

WATER/RUT/LEP:jlj

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

**WATER DIVISION  
WATER ADVISORY BRANCH**

**RESOLUTION NO. W-4139  
MARCH 4, 1999**

**RESOLUTION**

**(RES. W- 4139) WENDELL WATER COMPANY (WWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE  
PRODUCING \$2,801 OR 39.9% ADDITIONAL ANNUAL  
REVENUE.**

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**SUMMARY**

By Draft Advice Letter, accepted on September 3, 1998, WWC seeks revision of tariff Schedule No. 1, General Metered Service, to increase its rates to recover an increase in operating costs and to provide an adequate rate of return. This resolution grants an increase in gross annual revenues of \$2,801 or a system-wide increase of 39.9% for test year 1998. The increase will provide a 13.25% rate of return on rate base for the test year 1998.

**BACKGROUND**

WWC 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 to produce additional revenues of \$4,947 or 70.54% in 1998. The purpose of this request is to recover increased operating expenses and to provide an adequate rate of return. WWC's request shows that in test year 1998, gross revenues of \$7,013 at present rates would increase to approximately \$11,960 at proposed rates. WWC serves 25 metered customers on Wendell Lane in Sebastopol, Sonoma County.

The present rates were established on August 3, 1988, pursuant to Res. W-3405, which authorized a general rate increase of \$1,281 or 21.2%.

DISCUSSION

The Water Advisory Branch (Branch) made an independent analysis of WWC's summary of earnings and issued its report in January 1999. Appendix A shows WWC's and the Branch's estimates of the summaries of earnings at present, requested, and adopted rates for test year 1998. Appendix A also shows differences between WWC's and the Branch's estimates in operating expenses and rate base.

WWC's estimates of average plant in service and accumulated depreciation are inconsistent with the figures in Res. W-3405, WWC's last general rate proceeding. The Branch recommends that WWC be ordered to enter into its books of accounts the recalculated figures of \$31,912 for Plant in Service and \$21,321 for Accumulated Depreciation as of December 31, 1998.

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

WWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 14.50%. 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 recommended by the Commission's Audit and Enforcement Branch for Class D, 100% equity financed utilities.

WWC's filed tariffs currently contain one schedule: Schedule No. 1, General Metered Service. Branch reviewed WWC's tariff schedules and found that the following schedule, rules and form need to be updated: Schedule LC (Late Payment Charge), Rule Nos. 9, 10, 11, 20, and 21, and Form 2.

At the Branch's recommended rates shown in Appendix B, the monthly bill for the average residential metered customer with a 5/8 x 3/4-inch meter will increase from \$23.44 to \$32.75 or 39.7%. 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 September 9, 1998. The Branch received one letter protesting the rate increase and a petition with 28 signatures addressing the customers concerns. Petition items were discussed at the public meeting.

On October 1, 1998, the Branch held an informal public meeting in Sebastopol. The Branch's representative explained the Commission rate-setting procedures and the utility's representative explained the need for the rate increase. About 17 customers attended; most were concerned with the quality of the water and service that they receive from the company, and the size of the increase.

The Branch contacted the State Department of Health Services (DHS) and was informed that the water is in compliance with their bacteriological testing, but is high in iron and manganese. Iron and manganese is considered a secondary standard and is not a health hazard.

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

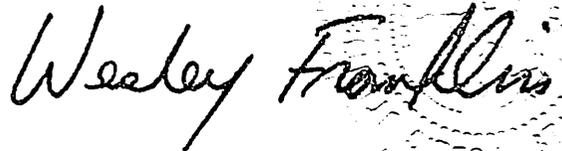
**FINDINGS AND CONCLUSIONS**

- a) The Branch's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.
- b) The rates recommended by the Branch (Appendix B) are reasonable and should be authorized.
- c) The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
- d) The rate increase proposed by the Branch is justified, the resulting rates are just and reasonable.
- e) WWC should be ordered to update its Schedule LC, Tariff Rule Nos. 9, 10, 11, 20 and 21, and Form 2.
- f) WWC should be ordered to record on its books of accounts \$31,912 for Plant in Service and \$21,231 for Accumulated Depreciation.

**IT IS ORDERED that:**

1. Authority is granted under Public Utilities Code Section 454 for Wendell Water Company to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule No. 1, General Metered 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, Wendell Water Company shall file an advice letter updating its Schedule LC, Tariff Rule Nos. 9, 10, 11, 20 and 21, and Form 2.
3. Wendell Water Company shall record on its books of accounts the figures of \$31,912 for Plant in Service and \$21,231 for Accumulated Depreciation as of December 31, 1998.
4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on March 4, 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

Wendell Water Company  
 Summary of Earnings  
 Test Year 1998

	Estimated 1998 At Present Rates				Estimated 1998 At Proposed Rates				Staff Recommended Rates
	Staff	Utility	Utility Amount	Exceeds %	Staff	Utility	Utility Amount	Exceeds %	
Operating revenues									
Metered	7,013	7,013	-	0%	11,960	11,960	-	0%	9,814
Other revenue	-	-	-	-	-	-	-	-	-
Total revenue	7,013	7,013	-	0%	11,960	11,960	-	0%	9,814
Oper. & Maint. Exp:									
Power	780	1,137	357	46%	780	1,137	357	46%	780
Other volume related	221	221	-	0%	221	221	-	0%	221
Materials	238	238	-	0%	238	238	-	0%	238
Contract work	1,550	1,726	176	11%	1,550	1,726	176	11%	1,550
Water testing	219	219	-	0%	219	219	-	0%	219
Other plant maintenance	300	694	394	131%	300	694	394	131%	300
Office salaries	-	-	-	-	-	-	-	-	-
Management salaries	-	-	-	-	-	-	-	-	-
Office services & rentals	264	264	-	0%	264	264	-	0%	264
Office supplies and expenses	316	316	-	0%	316	316	-	0%	316
Professional services	1,860	2,461	601	32%	1,860	2,461	601	32%	1,860
Regulatory Commission exp.	131	131	-	0%	131	131	-	0%	131
General expenses	139	546	407	293%	139	546	407	293%	139
Total operating expenses	6,018	7,953	1,935	32%	6,018	7,953	1,935	32%	6,018
Depreciation	912	599	(313)	-34%	912	599	(313)	-34%	912
Property taxes	765	765	-	0%	765	765	-	0%	765
State tax	-	-	-	0%	377	800	423	112%	187
Federal income tax	-	-	-	0%	583	276	(307)	-53%	290
Total deductions	7,695	9,317	1,622	21%	8,655	10,393	1,738	20%	8,172
Net Revenue	(682)	(2,304)	(1,622)	238%	3,305	1,567	(1,738)	111%	1,642
Rate Base:									
Average plant	31,912	32,800	888	3%	31,912	32,800	888	3%	31,912
Average accum. dep.	20,736	21,999	1,263	6%	20,736	21,999	1,263	6%	20,736
Net plant	11,176	10,801	(375)	-3%	11,176	10,801	(375)	-3%	11,176
Add: Working cash	1,212	-	(1,212)	-	1,212	-	(1,212)	-	1,212
Materials & supplies	-	-	-	-	-	-	-	-	-
Rate Base	12,388	10,801	(1,587)	-13%	12,388	10,801	(1,587)	-13%	12,388
Rate of Return	-5.5%	-21.33%			26.68%	14.50%			13.25%

APPENDIX B  
WENDELL WATER COMPANY  
Schedule No. 1  
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Wendell Lane in Sebastopol, Sonoma County.

RATES

Per Meter

Per Month

Quantity Charge

All water, per 100 cu.ft. \_\_\_\_\_ \$ 1.25 (I)

Service Charge:

For 5/8 x 3/4-inch meter \_\_\_\_\_ \$16.50 (I)

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 Charge.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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

<u>METERED SERVICE</u>	<u>Per Meter Per Month</u>		
		Proposed	Percent
	Present	Rates	Increase
	<u>Rates</u>	<u>TY 98</u>	<u>(Decrease)</u>
For 5/8 x 3/4-inch meter	\$ 11.61	\$ 16.50	42.1%

Quantity Rates:

All water, per 100 cu.ft.	\$ 0.91	\$ 1.25	37.4%
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Comparison of a monthly typical bill for residential metered customers with a 5/8 x 3/4-inch is shown below at current rates and recommended rates for test year 1998.

Usage	Present	Recommended	Amount	Percent
100 cu.ft.	Bills	Bills	Increase (Decrease)	Increase (Decrease)
5	\$ 16.16	\$ 22.75	\$ 6.59	40.8%
10	20.71	29.00	8.29	40.0%
13 avg.	23.44	32.75	9.31	39.7%
15	25.26	35.25	9.99	39.5%
20	29.81	41.50	11.69	39.2%

APPENDIX D-1  
WENDELL WATER SERVICE  
ADOPTED QUANTITIES  
Test Year 1998

Offset Items

1. Purchased Power

Pacific Gas and Electric Company  
Effective Date January 1, 1996  
Rate Schedule E-1XB Residential Service

	<u>Per meter</u>
	<u>Per month</u>
Energy charge (per kWh)	
Baseline (Tier I),	\$0.11589
Over Baseline (Tier II),	\$0.13321
Total Cost	\$ 780
Total kWh	7,153
Average Unit Cost \$/kWh	\$ 0.109

2. Ad Valorem Taxes \$ 608

Service Connections

1. Meter Size

3/4 x 5/8" . . . . . 25  
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Metered Water Sales Used to Design Rates

	<u>Usage - Ccf/yr.</u>
General Metered	3,880
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APPENDIX D-2  
WENDELL WATER SERVICE  
ADOPTED QUANTITIES  
ADOPTED TAX CALCULATIONS

1.	Operating Revenues	\$ 9,814
2.	Expenses	6,018
3.	Depreciation	912
4.	Taxes Other Than Income	765
5.	Taxable Income for State Tax	2,119
6.	State Tax	187
7.	Taxable Income for FIT	1,932
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