

WATER/FLC/ABJ/KKE:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION  
Water Advisory Branch

RESOLUTION W-4151  
June 3, 1999

RESOLUTION

**(RES. W-4151), BENBOW WATER COMPANY, INC. (BWC). ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
\$35,450 OR 37.35% ADDITIONAL ANNUAL REVENUE.**

SUMMARY

By Draft Advice Letter accepted on September 30, 1998, BWC seeks revision of tariff schedules: 1, Metered Service; 4, Private Fire Protection Service; and 5PR, Private Fire Hydrant Service, to increase its rates to recover increases in operating costs and to provide an adequate rate of return. BWC also requests to submit advice letter rate increase filings to recover costs associated with improvements to Zones 2 and 3 of the system to comply with Decision (D.) 96-08-022.

This resolution grants a general rate increase in gross annual revenues of \$35,450 or a system-wide increase of 37.35% for Test Year 1999. This increase will provide a 13.50% rate of return on a ratebase of \$259,457 in Test Year 1999. This resolution also grants an advice letter filing to recover funds spent to improve the system for future development and places a moratorium on a section of the service area no longer accessible for development due to landslides.

BACKGROUND

BWC 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 \$51,917 or 55.29%. The Water Division's staff review discovered part of this requirement was for return on investments not yet used and useful, so the utility revised these amounts requesting an increase by \$41,950 or 44.7%. BWC also requested authorization to submit advice letter filings for planned improvements to Zones 2 and 3 to comply with Ordering Paragraph (OP) No. 3 of D. 96-08-022, which ordered BWC to take immediate steps to plan, finance, and augment its Zone 3 supply and water storage facilities to accommodate anticipated future

customers. The enhancements for approximately \$45,000 include both capacity and an improved Supervisory Control and Data Acquisition (SCADA) system and \$65,000 for a larger storage tank. BWC estimates that it will serve approximately 117 connections including 104 residential and 13 commercial connections. There are 24 master metered parcels outside the service area. BWC's service territory is in the area known as Benbow in Humboldt County.

The present rates were established on April 23, 1996, by Res. W-3984, which authorized a general rate increase of 29.2% or \$23,225 and a rate of return of 14.24% on a ratebase of \$175,258. The last offset increase was Advice Letter No. 21, dated August 30, 1995, to recover \$77,500 in expenses for plant additions to bring the water company into compliance with the surface water filtration and disinfection regulations of the California Department of Health Services (DHS) Surface Water Rule.

## DISCUSSION

The Water Division's Water Advisory Branch (Branch) made an independent analysis of BWC's summary of earnings. Appendix A shows BWC's and the Branch's estimates of the summary of earnings at present, requested, and recommended rates. The summary of earnings also shows differences between BWC's and the Branch's estimates in expenses and rate base.

BWC was informed of the Branch's differing views with expenses and ratebase and agrees with the Branch's findings. As part of the investigation, the Water Division's staff is including the company's request for a moratorium on Zones 2 and 3 of its service area.

BWC is solely owned by Mrs. Vere Benbow and is run by her son, Winston Benbow. BWC's original service area was approximately two square miles of territory along the developed north and south banks of the East Branch of the South Fork of the Eel River near Garberville in Humboldt County. The system is sectioned into three zones.

The growth in the past has been minimal, and due to erosion and associated landslides, a reduction in the service area occurred through Advice Letter No. 24, dated August 24, 1998. Total parcels in the service area were reduced by 87 due to the landslides taking out roads and the existing water system. Due to the destruction of the land from the landslides, BWC requested a moratorium on new service connections in Zones 2 and 3 of the service area, after connection of six existing and potential requests for services in Zones 2 and 3. The Branch

inspected the BWC system and found that the water distribution system in Zones 2 and 3, constructed in 1960, has been almost completely destroyed by extreme ground movement, slippage, and erosion of very unstable ground. Any future expansion of the water system into Zones 2 and 3 will be extremely costly to design and construct due to the steep terrain and unstable geological conditions. In view of this, Branch concurs with BWC's request that a moratorium be placed on future connections in Zones 2 and 3 once the current active requests for service have been connected in compliance with D.96-08-022.

BWC's draft advice letter requested rates, which it estimated, would produce a rate of return of 13.75%. The summary of earnings in Appendix A shows a rate of return of 13.50% at the Branch's recommended rates. The rate of return is within the range recommended by the Commission's Audit and Enforcement Branch for Class D, 100% equity-financed water utilities.

BWC has been filing annual reports as requested. Other than D. 96-08-022, there are no other outstanding Commission orders.

#### NOTICE AND PUBLIC MEETING

The Branch conducted an informal public meeting on Friday, November 20, 1998, at the Humboldt House Inn at 701 Redwood Drive in Garberville. The date, time, and location of the meeting were specified in a notice of the proposed general rate increase mailed to each customer more than 20 days before the meeting. A Branch representative and a company representative were in attendance. The Branch representative explained Commission rate-setting procedures and the utility representative explained the need for the rate increase. Approximately 25 customers were in attendance. The meeting revealed that the customers intend to apply to the Local Agency Formation Commission (LAFCO) to form a Community Services District (CSD).

BWC's filed tariffs currently contain three schedules: 1, Metered Service; 4, Private Fire Protection Service; and 5PR, Private Fire Hydrant Service.

Branch reviewed BWC's tariff schedules and found that the following needed to be updated: Schedule LC (Late Payment Charge); Form 2 (Customer Deposit Receipt); and Rules 9 (Rendering and Payment of Bills), and 11 (Discontinuance and Restoration of Service). At the Branch's recommended rates, the monthly bill for a 5/8 x 3/4-inch metered residential customer using an average of 6.9 Ccf (One Ccf is equal to one hundred cubic feet) would increase from \$38.24 per

month to \$57.00, a \$18.76 or 49.06% increase. A comparison of customer bills at present and adopted rates is shown in Appendix C.

### **FINDINGS**

1. The rates proposed by the Branch (Appendix B) are reasonable and should be adopted.
2. The quantities (Appendix D) used in preparation of this report are reasonable and should be adopted.
3. The rate increase proposed by the Branch is justified and the resulting rates are just and reasonable.
4. BWC should update the following tariffs: Schedule LC, Form 2, and Rule Nos. 9 and 11.
5. BWC should be authorized to file advice letter rate increase requests to recover costs associated with planned improvements to Zones 2 and 3 to comply with Ordering Paragraph 3 of D. 96-08-022 for approximately \$45,000 that include both capacity improvements and an improved SCADA system and \$65,000 for a larger storage tank. The advice letter requests should be filed once the improvements are completed and in service.
6. After connection of the three pending and three potential customers in Zones 2 and 3, a moratorium should be placed on Zones 2 and 3. This moratorium does not impact Zone 1.

### **IT IS ORDERED that:**

1. Benbow Water Company, Inc. is authorized to file an advice letter adopting the revised schedules: 1, Metered Service; 4, Private Fire Protection Service; and 5PR, Private Fire Hydrant Service, attached to this resolution as Appendix B, and to concurrently cancel its presently effective rate schedules. 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. Benbow Water Company, Inc. is authorized to file advice letter rate increase requests to recover costs associated with improvements to Zones 2 and 3 to comply with Ordering Paragraph 3 of D. 96-08-022 once the improvements have been completed and in service.

3. After connection of the three pending and three potential customers in Zone 2 and Zone 3, a moratorium shall be placed on Zones 2 and 3. This moratorium does not impact Zone 1.
4. Within 60 days after the effective date of this resolution, Benbow Water Company, Inc. shall file an advice letter updating its Schedule LC, Form 2, and tariff Rules 9 and 11.
5. 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*

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WESLEY M. FRANKLIN  
Executive Director

RICHARD A. BILAS  
President  
HENRY M. DUQUE  
JOSIAH L. NEPPER  
LORETTA M. LYNCH  
TAL C. FINNEY

**Appendix A**  
**Summary of Earnings**

**Benbow Water Company**  
**Test Year 1999**

Item	Utility Estimated		Branch Estimated		
	Present	Requested	Present	Requested	Adopted
		13.75% ROR			13.50%ROR
<b>Operating Revenue</b>					
Metered	92,000	133,150	92,000	133,150	127,000
Other	300	300	300	300	300
Fire Protection	1,600	2,400	1,600	2,400	2,050
<b>Total Revenue</b>	<b>93,900</b>	<b>135,850</b>	<b>93,900</b>	<b>135,850</b>	<b>129,350</b>
<b>Operating Expenses</b>					
Power	7,500	7,500	7,500	7,500	7,500
Other Vol. Related exp.	1,200	1,200	1,200	1,200	1,200
Employee Labor	5,000	5,000	5,000	5,000	5,000
Materials	3,500	3,500	3,500	3,500	3,500
Contract Work	5,900	5,900	5,900	5,900	5,900
Water Testing	600	600	600	600	600
Transportation Expense	6,100	6,100	6,100	6,100	6,100
Other Plant Maint.	1,100	1,100	1,100	1,100	1,100
Office Salaries	0	0	6,000	6,000	6,000
Management Salaries	24,000	24,000	18,000	18,000	18,000
Employee	400	400	400	400	400
Uncollectible Expense	200	200	200	200	200
Ofc. Service and Rentals	2,700	2,700	2,700	2,700	2,700
Ofc Supplies and Exp.	7,700	7,700	5,400	5,400	5,400
Professional Services	2,800	2,800	2,800	2,800	2,800
Insurance	3,300	3,300	3,300	3,300	3,300
Regulatory Expense	1,700	1,700	1,100	1,100	1,100
General Expense	900	900	900	900	900
<b>Subtotal</b>	<b>74,600</b>	<b>74,600</b>	<b>71,700</b>	<b>71,700</b>	<b>71,700</b>
Depreciation Expense	10,147	10,147	7,932	7,932	7,932
Other than income tax	4,500	4,500	4,500	4,500	4,500
Income Taxes	1,378	10,492	2,199	10,180	10,180
<b>Total Deductions</b>	<b>90,625</b>	<b>99,739</b>	<b>86,331</b>	<b>94,312</b>	<b>94,312</b>
<b>Net Revenue</b>	<b>3,275</b>	<b>36,111</b>	<b>7,569</b>	<b>41,538</b>	<b>35,038</b>
<b>Rate Base</b>					
Average Plant	379,551	379,551	372,051	372,051	372,051
Average Depr. Reserve	101,900	101,900	97,545	97,545	97,545
Net Plant	277,651	277,651	274,506	274,506	274,506
Less: Advances	0	0	0	0	0
Less: Contributions	-19,549	-19,549	-19,549	-19,549	-19,549
Plus: Working Cash	3,500	3,500	3,500	3,500	3,500
Plus: Material & Supplies	1,000	1,000	1,000	1,000	1,000
<b>Rate Base</b>	<b>262,602</b>	<b>262,602</b>	<b>259,457</b>	<b>259,457</b>	<b>259,457</b>
<b>ROR =Net Rev/Rate</b>	<b>1.25%</b>	<b>13.75%</b>	<b>2.92%</b>	<b>16.01%</b>	<b>13.50%</b>

**Appendix B  
Sheet 1**

**Benbow Water Company - Test Year 1999**

**Schedule No. 1  
METERED SERVICE**

**APPLICABILITY**

Applicable to all metered water service furnished on a monthly basis.

**TERRITORY**

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

**RATES**

Quantity Rate:

All Water, per 100 cu. ft.....\$0.723 (R)

Service Charges:

	<u>Per Meter Per Month</u>	<u>SDWBA Yearly Surcharge</u>
For 5/8 x 3/4-inch meter.....	\$46.10 (I)	60.00
For 3/4-inch meter.....	69.20	90.00
For 1-inch meter.....	115.10	150.00
For 1.5-inch meter.....	231.00	300.00
For 2-inch meter.....	370.00	480.00
For 3-inch meter.....	702.00	900.00
For 4-inch meter.....	1,154.00 (I)	1,500.00

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

**SPECIAL CONDITIONS**

1. The Safe Drinking Water Bond Act (SDWBA) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 93798.
2. All bills are subject to the reimbursement fee as set forth in Schedule No. UF.

**Appendix B  
Sheet 2**

**Benbow Water Company - Test Year 1999**

**Schedule No. 4**

**PRIVATE FIRE PROTECTION SERVICE**

**APPLICABILITY**

Applicable to all water service furnished to privately-owned fire protection systems.

**TERRITORY**

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

**RATES**

**Per Month**

For each inch of diameter of service connection ..... \$16.00 (I)

**SPECIAL CONDITIONS**

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection service in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

(continued)

**Appendix B  
Sheet 3**

**Benbow Water Company – Test Year 1999**

**Schedule No. 4  
(continued)**

**PRIVATE FIRE PROTECTION SERVICE**

**SPECIAL CONDITIONS** (continued)

4. Service hereunder is for private fire protection service to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage, or waste of water and the cost shall be paid by the applicant. Such payment shall not be subject to refund.
5. The utility undertakes to supply such water at such pressure as may be available at any time through the normal operation of its system.
6. All water bills are subject to the Public Utilities Commission Reimbursement Fee set forth in Schedule No. UF.

**Appendix B  
Sheet 4**

**Benbow Water Company – Test Year 1999**

**Schedule No. 5PR**

**PRIVATE FIRE HYDRANT SERVICE**

**APPLICABILITY**

Applicable to all fire hydrant service furnished to hydrants owned by individuals other than municipalities, organized fire districts, and other political subdivisions of the State.

**TERRITORY**

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

**RATE**

For each inch of diameter of service connection .....\$16.00 (I)

**SPECIAL CONDITIONS**

1. Water delivered for the purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of a written request from an individual. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type, and size.
4. The utility undertakes to supply only such water at such pressures as may be available at any time through the normal operation of its system.
5. All water bills are subject to the Public Utilities Commission Reimbursement Fee set forth in Schedule No. UF.

**Appendix C**  
**COMPARISON OF RATES**

**Benbow Water Company**  
**Test Year 1999**

	Per Service Connection Per Year			
	Present Rates \$	Recommended Rates \$	Percent Change %	
<b>METERED</b>				
<b>Service Charge:</b>				
5/8 x 3/4-inch	363.60	553.20	52.15	
3/4 - inch	546.00	830.40	52.09	
1-inch	909.60	1,381.20	51.85	
1 1/2 - inch	1,819.20	2,772.00	52.37	
2-inch	2,910.00	4,440.00	52.58	
3-inch	5,455.20	8,424.00	54.42	
4-inch	9,092.40	13,848.00	52.30	
<b>FIRE PROTECTION</b>	<b>per diameter inch</b>	<b>per diameter inch</b>	<b>per diameter inch</b>	
Private Fire	156.00	192.00	23.08	
Private Hydrant	156.00	192.00	23.08	
<b>QUANTITY</b>				
All water, per 100 cu.ft.	1.15	.723	(37.13)	
<i>The monthly comparison bill for a customer with a 5/8 x 3/4 -inch meter is shown below does not include the SDWBA surcharge :</i>				
<b>Usage in CCF (100 Cu. Ft.)</b>	<b>Present Bill \$</b>	<b>Adopted Bill \$</b>	<b>Amount Increase \$</b>	<b>Increase %</b>
0	30.30	46.10	15.80	52.15
3	33.75	48.27	14.52	43.02
6.9 average	38.24	51.09	12.85	33.60
10	41.80	53.33	11.53	27.58
15	47.55	56.95	9.40	19.76
20	53.30	60.56	7.26	13.62
25	59.05	64.18	5.13	8.68

**Appendix D**  
**Sheet 1**  
**Adopted Quantities**

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**Benbow Water Company**  
**Test Year 1999**

**Taxes**

Federal Tax Rate.....	15%
State Tax Rate .....	8.84%
<b>Ad Valorem Taxes .....</b>	<b>\$3,061</b>
Tax Rate .....	1.000%
Assessed Value .....	\$306,108

**Expenses**

<b>Purchased Power.....</b>	<b>\$7,500</b>
Pacific Gas & Electric	
Rate Schedule .....	A - 1
Effective Date of Schedule.....	10/30/98
kWh Used Total .....	59,196
kWh Used - Summer .....	21,042
kWh Used - Winter.....	38,154
\$/kWh - Summer.....	0.14870
\$/kWh - Winter .....	0.10193
Customer Charge.....	482

**Payroll**

Management Salary .....	\$18,000
Field labor .....	\$5,000
Office Salary .....	\$6,000
Total Payroll.....	\$29,000
Payroll taxes.....	\$2,219.00

<b>Water Testing (contract labor) .....</b>	<b>\$600</b>
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**Appendix D**  
**Sheet 2**  
**Adopted Quantities**  
**(continued)**

**Benbow Water Company**  
**Test Year 1999**

**Service Connections**

*Metered Rate:*

5/8 x 3/4-inch .....	24
3/4-inch .....	56
1-inch.....	8
1 1/2-inch.....	1
2-inch.....	2
3-inch.....	1
4-inch.....	1
<b>Total Connections.....</b>	<b>93</b>

Metered water sales used to design metered rates.....32,000 Ccf

**Adopted Tax Calculations**

**Benbow Water Company**  
**1999 Test Year**

Line	Item	State Tax	Federal Tax
		\$\$	\$\$
1.	Operating Revenues	129,350	129,350
2.	Expenses	71,700	71,700
3.	Taxes other than Income	4,500	4,500
4.	Depreciation Expense	7,932	7,932
5.	Interest	none	none
6.	Taxable Income for State Tax	45,218	
7.	State Tax (at 8.84%)	3,997	
8.	Taxable Income for FIT		41,221
9.	Federal Income Tax (at 15%)		6,183
10.	Total Income Taxes		10,180