

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Small Water Branch

RESOLUTION NO. W-4056
August 1, 1997

RESOLUTION

(RES. W-4056), TULCO WATER COMPANY (TWC). ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUES OF \$19,320, OR 50.8% IN 1996, A STEP RATE INCREASE OF \$1,890 OR 3.3% IN 1997 AND, A ONE-TIME SURCHARGE TO GENERATE ADDITIONAL REVENUE OF \$1,812 OR 3.1%.

BY DRAFT ADVICE LETTER ACCEPTED ON JANUARY 31, 1997.

SUMMARY

This Resolution grants an increase in gross annual revenues of \$19,320 or 50.8%, for test year 1996 and a Consumer Price Index (CPI) increase of \$1,890 or 3.3% in 1997 as authorized by Decision (D.) 92-03-093 for all small water utilities. The increase will provide a rate of return on rate base of 14.0%. This resolution also grants TWC authority to collect a one-time surcharge of \$1,812 from its customers to offset the Department of Health Services fee as billed to TWC for fiscal years 1994, 1995, and 1996.

BACKGROUND

TWC 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 \$18,690 or 47.1% in 1996. TWC's request shows 1996 gross revenue of \$39,664 at present rates increasing to \$58,354 at proposed rates to produce a rate of return on rate base of 14.4%. TWC presently serves about 180 flat rate and three metered customers in an inland valley subdivision approximately three miles east of the City of Tulare, Tulare County.

The present rates became effective on January 2, 1993, pursuant to Res. W-3729, which authorized a general rate increase of \$11,690 or 45.4%.

DISCUSSION

The Small Water Branch (Branch) made an independent analysis of TWC's summary of earnings. Appendix A shows TWC's and the Branch's estimated summaries of earnings at present, requested, and adopted rates for the test year 1996. Appendix A also shows differences in operating revenues, operating expenses, and rate base.

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

TWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 14.4%. The summary of earnings in

August 1, 1997

Appendix A shows a rate of return of 14.0% at the Branch's recommended rates. This rate of return is the midpoint of the 13.50% to 14.50% rate of return range recommended by the Accounting and Finance Branch for Class D water utilities.

TWC's filed tariffs currently contain two rate schedules: Schedule No. 1, General Metered Service, and Schedule No. 2R, Residential Flat Rate Service. Since the vast majority of customers are served under the flat rate schedule, the recovery of fixed costs as adopted by D.92-03-093, do not apply here. The rates proposed by the Branch are included herein as Appendix B. Branch has reviewed TWC's tariff schedules and found that TWC does not on file and/or has not updated the following rules and schedules: Schedule UF, Rules 10, 20, and 21, and Forms 2, 4, 10, A through E.

At the Branch's recommended rates shown in Appendix B, the monthly bill for a typical flat rate residential customer with a 9,200-square foot lot will increase from \$17.22 to \$26.81 or 55.7%. 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 March 3, 1997. The Branch did not receive any correspondence in return.

A public meeting was scheduled on April 8, 1997, in TWC's service area. No customers attended.

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. TWC should be ordered to add and/or update the following tariffs: Schedule Uf, Rules 10, 20, and 21, Forms 2, 4, 10, and A through E.

August 1, 1997

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Tulco 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. 1 (General Metered Service), and 2R (Residential 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 60 days after the effective date of this resolution, Tulco Water Company shall file an advice letter adding and/or updating the following tariffs: Schedule Uf, Rules 10, 20, and 21, Forms 2, 4, 10, and A through E.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on August 1, 1997. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

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

TULCO WATER COMPANY

SUMMARY OF EARNINGS
Test Year 1996

Item	Utility Estimated		Branch Estimated		Branch
	Present Rates	Requested Rates	Present Rates	Requested Rates	Adopted Rates
<u>Operating Revenue</u>					
Flat Rate	\$37,681	\$55,437	\$37,050	\$54,460	\$55,880
Metered	1,983	2,917	970	1,430	1,460
Total Revenue	39,664	58,354	38,020	55,890	57,340
<u>Operating Expenses</u>					
Purchased Power	8,918	8,918	9,700	9,700	9,700
Other Vol Rel	0	0	0	0	0
Employee Labor	0	0	0	0	0
Materials	360	360	360	360	360
Contract Work	2,850	2,850	2,850	2,850	2,850
Transportation	725	725	730	730	730
Other Plant Maint	1,225	1,225	900	900	900
Office Salaries	1,350	1,350	1,350	1,350	1,350
Mgmt Salaries	9,250	9,250	9,160	9,160	9,160
Employee Benefits	2,500	2,500	1,940	1,940	1,940
Uncoll Accounts	450	450	290	290	290
Off Serv & Rentals	1,235	1,235	1,240	1,240	1,240
Office Supplies	2,725	2,725	2,080	2,080	2,080
Professional Serv	850	850	850	850	850
Insurance	1,055	1,055	1,060	1,060	1,060
Reg Comm Expense	0	0	0	0	0
General Expenses	575	0	0	0	0
Subtotal	34,068	34,068	32,510	32,510	32,510
Depreciation	4,338	4,338	4,000	4,000	4,000
Non Income Tax	645	645	650	650	650
Income Taxes	800	800	800	4,220	4,540
Total Deductions	39,851	39,851	37,900	41,380	41,700
Net Revenue	187	18,503	60	14,510	15,640
<u>Rate Base</u>					
Average Plant	175,298	175,298	161,870	161,870	161,870
Average Dep Res	47,061	47,061	50,400	50,400	50,400
Net Plant	128,237	128,237	111,470	111,470	111,470
Less Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus Working Cash	0	0	0	0	0
Mat'l & Supp	258	258	260	260	260
Rate Base	128,495	128,495	111,730	111,730	111,730
Rate of Return	0.145%	14.4%	0.05%	12.99%	14.0%

APPENDIX B
Page 1

Tulco Water Company

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Allen Acres, Tract No. 132 and vicinity, located 3 miles east of Tulare, Tulare County.

RATES

	<u>Per Meter Per Month</u>
Quantity Rate:	
All water, per 100 cubic feet.....	\$ 0.187
Service Charge:	
For 5/8 x 3/4-inch meter.....	\$ 8.60
For 3/4-inch meter.....	\$ 13.05
For 1-inch meter.....	\$ 20.35
For 1-1/2-inch meter.....	\$ 25.45
For 2-inch meter.....	\$ 31.80

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 Rate.

SPECIAL CONDITIONS

1. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge of \$9.90. This charge offsets the Department of Health Services fee as billed to Tulco Water Company for fiscal years 1994, 1995, and 1996. (N)
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)

APPENDIX B
Page 2

Tulco Water Company

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential service furnished on a flat rate basis.

TERRITORY

Allen Acres, Tract No. 132 and vicinity, located 3 miles east of Tulare, Tulare County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For a single-family residential unit, including premises not exceeding 8,000 square feet in area.....	\$ 24.77
For each 100 square feet of area in excess of 8,000 square feet.....	\$ 0.17

SPECIAL CONDITIONS

1. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge of \$9.90. This charge offsets the Department of Health Services fee as billed to Tulco Water Company for fiscal years 1994, 1995, and 1996.
2. The above residential flat rates apply to service connections not larger than one-inch in diameter.
3. A meter shall be installed at the option of the utility, in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(N)
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(N)

APPENDIX C

Tulco Water Company

COMPARISON OF RATES

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

METERED SERVICE

	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
Quantity Rates:			
All Water, per 100 cu ft...	\$ 0.12	\$ 0.187	55.83%

Service Charge:

	<u>Per Meter Per Month</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
For 5/8x3/4-inch meter	\$ 5.53	\$ 8.60	55.52%
For 3/4-inch meter	8.37	13.05	55.91%
For 1-inch meter	13.07	20.35	55.70%
For 1-1/2-inch meter	16.33	25.45	55.85%
For 2-inch meter	20.42	31.80	55.73%

	<u>Per Service Connection Per Month</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
Each single-family residence, including premises not exceeding 8,000 sq.ft. in area.....	\$15.90	\$24.77	55.79%
For each 100 sq.ft. of area in excess of 8,000 sq.ft.....	\$ 0.11	\$ 0.17	54.55%

APPENDIX D
Page 1

Tulco Water Company

ADOPTED QUANTITIES
Test Year 1996

Expenses

1. Purchased Power	
Vendor	SoCal Edison
Schedule No.	PA-1
Effective Date	May 1, 1996
Energy Charge per kWh	\$ 0.09172
Consumption	82,048 kWh
Total Energy Charge	\$7,600.00/yr
Service Charges	\$1,500.00/yr
Other Charges	\$ 600.00/yr
Total Cost	\$9,700.00/yr
2. Purchased Water	None
3. Payroll	
Management Salary	\$ 9,160
Office Salary	\$ 1,350
Total Payroll	\$10,510
4. Water Testing Expenses (in contract work)	\$ 2,041
5. Insurance Expenses	
General Liability	\$ 750
Auto Insurance	\$ 310
Total Insurance	\$ 1,060
6. Ad Valorem Taxes	
Composite Tax Rate	1.001%
Assessed Value	\$64,940
Total	\$ 650
<u>Service Connections</u>	
Metered	
1-inch	2
2-inch	1
Total Metered Customers	3
Metered water sales used to design rates	3,389 Ccf
Flat Rate Connections	180
Additional lot size increments (100 square foot units)	2,052

APPENDIX D
Page 2

Tulco Water Company

ADOPTED TAX CALCULATIONS
Test Year 1996

ITEM	State <u>Tax</u>	Federal <u>Tax</u>
1. Operating Revenue	\$57,340	\$57,340
2. O & M Expense	\$32,510	\$32,510
3. Taxes Other Than Income	\$ 650	\$ 650
4. Depreciation	\$ 4,000	\$ 4,000
5. Taxable Income for CCFT	\$20,180	
6. CCFT @ 8.84%	\$ 1,780	\$ 1,780
7. Taxable Income for FIT		\$18,400
8. Federal Income Tax @ 15%		\$ 2,760
9. Total Income Tax	\$4,540	