

WATER/DRP/EYM:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
WATER ADVISORY BRANCH**

**RESOLUTION NO. W- 4152
JUNE 10, 1999**

RESOLUTION

**(RES. W-4152) ROLLING GREEN UTILITIES, INC. (RGU), SEWER
DIVISION. ORDER AUTHORIZING A GENERAL INCREASE IN RATES
PRODUCING \$10,395 OR 22.86% ADDITIONAL ANNUAL REVENUE**

SUMMARY

By Draft Advice Letter accepted on September 14, 1998, RGU seeks an increase in its rates for sewer service to earn a return on ratebase and to recover increased expenses of operation. For Test Year 1999, this resolution grants an increase in gross annual revenues of \$10,395 or 22.86%, which is estimated to provide a 13.50% rate of return on ratebase.

BACKGROUND

RGU requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for sewer service by \$25,779 per year or 56.7% in 1999. RGU's request shows that its gross revenue of \$45,470 at present rates would increase to approximately \$71,249 at proposed rates.

RGU's previous general increase in rates was authorized by D.83-03-009 in March, 1983. Later, D.93-06-089, required it to replace certain sewer lines. When completed, Resolution No. W-3883 authorized RGU an increase of \$1,921 or 4.72%, effective December 1, 1994, to begin to recover their costs. RGU's present rates became effective October 27, 1997, when it filed for an increase of \$1,406 or 3.3%, to cover an increase in the Consumer Price Index as authorized by D.92-03-093.

RGU serves 251 customers in the vicinity of Big Pine in Inyo County.

DISCUSSION

The Water Advisory Branch (Branch) made an independent analysis of RGU's summary of earnings and issued its report in December 1998. Appendix A shows RGU'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 RGU's and the Branch's estimates in revenues, operating expenses, and rate base. After reviewing the Branch's report, RGU filed an appeal with the Water Division's Chief of the Advisory Branch who authorized adjustments in Office Salaries and Regulatory Commission Expense for an increase in Operating Expenses of \$2,211 per year.

RGU's draft advice letter requested rates that it estimated would produce a rate of return on rate base of 13.50%. This rate of return is reasonable because it is within the range of 12.75% to 13.75% recommended by the Commission's Audit and Enforcement Branch for Class D, 100% equity financed utilities.

RGU's filed tariffs currently contain two schedules: (1) General Residential Service, and (2) Commercial and Industrial Service, for which there presently is only one customer, an Inyo County sanitarium. At the Branch's recommended rates shown in Appendix B, the monthly bill for the single-family residence customer will increase from \$13.07 to \$16.05. The monthly bill for the commercial customer will increase from \$521.67 to \$642.13. 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 increase in rates and notice of a public meeting was mailed to each customer on October 15, 1998. The Branch received four letters protesting the increase. On November 4, 1998, the Branch held an informal public meeting in RGU's service area. The Branch's representative explained the Commission rate-setting procedures and the utility's representative explained the need for the rate increase. Approximately 80 people attended; most of whom were concerned with the requested increase and objected to RGU's estimated expenses for salaries.

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 authorized.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. 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 Rolling Green Utilities, Inc., Sewer Division, 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. 1, General Residential Service, and 2, Commercial and Industrial 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. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 10, 1999. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President

HENRY M. DUQUE

JOSIAH L. NEEPER

LORETTA M. LYNCH

JOEL Z. HYATT

Commissioners

APPENDIX A

Rolling Green Utilities, Inc.
Sewer Division
Summary of Earnings
 Test Year 1999

<u>Item</u>	<u>Utility Estimated</u>		<u>Branch Estimated</u>		
	<u>Present Rates</u>	<u>Requested Rates</u>	<u>Present Rates</u>	<u>Requested Rates</u>	<u>Recommended Rates</u>
<u>Operating Revenue</u>					
Flat-Rate	\$ 45,470	\$ 71,249	\$ 45,470	\$ 71,250	\$ 55,865
<u>Operating Expenses</u>					
Employee Labor	\$ 9,428	\$ 9,428	\$ -	\$ -	\$ -
Materials	3,719	3,719	3,598	3,598	3,598
Contract Work-Lab	1,300	1,300	1,300	1,300	1,300
Contract Work-Other	1,993	1,993	1,993	1,993	1,993
Transportation	2,421	2,421	1,427	1,427	1,427
Other Plant Maintenance	158	158	158	158	158
Sewer Lease	4,183	4,183	3,984	3,984	3,984
Office Salaries	4,188	4,188	4,188	4,188	4,188
Management Salaries	12,570	12,570	11,975	11,975	11,975
Employee Pension & Health Benefit	2,633	2,633	2,847	2,847	2,847
Uncollectibles	263	263	114	178	140
Office Services & Rent	494	494	494	494	494
Office Supplies	1,849	1,849	1,849	1,849	1,849
Professional Services	1,417	1,417	1,125	1,125	1,125
Insurance	1,380	1,380	1,877	1,877	1,877
Regulatory Expenses	1,250	1,250	843	843	843
General Expenses	400	400	400	400	400
Subtotal	\$ 49,646	\$ 49,646	\$ 38,173	\$ 38,237	\$ 38,199
Depreciation	5,440	5,440	4,093	4,093	4,093
Franchise Fee	-	-	909	1,425	1,117
Property Taxes	3,334	3,334	594	594	594
Payroll Taxes	2,290	2,290	1,523	1,523	1,523
Income Tax	267	2,373	800	5,713	2,328
Total Deductions	\$ 60,977	\$ 63,083	\$ 46,093	\$ 51,586	\$ 47,854
Net Revenue	\$ (15,507)	\$ 8,166	\$ (623)	\$ 19,663	\$ 8,011
<u>Rate Base</u>					
Average Plant	\$ 178,437	\$ 178,437	\$ 178,437	\$ 178,437	\$ 178,437
Ave. Accumulated Depreciation	122,082	122,082	120,096	120,096	120,096
Net Plant	\$ 56,355	\$ 56,355	\$ 58,342	\$ 58,342	\$ 58,342
Plus Working Cash	4,135	4,135	-	-	-
Materials and Supplies	-	-	1,000	1,000	1,000
Rate Base:	\$ 60,490	\$ 60,490	\$ 59,342	\$ 59,342	\$ 59,342
Rate of Return	-25.64%	13.50%	-1.05%	33.14%	13.50%

APPENDIX B

**Rolling Green Utilities, Inc.
Sewer Division**

Schedule No. 1

GENERAL RESIDENTIAL SERVICE

APPLICABILITY

Applicable to all general residential service.

TERRITORY

Rolling Green Terrace Subdivision (Tracts 1, 2, 3, and 4) near the town of Big Pine,
Inyo County.

RATES

	<u>Per Month</u>	
Single-family residence:	\$16.05	(I)

SPECIAL CONDITIONS

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

APPENDIX B-1

**Rolling Green Utilities, Inc.
Sewer Division**

Schedule No. 2

COMMERCIAL AND INDUSTRIAL SERVICE

APPLICABILITY

Applicable to all Commercial and Industrial Service.

TERRITORY

Rolling Green Terrace Subdivision (Tracts 1, 2, 3, and 4) near the town of Big Pine,
Inyo County.

RATES

	<u>Per Month</u>	
Sanitarium	\$642.13	(D) (I)

SPECIAL CONDITIONS:

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

APPENDIX C

**Rolling Green Utilities, Inc.
Sewer Division**

**COMPARISON OF RATES
Test Year 1999**

	Present Per Month <u>Rates</u>	Recommended Per Month <u>Rates</u>	Amount of <u>Increase</u>	Percent <u>Increase</u>
<u>General Residential Service:</u>				
Single-family residence	\$ 13.07	\$ 16.05	\$ 2.98	22.80
<u>Commercial and Industrial Service:</u>				
Sanitarium	\$521.67	\$642.13	\$120.46	23.09

APPENDIX D

**Rolling Green Utilities, Inc.
Sewer Division**

ADOPTED QUANTITIES
Test Year 1999

<u>Expenses:</u>	<u>Per Year</u>
1. Purchased Power	None
2. Purchased Water	None
3. Payroll: Labor	None
4. Ad Valorem Taxes:	
Tax Rate	1.001216%
Assessed Value	\$59,342
Total Tax	\$ 594
5. Service Connections:	
Meter Connections	None
Flat Rate Connections	251
6. Local Franchise Rate	0.02%
Total Franchise Fee	\$ 1,117