

WATER/FLC/ABJ/PTL/LTR:jjj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION  
Water Advisory Branch

RESOLUTION NO. W-4146  
May 13, 1999

RESOLUTION

**(RES. W-4146), CAZADERO WATER COMPANY (CWC). ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING \$7,400  
OR 30.1% ADDITIONAL ANNUAL REVENUE.**

SUMMARY

By Draft Advice Letter, accepted on December 11, 1998, CWC seeks revision to tariff schedules No. 1, General Metered Service, and No. 2A, Annual General Flat Rate 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 \$7,400 or a system-wide increase of 30.1% for test year 1999. The increase will provide a 13.36% rate of return on rate base for the test year 1999.

BACKGROUND

CWC requests 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 \$7,400 or 30.5% in 1999. CWC's request shows 1999 gross revenue of \$24,234 at present rates increasing to \$31,631 at proposed rates to produce a rate of return on rate base of 13.48%. CWC presently serves 148 metered rate and 4 flat rate customers in Cazadero and vicinity, Sonoma County.

The present rates became effective on June 17, 1992, pursuant to Commission Res. W-3650, which authorized a general rate increase producing \$8,854 or 63.18% additional annual revenue.

DISCUSSION

The Water Advisory Branch (Branch) made an independent analysis of CWC's summary of earnings. Appendix A shows CWC's and the Branch's estimated summary of earnings at present, requested, and adopted rates for test year 1999. Appendix A also shows differences in operating revenues, operating expenses, and rate base.

CWC was informed of the Branch's differing views of revenues, expenses, and rate base. CWC has stated that it accepts the Branch's estimates.

Since its last general rate increase in 1992, CWC has been inadvertently booking capital improvement and plant addition expenditures into its expense accounts and has been utilizing a depreciation rate other than that which it was authorized to use. This has resulted in CWC understating its 1999 rate base estimate. The Branch's estimates of utility plant and accumulated depreciation reserve, as shown in Appendix A, are adjusted amounts which include capital expenditures and depreciation expenses which were incorrectly recorded as explained above.

For rate-making purposes the Branch believes that its estimates, which are based on accounting principles reflected in the Commission's Uniform System of Accounts, should be used.

To prevent future inconsistencies between the figures adopted by the Commission and the figure shown in CWC's annual reports, the Branch recommends that CWC be directed to record on its book of accounts the utility plant and accumulated depreciation reserve balances upon which the average amounts adopted in this resolution are based, and to reflect that balance in its 1999 annual report to the Commission. The balances will be \$92,049 utility plant-in-service and \$42,683 for accumulated depreciation reserve as of December 31, 1998.

CWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 13.48%. The Audit and Enforcement Branch of the Water Division is currently recommending a 12.75% to 13.75% standard rate of return range for small, 100% equity financed water utilities. Branch is recommending a rate of return of 13.36%, which is slightly higher than the midpoint of the recommended range. CWC is a well-maintained company, thus deserving of a higher rate of return.

At Branch's recommended rates shown in Appendix B, the monthly bill for a residential metered customer using 600 cu. ft. of water would increase from \$13.29 to \$17.24 (29.7%). A comparison of customer bills at present and proposed rates are shown in Appendix C.

Branch has reviewed CWC's tariff sheets and has determined that the following tariff sheets need to be updated: Title Page, Service Area Map, Rules 9, 10, 11, 20, and 21; Forms 2 and 3; and Schedules LC and UF.

### **NOTICE AND PROTESTS**

A notice of the proposed rate increase was mailed to each customer on December 14, 1998. No letters, protesting the increase, were received by the Branch. The Commission's Consumer Affairs Branch has not received any service complaints against CWC over the last year.

A public meeting was held on January 14, 1999, in CWC's service area. The Branch's representative explained the Commission rate setting procedures and the utility owner explained the need for the rate increase. One customer attended the public meeting.

### **FINDINGS AND CONCLUSIONS**

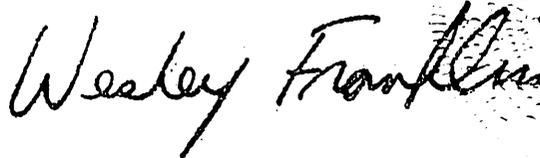
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. CWC should be required to record on its books of accounts the plant in-service and accumulated depreciation reserve balances upon which the average amounts adopted in this resolution are based, and to reflect those balances in its 1999 annual report to the Commission. Those balances will be \$92,049 for utility plant-in-service and \$42,683 for accumulated depreciation reserve as of December 31, 1998.

5. CWC should be ordered to update the following tariff sheets: Title Page, Service Area Map, Rules 9, 10, 11, 20, and 21; Forms 2 and 3; and Schedules LC, and UF.
6. The rate increase authorized herein is justified, and the resulting rate is just and reasonable.

**IT IS ORDERED that:**

1. Authority is granted under Public Utilities Code Section 454 for Cazadero 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 Schedules Nos. 1A, General Metered Service, and 2A, Annual General 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 filing.
2. Cazadero Water Company shall record on its books of accounts the utility plant in-service and accumulated depreciation reserve balances upon which the average amounts adopted in this resolution are based, and shall reflect those balances in its 1999 annual report to the Commission.
3. Within 60 days after the date of this order, Cazadero Water Company, shall file an advice letter updating the following materials in its tariff schedules: Title Page, Service Area Map, Rules 9, 10, 11, 20, and 21; Forms 2 and 3; and Schedules LC and UF.
4. This resolution is effective today.

I certify that this resolution was adopted by the California Public Utilities Commission at its regular meeting on May 13, 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  
CAZADERO WATER COMPANY  
SUMMARY OF EARNINGS  
TEST YEAR 1999

Item	Utility Estimated		Branch Estimated		Commission
	Present Rates	Requested Rates	Present Rates	Requested Rates	Adopted Rates
<b><u>Operating Revenue</u></b>					
Flat Rate	371	371	735	980	955
Metered Rate	23860	31260	23865	31260	31045
Other Revenue	0	0	0	0	0
Total Revenue	24231	31631	24600	32240	32000
<b><u>Operating Expenses</u></b>					
Purchased Water	0	0	0	0	0
Purchased Power	2303	2303	3375	3375	3375
Other Volume Related Expenses	0	0	205	205	205
Employee Labor	1308	1308	1310	1310	1310
Materials	0	0	460	460	460
Contract Work	2560	2560	2560	2560	2560
Transportation	0	0	390	390	390
Other Plant Maintenance Expenses	1658	1658	0	0	0
Office Salaries	4800	4800	4800	4800	4800
Management Salaries	3200	3200	3200	3200	3200
Employee Pensions & Benefits	0	0	0	0	0
Uncollectible Accounts Expense	0	0	0	0	0
Office Services & Rentals	9	9	10	10	10
Office Supplies & Expenses	1307	1307	1310	1310	1310
Professional Services	4933	4933	1315	1315	1315
Insurance	240	240	240	240	240
Regulatory Commission Expense	358	358	0	0	0
General Expenses	755	755	755	755	755
Subtotal	23431	23431	19930	19930	19930
Depreciation	0	0	1595	1595	1595
Taxes Other Than Income Taxes	871	871	1570	1570	1570
State Income Taxes	0	648	800	885	800
Federal Income Taxes	0	1002	0	1240	1215
Total Operating Expenses	24302	25952	23895	25220	25110
Net Revenue	-71	5679	705	7020	6890
<b><u>Rate Base</u></b>					
Average Plant In Service			95050	95050	95050
Average Depreciation Reserve			43480	43480	43480
Net Plant			51570	51570	51570
Less: Advances			0	0	0
Contributions			0	0	0
Plus: Working Cash			0	0	0
Materials					
Total Rate Base	42130	42130	51570	51570	51570
<b><u>Rate of Return</u></b>	-0.17%	13.48%	1.37%	13.61%	13.36%

**APPENDIX B**

**Schedule No. 1A**

**GENERAL METERED SERVICE**

**APPLICABILITY**

Applicable to all domestic, commercial, and industrial metered water service.

**TERRITORY**

Cazadero and vicinity, Sonoma County.

**RATES**

Monthly Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>	
Per 100 cu. ft. ....	\$ 0.67	(R)

Service Charge:

	<u>Per Meter</u> <u>Per Year</u>	
For 5/8 x 3/4-inch meters .....	\$158.60	(I)
For 3/4-inch meters .....	\$175.90	
For 1-inch meters .....	\$239.00	
For 1-1/2-inch meters .....	\$334.50	
For 2-inch meters .....	\$430.15	(I)

The annual service charge is a readiness-to-serve charge which is applicable to all metered service and is in addition to the monthly quantity rates computed at the above quantity rate billed additionally.

**SPECIAL CONDITIONS**

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year to pay prorated service charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods. Meters will be read and quantity charges billed monthly, bimonthly or quarterly in accordance with the utility's established billing periods except that meters may be read and quantity charges billed during the winter season at intervals greater than three months.

(continued)

**APPENDIX B**

**Schedule No. 2A**

**ANNUAL GENERAL FLAT RATE SERVICE**

**APPLICABILITY**

Applicable to all flat rate water residential service.

**TERRITORY**

Cazadero and vicinity, Sonoma County.

**RATES**

	<u>Per Service Connection</u> <u>Per Year</u>	
1. For a single-family residential unit, including premises .....	\$212.05	(I)
2. For Cazadero Supply .....	\$318.10	(I)

**SPECIAL CONDITIONS**

1. Service under this schedule shall be limited to the premises now being served hereunder as of the effective date of this tariff sheet.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

**APPENDIX C**  
**CAZADERO WATER COMPANY**  
**COMPARISON OF RATES**  
**TEST YEAR 1999**

A comparison of Cazadero's present rates and the Staff's recommended rates is listed below:

	RATES		%
	PRESENT	PROPOSED	
<b><u>FLAT RATE SERVICE</u></b>			
	<b>Per Service Per Year</b>		
For a single-family residential unit, including premises ...	\$163.00	\$212.05	30.1%
For Cazadero Supply .....	\$244.50	\$318.10	30.1%

**METERED RATE SERVICE**

<b><u>Service Charge</u></b>		<b>Per Meter Per Year</b>		
For 5/8 x 3/4-inch meter .....		\$99.00	\$158.60	60.2%
For 3/4-inch meter .....		\$109.80	\$175.90	60.2%
For 1-inch meter .....		\$149.20	\$239.00	60.2%
For 1-1/2-inch meter .....		\$208.80	\$334.50	60.2%
For 2-inch meter .....		\$268.50	\$430.15	60.2%
<b><u>Service Charge</u></b>		<b>Per Meter Per Month</b>		
Per 100 cu. ft. ....		\$0.84	\$0.67	-20.2%

A monthly bill comparison for a residential customer with a 5/8 x 3/4-inch meter is shown below:

<b>Usage</b>	<b>Rates</b>		<b>Amount</b>	<b>%</b>
	<b><u>100 cu. ft.</u></b>	<b><u>Present</u></b>		
0	\$8.25	\$13.22	\$4.97	60.2%
(average) 6	\$13.29	\$17.24	\$3.95	29.7%
10	\$16.65	\$19.92	\$3.27	19.6%
20	\$25.05	\$26.62	\$1.57	6.3%
30	\$33.45	\$33.32	-\$0.13	-0.4%
40	\$41.85	\$40.02	-\$1.83	-4.4%
50	\$50.25	\$46.72	-\$3.53	-7.0%
60	\$58.65	\$53.42	-\$5.23	-8.9%
70	\$67.05	\$60.12	-\$6.93	-10.3%

**Appendix D**  
**(Page 1 of 2)**  
Cazadero Water Company  
Recommended Quantities - Test Year 1999

1. Federal Tax Rate: 15.0%
2. State Tax Rate: 8.84%
3. Purchased Power

Pacific Gas and Electric Company  
Schedule No. A-1P, Small General Service, Effective October 30, 1998  
Total: \$3375

Quantity Charge:

kWh used - total: 23661  
kWh used - summer: 17482  
kWh used - winter: 6179  
\$/kWh - summer: \$0.14870  
\$/kWh - winter: \$0.10193

Service Charge:

\$/pump/mo. - single-phase: \$8.10  
\$/pump/mo. - polyphase: \$12.00  
# of pumps - single phase: 0  
# of pumps - polyphase: 1

4. Water Testing: \$590
5. Service Connections:

Metered Rate:

For 5/8 x 3/4-inch meter	144
For 3/4-inch meter	0
For 1-inch meter	3
For 1-1/2-inch meter	1
For 2-inch meter	0
TOTAL	148

Flat Rate:

Residential	3
Cazadero Supply	1
TOTAL	4

Metered water sales used to design rates: 10,656 Ccf

6. Property Taxes: \$30
7. Payroll Taxes: \$1540
8. Contract Work - Water Testing: \$590

Appendix D  
(continued)  
(Page 2 of 2)

Cazadero Water Company  
Recommended Quantities - Test Year 1999

ADOPTED TAX CALCULATIONS

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenues	\$32,000	\$32,000
2.	Expenses	\$19,930	\$19,930
3.	Taxes Other Than Income Taxes	\$ 1,570	\$ 1,570
4.	Depreciation	\$ 1,595	\$ 1,595
5.	Interest	\$ 0	\$ 0
6.	State Taxable Income	\$ 8,900	
7.	State Income Tax (@8.84% or \$800 minimum)	\$ 800	
8.	Federal Taxable Income		\$ 8,100
9.	Federal Income Tax (@15%)		\$ 1,215
10.	TOTAL INCOME TAX		\$ 2,015