

WATER/RUT/LEP:jj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
WATER ADVISORY BRANCH

RESOLUTION NO. W- 4150
JUNE 3, 1999

RESOLUTION

**(RES. W- 4150) DEL ORO WATER COMPANY (DOWC),
JOHNSON PARK DISTRICT. ORDER AUTHORIZING A
GENERAL RATE INCREASE PRODUCING \$4,264 OR 5.8%
ADDITIONAL ANNUAL REVENUE.**

SUMMARY

By Draft Advice Letter, accepted on August 19, 1998, DOWC seeks revision of tariff Schedule No. JP-1A, Annual General Metered Service, Johnson Park District, 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 \$4,264 or a system wide increase of 5.8% for test year 1999. The increase will provide a rate of return on rate base of 10.10% for the test year.

BACKGROUND

DOWC 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 \$22,700 or 31% in 1999. The purpose of this request is to recover increased operating expenses and to provide an adequate rate of return. DOWC's request shows that in test year 1999 gross revenues of \$73,016 at present rates would increase to approximately \$95,716 at proposed rates. Johnson Park District serves 321 metered customers in the unincorporated community of Johnson Park, three miles east of Burney on State Route 299 in Shasta County.

The present rates were established on June 19, 1991, pursuant to Res. W-3580, which authorized a general rate increase of \$22,366 or 41.9%.

DISCUSSION

The Water Advisory Branch (Branch) made an independent analysis of Johnson's summary of earnings and issued its report in April 1999. Appendix A shows Johnson'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 Johnson's and the Branch's estimates in revenues, operating expenses, and rate base.

In its filing, Johnson included a request for an increase to fund the cost of planned system improvements, including a 250,000-gallon storage tank at an estimated cost of \$185,000. The Commission on June 15, 1983 adopted a service improvement policy, which requires water companies to provide public notice of proposed plant additions that will result in large rate increases. In a survey of customers' desire concerning the tank as discussed below in the Notice section, only 18% were in favor of the improvements. As a result of the survey, Johnson withdrew its plans for the tank. Withdrawal of the tank from rate base reduces the revenue requirement and is the major reason for the difference shown in Appendix A. We will revisit the system improvements in the next general rate case.

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

Johnson's draft advice letter requested rates, which it estimated, would produce a rate of return on rate base of 10.10%. The summary of earnings in Appendix A shows a rate of return of 10.10% 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 is reasonable for a Class B water utility. Johnson is a district of Del Oro Water Company which is a Class B water utility.

Johnson's filed tariffs currently contain one schedule: JP-1A, Annual General Metered Service, Johnson Park District. Branch reviewed Johnson's tariff schedules and found that they are up to date.

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 using 16 Ccf of water will increase from \$18.75 to \$19.84. 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 Intermountain News newspaper on October 14, 1998, and a public meeting held at the Burney Community Center in Burney, CA on November 10, 1998. No customers attended the meeting; however, the Branch received 12 letters protesting the system improvements and stating that they had not been notified of the meeting. Johnson held a subsequent meeting with its customers and, as a result of the meeting, a survey was sent to Johnson's customers to determine their position on the proposed improvements. The results indicated that Johnson's customers were not in favor of paying for the storage tank. In accordance with the Commission's Service Improvement Policy, Johnson was notified that the tank may not be allowed in rate base for ratemaking. Johnson then notified the Branch that it would withdraw its plans for the tank.

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

FINDINGS AND CONCLUSIONS

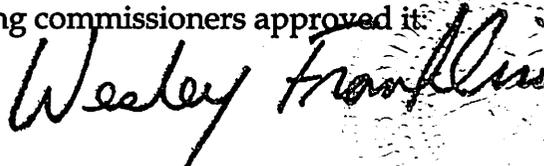
- a) The Branch's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.
- b) The rates recommended by the Branch (Appendix B) are reasonable and should be authorized.
- c) The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
- d) The rate increase proposed by the Branch is justified, the resulting rates are just and reasonable.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Del Oro Water Company to file an advice letter incorporating the summary of earnings and revised rate schedule for its Johnson Park District attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule No. JP-1A. 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. 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
Del Oro Water Company
Johnson Park Water District
Summary of Earnings
Test Year 1999

Operating revenues	Estimated 1999 At Present Rates				Estimated 1999 At Proposed Rates				Staff Recommended Rates
	Staff	Utility	Utility Amount	Exceeds %	Staff	Utility	Utility Exceeds Amount	%	
Metered	73,429	73,016	(413)	-1%	96,208	95,716	(492)	-1%	77,693
Other revenue	-	-	-	-	-	-	-	-	-
Total revenue	73,429	73,016	(413)	-1%	96,208	95,716	(492)	-1%	77,693
Oper. & Maint. Exp:									
Power	12,500	12,500	-	0%	12,500	12,500	-	0%	12,500
Employee labor	14,439	16,973	2,534	18%	14,439	16,973	2,534	18%	14,439
Materials	800	2,000	1,200	150%	800	2,000	1,200	150%	800
Contract work	700	1,000	300	43%	700	1,000	300	43%	700
Transportation expenses	1,652	1,652	-	0%	1,652	1,652	-	0%	1,652
Other plant maintenance	400	400	-	0%	400	400	-	0%	400
Office salaries	7,502	7,645	143	2%	7,502	7,645	143	2%	7,502
Management salaries	4,177	4,258	81	2%	4,177	4,258	81	2%	4,177
Employee pens. & benefits	1,313	1,313	-	0%	1,313	1,313	-	0%	1,313
Uncollectibles expense	-	-	-	-	-	-	-	-	-
Office services & rentals	500	500	-	0%	500	500	-	0%	500
Office supplies and expenses	6,513	6,513	-	0%	6,513	6,513	-	0%	6,513
Professional services	2,000	2,000	-	0%	2,000	2,000	-	0%	2,000
Insurance	720	720	-	0%	720	720	-	0%	720
Regulatory comm. expense	1,350	1,667	317	23%	1,350	1,667	317	23%	1,350
General expenses	-	-	-	-	-	-	-	-	-
Total operating expenses	54,566	59,141	4,575	8%	54,566	59,141	4,575	8%	54,566
Depreciation	4,883	7,801	2,918	60%	4,883	7,801	2,918	60%	4,883
Payroll tax	2,172	2,579	407	19%	2,172	2,579	407	19%	2,172
Property tax	1,916	2,823	907	47%	1,916	2,823	907	47%	1,916
State tax	800	800	-	0%	2,484	845	(1,639)	-66%	848
Federal income tax	679	-	(679)	-	3,843	1,236	(2,607)	-68%	1,311
Total deductions	65,016	73,144	8,128	13%	69,864	74,425	4,561	7%	65,696
Net Revenue	8,413	(128)	(8,541)	-102%	26,344	21,291	(5,053)	24%	11,997
Rate Base:									
Average plant	120,002	236,426	116,424	97%	120,002	236,426	116,424	97%	120,002
Average accum. dep.	6,319	8,005	1,686	27%	6,319	8,005	1,686	27%	6,319
Net plant	113,683	228,421	114,738	101%	113,683	228,421	114,738	101%	113,683
Less: Advances	-	-	-	-	-	-	-	-	-
Contributions	-	17,619	-	-	-	17,619	(17,619)	-	-
Add: Working cash	4,547	-	(4,547)	-	4,547	-	(4,547)	-	4,547
Material & supplies	500	-	-	-	-	-	-	-	-
Rate Base	118,730	210,802	92,072	78%	118,730	210,802	92,072	78%	118,730
Rate of Return	7.1%	-0.06%			22.19%	10.10%	-5.49%		10.10%

APPENDIX B
DEL ORO WATER COMPANY
Schedule No. JP-1A
ANNUAL GENERAL METERED SERVICE
JOHNSON PARK DISTRICT

APPLICABILITY

Applicable to all metered water service furnished to the Johnson Park District service area.

TERRITORY

Johnson Park and vicinity, Shasta County.

RATES

Quantity Rates:	<u>Per Meter Per Month</u>
All water, per 100 cu.ft. -----	\$ 0.79 (I)
Service Charge:	
For 5/8 x 3/4-inch meter -----	\$ 7.20 (I)
For 3/4-inch meter -----	10.80
For 1-inch meter -----	18.00
For 1-1/2-inch meter -----	36.00
For 2-inch meter -----	57.60 (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 Rates.

**APPENDIX C
DEL ORO WATER COMPANY
JOHNSON PARK DISTRICT**

COMPARISON OF RATES

METERED SERVICE

Per Meter Per Month

	Proposed Percent		
	Present <u>Rates</u>	Rates <u>TY 98</u>	Increase <u>(Decrease)</u>
For 5/8 x 3/4-inch meter	\$ 6.75	\$ 7.20	6.7%
For 3/4-inch meter	10.10	10.80	6.9%
For 1-inch meter	16.85	18.00	6.8%
For 1-1/2 inch meter	33.75	36.00	6.7%
For 2-inch meter	54.00	57.60	6.7%

Quantity Rates:

All water, per 100 cu.ft.	\$ 0.75	\$ 0.79	5.3%
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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 1999.

Usage	Present	Recommended	Amount	Percent
100 cu.ft.	<u>Bills</u>	<u>Bills</u>	Increase <u>(Decrease)</u>	Increase <u>(Decrease)</u>
5	\$ 10.50	\$ 11.15	\$ 0.65	6.0%
16 avg.	18.75	19.84	1.09	5.8%
20	21.75	23.00	1.25	5.7%
25	25.50	26.95	1.45	5.7%

APPENDIX D
DEL ORO WATER COMPANY
JOHNSON PARK DISTRICT

ADOPTED QUANTITIES

Test Year 1999

Offset Items

1. Purchased Power

Pacific Gas and Electric Company	
Effective Date January 1, 1999	
Schedule A-10 Medium General Demand Metered Service	
ENERGY CHARGE	
(per kWh per month)	
Summer	\$0.08915
Winter	\$0.07279
DEMAND CHARGE	
(per kWh of maximum demand per month)	
Summer	\$ 1.95
Winter	\$ 0.45
CUSTOMER CHARGE	
(per meter per month)	
	\$ 75.00
Total Cost	\$ 12,500
Total kWh	106,336
Average Unit Cost \$/kWh	\$ 0.118

2. Payroll

Employee Labor	\$14,439
Office Salaries	\$ 7,502
Management Salaries	4,177

3. Payroll taxes 2,172

4. Ad Valorem Taxes 1,916

APPENDIX D
DEL ORO WATER COMPANY
JOHNSON PARK DISTRICT

ADOPTED QUANTITIES

Test Year 1999

Service Connections

1. Meter Size	
3/4 x 5/8"	308
3/4"	5
1"	5
1-1/2"	<u>3</u>
	<u>321</u>

Metered Water Sales Used to Design Rates

Usage - Ccf/yr.

General Metered	60,865
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ADOPTED TAX CALCULATIONS

1.	Operating Revenues	\$ 77,693
2.	Expenses	54,566
3.	Depreciation	4,883
4.	Taxes Other Than Income	4,088
5.	Interest Expense	4,566
6.	Taxable Income for State Tax	9,590
7.	State Tax	848
8.	Taxable Income for FIT	<u>8,742</u>
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