

WATER/FLC:jlj\*

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION  
Water Advisory Branch**

**RESOLUTION NO. W-4129  
January 20, 1999**

**RESOLUTION**

**(RES. W-4129), FULTON WATER COMPANY (FWC). ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUES OF \$61,590 OR 21.5%  
IN 1999.**

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**SUMMARY**

By Draft Advice Letter accepted on September 28, 1998, FWC seeks revision of tariff Schedules Nos. 1A, Annual General Metered Service, and 2RA, Annual Residential Flat Rate Service to increase its rates to recover increase in operating costs and to provide an adequate rate of return. This resolution grants an increase in gross annual revenues of \$61,590 or a system-wide increase of 21.5% for test year 1999. The increase will provide a 9.83% rate of return on rate base for test year 1998.

**BACKGROUND**

FWC requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$79,000 or 28.0% in 1999. FWC's request shows 1999 gross revenue of \$288,250 at present rates increasing to \$367,250 at proposed rates.

FWC provides domestic water service to 872 residential flat-rate customers and provides fire protection water service to 51 fire hydrants in an unincorporated area, including the subdivisions known as Lake Forest Unit No. 2, Ridgewood Highlands, Ridgewood, Fulton Acres, Carnelian Heights, Larson's Survey, and Caledonia Circle. Also, the East Half of the NW quarter of Section 21 T16N, R17E, M.D.B.M. all near Carnelian Bay, Lake Tahoe, Placer County.

The present rates were established on July 14, 1997, pursuant to Res. W-4045, which authorized a general rate increase of \$33,349 or 13.5%, and a rate or return of 13.0%.

### DISCUSSION

The Water Advisory Branch (Branch) made an independent analysis of FWC's operations and issued its report in December, 1998. Appendix A shows FWC's and the Branch's estimates of the summary of earnings at present, requested and adopted rates for the test year. Appendix A shows differences between FWC's and the Branch's estimates in operating revenues, and operating expenses.

FWC was informed of the Branch's differing views of revenues and expenses and stated that it accepts the Branch's estimates.

FWC's draft advice letter requested rates that it estimated would produce a return on rate base of 10.2%. The Summary of Earnings in Appendix A shows a rate of return of 9.83% at Branch's recommended rates. This rate of return is in conformance with Ordering Paragraph 3 of Commission Decision (D.) 96-02-032 and based on FWC's capital structure of 76% debt at a 8.75% interest rate and 24% equity at a 13.0% interest rate.

Under guidelines established in D.92-03-093, the Commission staff must calculate net revenues by both the rate base/return method and the operating ratio method, selecting the method that produces the most revenue. Using a 20% operating ratio in the operating ratio method calculation, the rate base/return method produces greater revenue in this case.

FWC is in compliance with all Commission orders. It returned its Year 2000 questionnaire on time.

FWC's filed tariff currently contains two separate rate schedules - 1A, Annual General Metered Service, and 2RA, Annual Residential Flat Rate Service. At the Branch's recommended rates shown in Appendix B, the yearly bill for a typical 3/4-inch flat rate customer will increase from \$318.93 to \$387.50 or 21.50%. There are currently no metered customers in the system. 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 general rate increase was mailed to each customer on October 2, 1998. Eight letters protesting the increase were received by the Branch. The Consumer Affairs Branch (CAB) reports that FWC has received four informal complaints since the beginning of 1995. All complaints were handled in a timely manner.

On Wednesday, October 28, 1998, a public meeting was held at the Kings Beach Convention Center, located at 8318 North Lake Blvd., at 7:00 P.M. The Branch representative explained Commission rate setting procedures and FWC's representative explained the reasons for the proposed increase. Nine customers attended the meeting. Although they were not happy with the proposed rate increase, all customers at the meeting were satisfied with the water quality and service. The meeting adjourned at 7:50 P.M.

### FINDINGS AND CONCLUSIONS

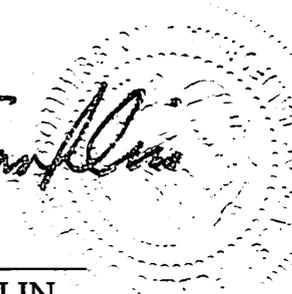
1. The summary of earnings (Appendix A) developed by the Branch is reasonable and should be adopted.
2. The rates proposed by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used in preparation of this report are reasonable and should be adopted.
4. The rate increase proposed by the Branch 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 Fulton Water Company 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 - 1A, Annual General Metered Service, and 2RA, Annual Residential Flat Rate 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. The rate increase proposed by the Branch is justified, and the resulting rates are just and reasonable.

3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on January 20, 1999. The following Commissioners approved it:



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WESLEY M. FRANKLIN  
Executive Director

RICHARD A. BILAS  
President

HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners

**APPENDIX A  
 FULTON WATER COMPANY  
 SUMMARY OF EARNINGS  
 Test Year 1999**

Item	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<b>Operating Revenue</b>					
Flat Rates	\$288,250	\$367,250	\$286,810	\$348,400	\$348,400
<b>Operating Expenses</b>					
Power	35,360	35,360	35,360	35,360	35,360
Water Treatment	7,200	7,200	7,200	7,200	7,200
Treatment Plant Operator	8,400	8,400	8,400	8,400	8,400
Signal Lines	4,450	4,450	4,450	4,450	4,450
Employee Labor	20,800	20,800	20,800	20,800	20,800
Materials	20,000	20,000	20,000	20,000	20,000
Contract Work	20,000	20,000	20,000	20,000	20,000
Water Testing	3,500	3,500	3,500	3,500	3,500
Transportation Exp.	5,000	5,000	5,000	5,000	5,000
Office Salaries	3,600	3,600	3,600	3,600	3,600
Management Salaries	36,000	36,000	36,000	36,000	36,000
Employee Benefits	8,000	8,000	8,000	8,000	8,000
Office Rental	3,600	3,600	3,600	3,600	3,600
Office Suppl. & Exp.	3,500	3,500	3,500	3,500	3,500
Professional Services	6,875	6,875	6,875	6,875	6,875
Insurance	6,130	6,130	6,130	6,130	6,130
Regulatory Comm. Exp.	1,500	1,500	1,500	1,500	1,500
General Expenses	3,500	3,500	3,500	3,500	3,500
<b>Subtotal</b>	<b>\$197,415</b>	<b>\$197,415</b>	<b>\$197,415</b>	<b>\$197,415</b>	<b>\$197,415</b>
Depreciation Expense	\$44,640	\$44,640	\$41,681	\$41,681	\$41,681
Property Taxes	4,346	4,346	4,346	4,346	4,346
Payroll Taxes	6,790	6,790	6,570	6,570	6,570
Permits	50	50	50	50	50
State Income Tax	800	4,322	800	2,897	2,897
Federal Income Tax	0	6,703	0	4,481	4,481
<b>Total Deductions</b>	<b>\$254,041</b>	<b>\$264,266</b>	<b>\$250,862</b>	<b>\$257,440</b>	<b>\$257,440</b>
<b>Net Revenue</b>	<b>\$34,209</b>	<b>\$102,984</b>	<b>\$35,948</b>	<b>\$90,960</b>	<b>\$90,960</b>
<b>Rate Base</b>					
Average Plant	1,373,310	1,373,310	1,285,670	1,285,670	1,285,670
Avr. Accum. Deprec.	341,996	341,996	341,996	341,996	341,996
Net Plant	1,031,314	1,031,314	943,674	943,674	943,674
Less: Contributions	10,448	10,448	10,448	10,448	10,448
Advances	11,700	11,700	11,700	11,700	11,700
Materials & Supplies	3,800	3,800	3,800	3,800	3,800
<b>Rate Base</b>	<b>1,012,996</b>	<b>1,012,996</b>	<b>\$925,326</b>	<b>\$925,326</b>	<b>\$925,326</b>
<b>Rate of Return</b>	<b>3.38%</b>	<b>10.20%</b>	<b>3.88%</b>	<b>9.83%</b>	<b>9.83%</b>

**APPENDIX B**  
**FULTON WATER COMPANY**

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

An area located approximately one mile southwest of Carnelian Bay, Lake Tahoe, Placer County.

RATES

Per Meter  
Per Month

Quantity Rate:

All Water used per 100 cu. ft..... \$1.55

Service Charge:

For	5/8 x 3/4-inch meter	\$260.00	(1)
For	3/4-inch meter	\$360.00	
For	1-inch meter	\$520.00	
For	1-1/2 inch meter	\$1,130.00	
For	2-inch meter	\$1,250.00	
For	3-inch meter	\$1,350.00	
For	4-inch meter	\$1,500.00	(1)

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

(continued)

**APPENDIX B**

**FULTON WATER COMPANY**

Schedule No.2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

An area located approximately one mile southwest of Carnelian Bay, Lake Tahoe, Placer County.

RATES

Per Service Connection  
Per Year

For a single-family residential unit, including premises:

Served through a 3/4 - inch service.....	\$387.50	(1)
1 - inch service.....	\$645.50	
1 - 1/2 - inch service.....	\$1,290.00	(1)

For each additional single-family residential unit on the same premises and served from the same connection.....

\$270.00 (1)

SPECIAL CONDITIONS

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the metered service charge for the same period shall be made on or before that day.

(continued)

**APPENDIX C**  
**FULTON WATER COMPANY**  
**COMPARISON OF RATES**

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

Yearly bill for a 3/4-inch flat rate customer:

Per Meter Per Year			
Present Rates	Recommended Rates	Increase	
		Amount	Percent
\$318.93	\$387.50	\$68.57	21.50%

Yearly bill for a 1-inch flat rate customer:

Per Meter Per Year			
Present Rates	Recommended Rates	Increase	
		Amount	Percent
\$531.17	\$645.50	\$114.33	21.52%

Yearly bill for a 1-1/2 inch flat rate customer:

Per Meter Per Year			
Present Rates	Recommended Rates	Increase	
		Amount	Percent
\$1,061.21	\$1,290.00	\$228.79	21.56%

**APPENDIX D**  
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**FULTON WATER COMPANY**

**ADOPTED QUANTITIES**

Test Year 1999

Expenses:

1. Purchas ed Power (Electric)

Vendor	Sierra Pacific Power Company
Schedules	A-1
Effective Date	1/1/98
Total Cost (\$)	\$35,360
kWh Used	437,400
Customer Charges (per month)	\$7.20
Total Energy Charges (per kWh)	\$0.07906
California Surcharges	\$0.00020

2. Purchas ed Water

None

3. Insurance Expenses

Liability	\$2,104
Compensation	\$2,028
Automobile	\$1,998
Total Cost	\$6,130

4. Ad Valorem Taxes

	\$4,346
Composite Tax Rate	1.0140%
Assessed Value	\$428,430

**APPENDIX D**  
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**FULTON WATER COMPANY**

**ADOPTED QUANTITIES**

Test Year 1999

5. Payroll Taxes		\$6,570
Social Security		\$5,260
Federal Unemployment		\$1,110
State Unemployment		\$175
State Unemployment Training		\$25
6. Number of Service Connections:		
Flat Rate		
3/4-inch service	862	
1-inch service	7	
1-1/2-inch service	5	
Additional services -	8	
Total	882	
7. Water Sales, Gallons		131,426,900

**APPENDIX D**  
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**FULTON WATER COMPANY**

**ADOPTED QUANTITIES**

Test Year 1999

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$348,400	\$348,400
2.	O & M Expenses	\$197,415	\$197,415
3.	Taxes Other Than Income	\$10,966	\$10,966
4.	Deprecation	\$41,681	\$41,681
5.	Interest	\$65,565	\$65,565
6.	Taxable Income for State Tax	\$32,773	
7.	State Tax	\$2,897	
8.	Taxable Income for FIT		\$29,876
9.	Federal Income Tax		\$4,481
10.	Total Income Tax		\$7,378
	California Corporate Franchise Rate	8.84%	
	Federal Income Tax Rate		
	On first \$50,000 of taxable income	15%	