

WATER/RUT/RAJ:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
WATER ADVISORY BRANCH**

**RESOLUTION NO. W-4155
JUNE 24, 1999**

RESOLUTION

**(RES. W-4155) BUHL WATER SYSTEM (BWS). ORDER
AUTHORIZING A GENERAL RATE INCREASE
PRODUCING \$3,408 OR 8.37% ADDITIONAL ANNUAL
REVENUE.**

SUMMARY

By Draft Advice Letter, accepted on March 26, 1999, BWS seeks revision of tariff Schedule Nos. 1, General Metered Service, and 2R, Residential 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 \$3,408 or a system wide increase of 8.37% for test year 1999. The increase will provide a 20% return on margin for the test year 1999.

BACKGROUND

BWS 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 \$9,068 or 22.37 % in 1999. The purpose of the request was to recover increased operating expenses and to provide an adequate rate of return. BWS's request shows that in test year 1999, gross revenues of \$40,532 at present rates would increase to approximately \$49,600 at proposed rates. BWS serves 203 flat rate customers in its service area about three miles southwest of the city of Visalia in Tulare County.

The present rates were established on October 7, 1998, pursuant to an offset rate increase to recover Department of Health Service fees and an increase in the Consumer Price Index. The last general rate increase was established on February 23, 1996, pursuant to Resolution W-3970 which authorized an increase of \$2,792 or 7.40 % in 1996.

DISCUSSION

The Water Advisory Branch (Branch) made an independent analysis of BWS's summary of earnings. Appendix A shows BWS'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 BWS's and the Branch's estimates in operating expenses and rate base.

BWS's draft advice letter requested rates which, it estimated, would produce a rate of return on rate base of 14.89%. The summary of earnings in Appendix A shows an operating ratio of 20% at the Branch's recommended rates. Under guidelines established by D.92-03-093, the Commission staff must calculate net revenues by both the return on rate base and the operating ratio methods and select the method that produces the most revenue. Branch evaluated the net revenues using both methods and determined that the operating ratio method provides the most revenue.

BWS's filed tariffs currently contain two schedules: Schedule No. 1, General Metered Service and Schedule No. 2R, Residential Flat Rate Service. BWS has requested retaining its metered schedule for possible future uses. Branch concurs. Branch reviewed BWS'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 a flat rate customer will increase from \$16.00 to \$17.34. 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 mailed to each customer on April 9, 1999. The Branch did not receive any correspondence concerning the request. On Tuesday, April 27, 1999, the Branch held an informal public meeting in Visalia. No customers appeared at the meeting.

There are no outstanding Commission orders requiring system improvements. BWS 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 adopted.
- 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 BWS Water System 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 Schedule Nos.1, General Metered Service, and 2R, Residential 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. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 24, 1999. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
JOEL Z. HYATT
CARL W. WOOD
Commissioners

APPENDIX A

Buhl Water System
SUMMARY OF EARNINGS
Test Year 1999

	Utility Estimated		Branch Estimated		Test Year 1999 Recommended
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	
<u>Operating revenues</u>					
Flat Rate	\$40,532	\$49,600	\$40,712	\$49,672	\$44,120
Total Revenues	40,532	49,600	40,712	49,672	44,120
<u>Operating Expenses:</u>					
Purchased Power	8,114	8,114	7,840	7,840	7,840
Materials	500	500	280	280	280
Contract Work	3,200	3,200	1,120	1,120	1,120
Transportation	950	950	950	950	950
Other Plant Maintenance	1,000	1,000	470	470	470
Office Salaries	1,550	1,550	1,550	1,550	1,550
Management Salaries	10,200	10,200	10,200	10,200	10,200
Employee Benefits	2,350	2,350	2,350	2,350	2,350
Office Services and Rent	2,146	2,146	2,150	2,150	2,150
Office Supplies	2,600	2,600	2,600	2,600	2,600
Professional Services	1,800	1,800	950	950	950
Insurance	795	795	800	800	800
General Expenses	777	777	550	550	550
Uncollectibles	200	200	200	200	200
Regulatory	<u>694</u>	<u>694</u>	<u>700</u>	<u>700</u>	<u>700</u>
Subtotal	36,876	36,876	32,710	32,710	32,710
Depreciation Expense	2,337	2,337	2,110	2,110	2,110
Property Taxes	320.5	320.5	320	320	320
Payroll Taxes	0	0	0	0	0
Income Taxes	<u>0</u>	<u>2,329</u>	<u>1,516</u>	<u>3,272</u>	<u>2,020</u>
Total Deductions	39,533.5	41,862.5	36,656	38,412	37,160
Net Revenue	998.5	7,737.5	4,056	11,260	6,960
<u>Rate Base</u>					
End-of-Year Plant	116,846	116,846	106,780	106,780	106,780
End-of-Year Dep. Res.	65,399	65,399	65,880	65,880	65,880
Net Plant	51,447	51,447	40,900	40,900	40,900
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l & Suppl	500	500	500	500	500
Rate Base	51,947	51,947	41,400	41,400	41,400
Rate of Return	1.92%	14.89%	9.80%	27.20%	-
Operating Ratio	-	-	-	-	20%

APPENDIX B
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Buhl Water System

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Tract No. 249 and vicinity, approximately 3 miles southwest of the City of Visalia,
Tulare County.

RATES

Quantity Rate:

All water used per 100 cu. ft.\$0.177 (I)

	<u>Per Meter</u>	
	<u>Per Month</u>	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 14.26	(I)
For 3/4-inch meter	21.42	
For 1-inch meter	35.51	
For 1 1/2-inch meter	71.32	
For 2-inch meter	114.10	(I)

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

SPECIAL CONDITIONS

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

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Buhl Water System

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water services.

TERRITORY

Tract No. 249 and vicinity, approximately 3 miles southwest of the City of Visalia,
Tulare County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For each single-family residential unit, including premises not exceeding 11,000 sq.ft. in area.....	\$17.34	(I)
a. For each additional 100 sq.ft. of Premises in excess of 11,000 sq.ft.....	0.132	(I)
b. For each additional single-family residential unit on the same premises and served from the same service connection	7.11	(I)

SPECIAL CONDITIONS

1. The above residential rates apply to a service connection not larger than one inch in diameter.
2. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPENDIX C

Buhl Water System

COMPARISON OF RATES

A comparison of the present and Branch's recommended rates is shown below:

METERED SERVICE:

Quantity Rate:
 Per 100 cu.ft..... \$ 0.163 0.177 (8.59%)

Usage for a hypothetical residential	Per Meter Per Month		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
Service Charge:			
For 5/8 x 3/4-inch meter	\$ 13.16	\$ 14.26	8.36%
For 3/4-inch meter	19.77	21.42	8.35%
For 1-inch meter	32.77	35.51	8.36%
For 1 1/2-inch meter	65.81	71.32	8.37%
For 2-inch meter	105.29	114.10	8.37%

Usage for a hypothetical residential customer on a 1-inch service connection using 200 Ccf per year:

Usage	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
100 Cu. Ft				
200	\$425.84	\$461.52	\$35.68	8.38%

RESIDENTIAL FLAT RATE SERVICE

	<u>Per Connection Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
Single-family residential unit not exceeding 11,000 sq.ft. of premises	\$16.00	\$17.34	8.38%
additional 100 sq.ft. of premises	0.122	0.132	8.20%
additional unit on same premises	6.56	7.11	8.38%

APPENDIX D
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Buhl Water System

ADOPTED QUANTITIES

Test Year 1999

Expenses:

1. Purchased Power

Vendor	Southern California Edison
Schedule	PA-1
Effective Date	January 1, 1998
Two Wells in Service	
Customer Charge	\$17.65 per month per well
Horsepower Charge	2.05 per HP per month (50 HP total load)
Energy Charge, per kWh	0.09172
Energy Tax, per kWh	\$0.0002
Consumption, kWh	64,990
Electric Power Cost	\$7,627
Backup generator Standby Charge	\$ 210
Total Power Cost	\$7,840

2. Insurance Expenses

General Liability Insurance	\$639.00
Automobile Insurance	\$161.00
Total Cost	\$800.00

3. Ad Valorem Taxes

Composite Tax Rate	1.0008%
Assessed Value	\$32,029

4. Payroll Taxes

	None
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5. Water Testing Expenses (in contract work) \$358

Service Connections

Metered	0
Flat Rate	
Dwelling units	203
Additional lot size increments (100 square foot units)	1,186

APPENDIX D
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Buhl Water System

ADOPTED TAX CALCULATIONS
Test Year 1999

<u>Line No.</u>	<u>State Tax</u>	<u>Federal Tax</u>
1. Operating Revenue	\$44,120	\$44,120
2. O&M Expenses	32,710	32,710
3. Taxes Other Than Income	320	320
4. Depreciation	2,110	2,110
5. Interest	0	0
6. Taxable Income for State Tax	8,980	
7. State Tax	800	800
8. Taxable Income for Federal Income Tax		8,180
9. Federal Income Tax		1,220
10. Total Income Tax	2,020	
California Corporate Franchise Rate	8.84%	
Federal Income Tax Rates		
On first \$50,000 taxable income	15%	