

WATER/ RUT/LEP:lj

6/3/99

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
WATER ADVISORY BRANCH**

**RESOLUTION NO. W- 4149
JUNE 3, 1999**

RESOLUTION

**(RES. W- 4149) DONNER LAKE WATER COMPANY
(DLWC). ORDER AUTHORIZING A GENERAL RATE
INCREASE PRODUCING \$62,039 OR 17.27% ADDITIONAL
ANNUAL REVENUE.**

SUMMARY

By Draft Advice Letter, accepted on October 7, 1998, DLWC seeks revision of tariff Schedules Nos. 1A, Annual General Metered Service, and 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 \$62,039 or a system-wide increase of 17.27% for test year 1999. The increase will provide a 9.73% rate of return on rate base for the test year 1999.

BACKGROUND

DLWC 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 \$75,542 or 21% in 1999. The purpose of this request is to recover increased operating expenses and to provide an adequate rate of return. DLWC's request shows that in test year 1999, gross revenues of \$359,378 at present rates would increase to approximately \$434,920 at proposed rates. DLWC serves 1180 flat rate and 42 metered customers along the southern and western shores of Donner Lake in Nevada and Placer Counties.

The present rates were established on September 27, 1995, pursuant to Res. W-3942 which authorized a general rate increase of \$39,881 or 13% in 1995 and an additional \$6,850 or 2% in 1996.

DISCUSSION

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

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

DLWC's draft advice letter requested rates, which it estimated, would produce a rate of return on rate base of 9.73%. The summary of earnings in Appendix A shows a rate of return of 9.73% at the Branch's recommended rates. This rate of return is the rate of return that the Commission's Audit and Enforcement Branch has determined that is reasonable for a Class B water utility. DLWC is owned by Del Oro Water Company which is a Class B water utility.

DLWC's filed tariffs currently contain two schedules: 1A, Annual General Metered Service, and 2A, Annual General Flat Rate Service. Branch reviewed DLWC's tariff schedules and found that the following schedule and form need to be updated: Schedule LC (Late Payment Charge) and Form 2, (Customer's Deposit Receipt).

At the Branch's recommended rates shown in Appendix B, the annual bill for a flat rate customer will increase from \$276.00 to \$324.00 or 17.4%. 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 published in the Sierra Sun newspaper on October 14, 1998. The Branch received four letters concerning the request.

On November 8, 1998, the Branch held an informal public meeting in Truckee. The Branch's representative explained the Commission rate-setting procedures and the utility's representative explained the need for the rate increase. Only one couple attended, and their questions were related to the service under the prior owner. There are no outstanding Commission orders requiring system improvements. DLWC 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) DLWC should be ordered to update its Schedule LC and Form 2.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Donner Lake 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 (Annual General Metered Service) and 2A (Annual General Flat Rate Service). Its filing shall comply with General Order 96-A. The effective date of the new schedule shall be five days after the date of filing.
2. Within 60 days after the effective date of this resolution, Donner Lake Water Company shall file an advice letter updating its Schedule LC, Late Payment Charge, and Form 2, Customer's Deposit Receipt.

3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 3, 1999. The following commissioners approved it:



Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President

HENRY M. DUQUE

JOSIAH L. NEEPER

LORETTA M. LYNCH

TAL C. FINNEY

Commissioners

Appendix A
Donner Lake Water Company
Summary of Earnings
Test Year 1999

	Estimated 1999				Estimated 1999				Staff Recommended Rates
	At Present Rates		Utility Amount	Exceeds %	At Proposed Rates		Utility Exceeds Amount	%	
	Staff	Utility			Staff	Utility			
Operating revenues									
Water Revenue	359,237	359,378	141	0%	434,716	434,920	204	0%	421,276
Other revenue	-	-	-	-	-	-	-	-	-
Total revenue	359,237	359,378	141	0%	434,716	434,920	204	0%	421,276
Oper. & Maint. Exp:									
Power	41,431	41,431	-	0%	41,431	41,431	-	0%	41,431
Employee labor	65,790	67,033	1,243	2%	65,790	67,033	1,243	2%	65,790
Materials	17,000	29,100	12,100	71%	17,000	29,100	12,100	71%	17,000
Contract work	36,766	36,766	-	0%	36,766	36,766	-	0%	36,766
Transportation expenses	7,466	13,558	6,092	82%	7,466	13,558	6,092	82%	7,466
Other plant maintenance	3,000	3,000	-	0%	3,000	3,000	-	0%	3,000
Office salaries	36,922	37,618	696	2%	36,922	37,618	696	2%	36,922
Management salaries	15,520	15,813	293	2%	15,520	15,813	293	2%	15,520
Employee pens. & benefits	10,381	10,381	-	0%	10,381	10,381	-	0%	10,381
Uncollectibles expense	1,000	1,000	-	0%	1,000	1,000	-	0%	1,000
Office services & rentals	7,500	7,500	-	0%	7,500	7,500	-	0%	7,500
Office supplies and expenses	19,868	21,546	1,678	8%	19,868	21,546	1,678	8%	19,868
Professional services	3,500	3,500	-	0%	3,500	3,500	-	0%	3,500
Insurance	10,371	10,371	-	0%	10,371	10,371	-	0%	10,371
Regulatory comm. expense	4,717	5,000	283	6%	4,717	5,000	283	6%	5,000
General expenses	1,500	1,500	-	0%	1,500	1,500	-	0%	1,500
Total operating expenses	282,732	305,117	22,385	8%	282,732	305,117	22,385	8%	283,015
Depreciation	22,069	22,289	220	1%	22,069	22,289	220	1%	22,069
Payroll tax	9,311	9,862	551	6%	9,311	9,862	551	6%	9,311
Property tax	7,000	9,159	2,159	31%	7,000	9,159	2,159	31%	7,000
State tax	800	800	-	0%	8,147	3,212	(4,935)	-61%	6,934
Federal income tax	-	-	-	0%	16,814	4,699	(12,115)	-72%	12,876
Total deductions	321,912	347,227	25,315	8%	346,073	354,338	8,265	2%	341,205
Net Revenue	37,325	12,151	(25,174)	-67%	88,643	80,582	(8,061)	10%	80,071
Rate Base:									
Average plant	1,514,656	1,528,970	14,314	1%	1,514,656	1,528,970	14,314	1%	1,514,656
Average accum. dep.	594,895	603,179	8,284	1%	594,895	603,179	8,284	1%	594,895
Net plant	919,761	925,791	6,030	1%	919,761	925,791	6,030	1%	919,761
Less: Advances	26,419	26,419	-	0%	26,419	26,419	-	0%	26,419
Contributions	75,788	75,788	-	0%	75,788	75,788	-	0%	75,788
Add: Working cash	-	-	-	0%	-	-	-	0%	-
Supplies	5,015	5,015	-	0%	5,015	5,015	-	0%	5,015
Rate Base	822,569	828,599	6,030	1%	822,569	828,599	6,030	1%	822,569
Rate of Return	4.54%	1.47%			10.78%	9.73%			9.73%

APPENDIX B

DONNER LAKE WATER COMPANY
Schedule No. 1A
ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Donner Lake and vicinity, Nevada and Placer Counties.

RATES

Monthly Quantity Charge:

All water, per 100 cu.ft. _____ \$ 0.78 (I)

Annual Service Charge:

For 1-inch meter _____ \$ 276.00 (I)

For 1-1/2-inch meter _____ 391.00 |

For 2-inch meter _____ 510.00 |

For 3-inch meter _____ 906.00 |

For 4-inch meter _____ \$1,443.00 (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. 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 at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established periods for water used.

(continued)

APPENDIX B
DONNER LAKE WATER COMPANY
Schedule No. 2A

ANNUAL GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Donner Lake and vicinity, Nevada and Placer Counties.

RATES

Per Meter Per Connection Per Year

- | | | |
|----|--|---------------|
| 1. | For single-family residential unit including premises _____ | \$ 324.00 (I) |
| | a. For each additional unit on same premises _____ | 162.00 (I) |
| 2. | For each hotel, apartment, or motel, including first room or apartment _____ | 324.00 (I) |
| | a. For each additional room or unit _____ | 162.00 (I) |

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one-inch diameter.
2. All service not covered by the above classification shall be furnished only on a metered basis.

(continued)

**APPENDIX C
DONNER LAKE WATER COMPANY**

COMPARISON OF RATES

METERED SERVICE

	<u>Per Meter Per Year</u>		
	Proposed	Percent	
	Present <u>Rates</u>	Rates <u>TY 99</u>	Increase <u>(Decrease)</u>
For 1-inch meter	\$ 237.00	\$ 276.00	16.5%
For 1-1/2 inch meter	336.00	391.00	16.4%
For 2-inch meter.....	438.00	510.00	16.4%
For 3-inch meter.....	777.00	906.00	16.7%
For 4-inch meter	1,239.00	1,443.00	16.5%

Quantity Rates:

Per 100 cu.ft.	\$ 0.67	\$ 0.78	16.4%
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FLAT RATE SERVICE

	<u>Per Service Connection Per Year</u>		
	Proposed	Percent	
	Present <u>Rates</u>	Rates <u>TY 99</u>	Increase <u>(Decrease)</u>
For single family residential unit including premises	\$276.00	\$324.00	17.4%
For each additional unit on same premises	141.00	162.00	14.9%
For each hotel, apartment or motel, including first room or apartment	276.00	324.00	17.4%
For each additional room or unit	141.00	162.00	14.9%

APPENDIX D
DONNER LAKE WATER SERVICE
ADOPTED QUANTITIES
Test Year 1999

Offset Items

1. Purchased Power

Truckee Donner Public Utility District	
Effective Date February 1995	
Rate Schedule C Small Commercial Rates	
Customer Charge	\$8.00 per month
Energy charge (per kWh)	\$0.08821
1998 wholesale energy credit	\$0.00970 per kWh
Total Cost	\$41,431
Total kWh	482,919
Average Unit Cost \$/kWh	\$.0858

2.

<u>Payroll</u>	
Employee Labor	\$65,790
Office Salaries	36,922
Management Salaries	15,520

3.

Payroll Taxes	9,311
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4.

Ad Valorem Taxes	7,000
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Service Connections

1. Meter Size

1"	_____	29
1-1/2"	_____	1
2"	_____	11
4"	_____	1
Total Metered		42

2. Flat Rates

1,153

Additional services same connection	38
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Metered Water Sales Used to Design Rates	<u>Usage-Ccf/y r</u>
General Metered	16,073

APPENDIX D
DONNER LAKE WATER SERVICE

ADOPTED TAX CALCULATIONS

Test Year 1999

1.	Operating Revenues	\$ 421,276
2.	Expenses	283,015
3.	Depreciation	22,069
4.	Taxes Other Than Income	16,311
5.	Interest Expense	21,445
6.	Taxable Income for State Tax	78,436
7.	State Tax (8.84%)	6,934
8.	Taxable Income for FIT	71,502
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