

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION  
Small Water Branch

RESOLUTION NO. W-4047  
June 25, 1997

**R E S O L U T I O N**

(RES. W-4047), EASTON ESTATES WATER COMPANY (EEWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUES OF \$18,411 OR 66.2% IN  
1997.

BY DRAFT ADVICE LETTER ACCEPTED ON NOVEMBER 14, 1996.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$18,411 or 66.2% for test year 1997. The increase will provide a 13.25% rate of return on rate base in the test year.

BACKGROUND

EEWC requested authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$27,300 or 100% in 1997. EEWC's request shows 1997 estimated gross revenue of \$27,395 at present rates increasing to \$54,725 at proposed rates to produce a rate of return on rate base of 14.25%. EEWC presently serves 106 flat rate and two metered customers in an unincorporated area approximately two miles east of the unincorporated town of Easton.

The present rates became effective on October 7, 1996, pursuant to a CPI-U increase. The last general rate increase became effective May 15, 1985, per Decision 85-05-064 which authorized an increase of \$461 or 1.8% and a rate of return of 11.5%.

DISCUSSION

The Small Water Branch (Branch) made an independent analysis of EEWC's summary of earnings and issued its report dated April 1997. Appendix A shows EEWC's and the Branch's estimated summaries of earnings at present, requested, and adopted rates for the test year 1997. Appendix A also shows differences in operating revenues, operating expenses, and rate base.

EEWC was informed of the Branch's differing views of revenues, expenses, and rate base, and stated that it agreed with the Branch's findings.

EEWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 14.25%. The summary of earnings in Appendix A shows a rate of return of 13.25% at the Branch's recommended rates. This rate of return is at the midpoint of the 12.75% to 13.75% rate of return range

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recommended by the Finance Branch for Class D, 100% equity financed water utilities.

EEWC's filed tariffs currently contain three rate schedules: 1, Metered Service; 2, Residential Flat Rate Service; and 4, Private Fire Service. The flat rates have been increased by the overall increase. Metered rates have been increased with consideration given to the current service charge allocation by meter size. The rates proposed by the Branch are included herein as Appendix B.

Branch has reviewed EEWC's tariff schedules and found that the following rules and forms need to be updated: Rules 5, 8, 10, 15, 16, 20, and 21; Forms 4, 10A through 10E.

Pursuant to Section 2713 of the Public Utilities Code, EEWC is prohibited from charging any rates for service under Schedule No. 5, Public Fire Hydrant Service, without a formal agreement with a local fire protection agency. Because EEWC has no such agreement, the Branch recommends that Schedule No. 5 be cancelled.

At the Branch's recommended rates shown in Appendix B, the monthly bill for the average flat rate customer will increase from \$20.55 to \$34.00 or 65.5%. 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 December 10, 1996. The Branch received two letters protesting the rate increase. The Commission's Consumer Affairs Branch has not received any complaints.

A public meeting was held on January 14, 1997, in EEWC's service area. The Branch's representative explained Commission rate setting procedures and the utility's representative explained the need for the rate increase. About 100 customers representing about 50 connections attended the meeting with their major concerns being the quality of the water supplied, the quality of the service provided, management practices of the company and the size of the increase requested. A statement was also made that the Department of Health Services (DHS) doctored the test data.

The Branch contacted the Fresno office of DHS and was informed that like all water utilities, EEWC is required to perform chemical and bacteriological sampling of the water and that all tests analyzed by independent testing laboratories have passed. The water is considered very good. DHS indicated that they had no knowledge of the allegations of improper reporting of test information. The Branch also investigated the quality of service provided and the management practices of EEWC and is satisfied that both practices are reasonable.

There are no outstanding Commission orders requiring system improvements. EEWC has been filing annual reports as required.

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FINDINGS AND CONCLUSIONS

1. The Branch's recommended summaries of earnings (Appendices A and B) are 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. Tariff Rules 5, 8, 10, 15, 20, and 21, and Forms 4, and 10A through 10E should be brought up to date.
6. Tariff Schedule No. 5, Public fire Hydrant Service is no longer applicable and should be cancelled.

**IT IS ORDERED that:**

1. Authority is granted under Public Utilities Code Section 454 for Easton Estates Water Company to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendix A and concurrently to cancel its presently effective rate Schedule Nos. 1, 2, and 4. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of filing.
2. Tariff Schedule No. 5, Public Fire Hydrant, is cancelled.

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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 June 25, 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

APPENDIX B

EASTON ESTATES WATER COMPANY, INC.

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Easton Estates, Tract No. 1826 and vicinity, located near the intersection of Cherry and Lincoln Streets, approximately four miles south of the City of Fresno, Fresno County.

RATES

| SDWBA     | Monthly   |
|-----------|-----------|
| Per Meter | Surcharge |
| Per Month |           |

Quantity Rates:

All Water, per 100 cu. ft. .... \$ 0.77 (I)

Service Charge:

|                                |              |         |
|--------------------------------|--------------|---------|
| For 5/8 x 3/4-inch water ..... | \$ 11.00 (I) | \$ 8.00 |
| For 3/4-inch meter .....       | 16.50        | 9.00    |
| For 1-inch meter .....         | 27.50        | 12.00   |
| For 1 1/2-inch meter .....     | 45.00        | 17.00   |
| For 2-inch meter .....         | 60.00 (I)    | 27.26   |

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge 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.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF

APPENDIX B-1

EASTON ESTATES WATER COMPANY, INC.

Schedule No. 2

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential service.

TERRITORY

Easton Estates, Tract No. 1826 and vicinity, located near the intersection of Cherry and Lincoln Streets, approximately four miles south of the City of Fresno, Fresno County.

RATES

|  | <u>Per Service Connection<br/>Per Month</u> | <u>SLWBA<br/>Monthly<br/>Surcharge</u> |
|--|---|--|
| For a single-family residence,<br>including premises not exceeding<br>9,000 sq. ft., in area ..... | \$34.00 (I)                                 | \$8.52                                 |
| For each 100 sq. ft. of area in<br>excess of 9,000 sq. ft. ....                                    | \$ 0.04 (I)                                 |  |

SPECIAL CONDITIONS

1. The above residential flat rates apply to service connections not larger than one-inch in diameter.
2. All service not covered by the above classification shall be furnished only on a metered basis.
3. Meters will be installed at option of utility or customers for above classification, in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.
4. A late charge will be imposed per Schedule No. 1C.
5. 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.
6. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX B-2

EASTON ESTATES WATER COMPANY, INC.

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Easton Village and vicinity, located approximately 4 miles south of Fresno, Fresno County.

RATE

Per Month

For each inch of diameter of service connection ..... \$4.00 (I)

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the utility or under the utility's direction. Cost for the entire fire protection installation excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The expense of maintaining the private fire protection facilities on the applicant's premises (including the vault, meter, and backflow device) shall be paid for by the applicant.
3. All facilities paid for by the applicant shall be the sole property of the applicant. The utility and its duly authorized agents shall have the right to ingress to, and egress from the premises for all purposes relating to said facilities.
4. 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.
5. 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 main extension from the nearest existing main of adequate capacity shall be required by the utility.

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EASTON ESTATES WATER COMPANY, INC.

Schedule No. 4  
(continued)

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS

6. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction. All facilities are to be installed according to the utility's specifications and maintained to the utility's satisfaction. The utility may require installation of a backflow prevention device and a standard detector type meter approved by the Board of Fire Underwriters or other appropriate agency.



APPENDIX C

EASTON ESTATES WATER COMPANY, INC.

COMPARISON OF RATES

METERED SERVICE

Per Service Connection  
Per Month

|                          | Present Rates | Proposed Rates<br>TY 97 | Percent Increase<br>(Decrease) |
|--------------------------|---------------|-------------------------|--------------------------------|
| For 5/8 x 3/4-inch meter |               | \$ 10.92                | \$ 11.00 0.7%                  |
| For 3/4-inch meter       |               | 11.84                   | 16.50 39.4%                    |
| For 1-inch meter         |               | 15.28                   | 27.50 80.0%                    |
| For 1 1/2-inch meter     |               | 19.38                   | 45.00 132.2%                   |
| For 2-inch meter         |               | 25.94                   | 60.00 131.3%                   |

Quantity Rates:

|                                 |         |         |       |
|---------------------------------|---------|---------|-------|
| Ist 300 cu.ft., per 100 cu.ft.  | \$ 0.44 | \$ 0.77 | 75.0% |
| Over 300 cu.ft., per 100 cu.ft. | 0.55    | 0.77    | 40.0% |

RESIDENTIAL FLAT RATE SERVICE

Per Service Connection  
Per Month

|  | Present Rates | Proposed Rates<br>TY 97 | Percent Increase<br>(Decrease) |
|--|---------------|-------------------------|--------------------------------|
| For a single-family residence,<br>including premises not exceeding<br>9,000 sq. ft., in area ..... | \$ 20.55      | \$ 34.00                | 65.5%                          |
| For each 100 sq. ft. of area in<br>excess of 9,000 sq. ft. ....                                    | \$ 0.02       | \$ 0.04                 | 100.0%                         |

PRIVATE FIRE PROTECTION

Per Month

|  |         |         |       |
|--|---------|---------|-------|
| For each inch of diameter of<br>service connection ..... | \$ 2.40 | \$ 4.00 | 66.7% |
|--|---------|---------|-------|

APPENDIX D

EASTON ESTATES WATER COMPANY, INC.

ADOPTED QUANTITIES  
Test Year 1997

Offset Items

1. Purchased Power

Pacific Gas and Electric Company  
Effective Date August 11, 1996  
Rate Schedule A-1 Small General Service

| Customer Charge:         | <u>Per Meter Per Month</u> |
|--------------------------|----------------------------|
| Single-phase service     | \$ 8.10                    |
| Polyphase Service        | \$ 12.00                   |
| Energy charge (per kWh)  |                            |
| Summer                   | \$ 0.14870                 |
| Winter                   | \$ 0.10193                 |
| Total Cost               | \$ 4,464                   |
| Total kWh                | 32,498                     |
| Average Unit Cost \$/kwh | \$ 0.137                   |
| 2. Ad Valorem Taxes      | \$ 813                     |

Service Connections

1. Meter Size

|                  |   |
|------------------|---|
| 3/4 x 5/8" ..... | 0 |
| 3/4" .....       | 0 |
| 1" .....         | 1 |
| 1 1/2" .....     | 0 |
| 2" .....         | 1 |
| Total Metered    | 2 |
|                  | = |

2. Flat Rate 106

Metered Water Sales Used to Design Rates  
Usage - Ccf/yr

General Metered 679  
===

APPENDIX D-1

EASTON ESTATES WATER COMPANY, INC.

ADOPTED TAX CALCULATIONS

Test Year 1997

|                                 |           |
|---------------------------------|-----------|
| 1. Operating Revenues           | \$ 46,225 |
| 2. Expenses                     | 32,805    |
| 3. Depreciation                 | 2,729     |
| 4. Taxes Other Than Income      | 813       |
| 5. Interest Expense             | 3,175     |
| 6. Taxable Income for State Tax | 6,703     |
| 7. State Tax (Minimum)          | 800       |
| 8. Taxable Income for FIT       | 5,903     |
|                                 | =====     |

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APPENDIX B

EASTON ESTATES WATER COMPANY, INC.

MEMORANDUM OF PUBLIC MEETING

DISTRIBUTION:

F. L. Curry, Chief  
J. S. Sekhon, Supervisor  
L. E. Perez, PURA II

PREPARED BY:

Richard Tom  
Date: January 16, 1997

Subject: Informal Public Meeting Concerning General Rate Increase  
Request by Easton Estates Water Company.

Held at: Washington Union High School  
Cafeteria  
6041 South Elm  
Fresno, CA

Date: Tuesday  
January 14, 1997

Time: 7:00 p.m.

Present:

| <u>NAME</u>     | <u>TITLE</u>    | <u>REPRESENTING</u> |
|-----------------|-----------------|---------------------|
| Richard Tom     | Project Manager | CPUC Staff          |
| Elena Perez     | PURA II         | CPUC Staff          |
| Claudia Stanley | CPA             | Easton Estates      |
| George Stanley  |                 | Easton Estates      |

Notice of the meeting was mailed to the ratepayers prior to the meeting date.

The meeting began at 7:00 p.m. with approximately 100 customers representing about 50 connections present. Among those present were a representative of the local fire-fighting agency and the Chairman of the Easton Community Services District. Easton Estates serves about 106 flat rate and two metered customers.

The Commission procedure and purpose of the meeting was explained by the staff project manager. Ms. Stanley explained the need for the rate increase. The balance of the meeting consisted of comments and questions by the customers.

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The mood of the customers was one of hostility and anger. Although the water apparently meets all the standards of the Department of Health Services, several customers claimed it to be undrinkable and "contaminated". About 20% of the customers stated that they "had" to purchase bottled water and were upset because they felt they should get a discount in their water bill. As indicated by a show of hands, most of the customers were concerned with the following:

Quality of the water supplied  
Quality of service provided  
Management practices of the company  
Size of the increase

Following are specific comments and questions:

"I was cooking dinner and then the water turned brown."

"How many unpaid accounts?" (None, all are current.)

"Always sand in the system. Constantly has company on hand to remove sand."

"Sand has been problem for a number of years. Had to get rid of dishwasher because of sand."

"If water is contaminated and ordered to buy bottled water, who pays?"

"Average water bills in surrounding areas is about \$10.25 to \$23 per month; this increase is outrageous. Operating costs in the area should be the same for all."

The representative from the fire district commented:

Some expenses appear to be too high.  
Wells have been neglected for years.  
Easton Estates uses an expensive company for pumping out water-about \$70 per hour.  
Neighboring company Bakman Water Co. charges only \$38 every two months.

"It is not fair to have all our increases at one time."

"What recourse do customers have to take over the company?"

"DHS doctored the test information. A higher-up told me the water was not drinkable. County Health Department claims that DHS is rubbing shoulders with other people."

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Customers claimed that eight years ago the water was not drinkable. They wanted a guarantee that the water is safe to drink. (Response-There are tests that health department does and others that they require the company to do.)

"There is bacteria in the water, sand in the water and the company used to have a nitrate problem, but the bottom line is that the increase is 100%. I can dig own well for \$4,000."

"What maintenance is done to the wells?" (Response-Pump contractor comes in once a month and checks the well to make sure they are operating properly.)

"Nitrate is a serious problem. It can harm a child. Company should pay for bottled water."

"The "state representative" must be mind-boggled. If water is tested, why hasn't it shown contamination anywhere?"

"Is asking for 100% increase supposed to make the company solvent? If company has been losing money for 10 years, then it needs to go out of business."

The chairman of the community services district claims that the company is being mismanaged. He also stated that the owner of the company at one time offered to sell the company to the district, but the district was not ready to buy. He wants to put the possible purchase of the water company in the district's upcoming meeting agenda.

The meeting was adjourned at approximately 8:45 pm. Both staff and company representatives remained to answer further questions.

#### SUMMARY

It is quite obvious that the customers are outraged not only by the size of the requested increase, but also at the quality of the water and service being provided to them. As far as the size of the increase is concerned, the staff analysis will result in a recommendation on the size of the increase, if any. The staff will contact the Fresno County Health Department for its input regarding the quality of the water. Finally, quality of service will be an area which will be investigated by the staff and, if necessary, a recommendation will be included in the resolution that staff will be preparing for the Commission's consideration.