
Moss Landing Division

ADOPTED QUANTITIES
Test Year 1997

Expenses

Purchased power - Pacific Gas and Electric Co.	1997	1998
Recorded, calculated Kwh/Ccf	1.73	1.73
Estimated water consumption (Ccf)	27,552	28,011
Power Consumption (Kwh)	47,665	48,459
1995 Avg. Cost per Kwh	0.1438	0.1438
Gross Power Cost	\$6,854	\$6,948
Less cost transport water for harbor district	\$985	\$985
Power Cost	\$5,869	\$5,963
Water Testing (contract work)	\$705	\$726
Health Dept Fees (in General Expense)	\$569	\$586

Service connections

Metered

5/8	81	82
3/4	13	14
1	15	15
1-1/2	1	1
2	7	7
3	2	2
Total	119	121

Water Sales used to design rates 27,542 28,011