

**WATER/RUT/TAC:jlj**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION  
WATER ADVISORY BRANCH**

**RESOLUTION NO. W-4157  
JULY 8, 1999**

**RESOLUTION**

**(RES. W-4157), LAKE ALPINE WATER COMPANY (LAWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE  
PRODUCING \$16,767 OR 7.01% ADDITIONAL ANNUAL  
REVENUE.**

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**SUMMARY**

By Draft Advice Letter, accepted on April 6, 1999, LAWC seeks revision of tariff Schedules Nos. 1A, Annual Metered Service, 2AR, Annual Residential Flat Rate Service, and 4, Private Fire Protection 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 \$16,767 or a system-wide increase of 7.01% for test year 1999. The increase will provide a 13.25% rate of return on rate base for the test year 1999.

**BACKGROUND**

LAWC 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 \$27,466 or 11.48% in 1999. The purpose of this request is to recover increased operating expenses and to provide an adequate rate of return. LAWC's request shows that in test year 1999, gross revenues of \$239,237 at present rates would increase to approximately \$266,703 at proposed rates. LAWC serves about 459 flat rate and 16 metered customers in its service area along State Route 4 about 50 miles east of Angels Camp in Alpine County, California.

The present rates were established on April 5, 1999, pursuant to a Consumer Price Index increase of \$3,715 or 1.6%. The last general rate increase became effective on August 11, 1995, pursuant to Res. W-3932, which authorized an increase of \$58,006 or 53.6% and a rate of return of 13.54% in 1995.

## **DISCUSSION**

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

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

LAWC's draft advice letter requested rates, which it estimated would produce a rate of return on rate base of 13.75%. The summary of earnings in Appendix A shows a rate of return of 13.25% at the Branch's recommended rates. This rate of return is at the midpoint of the rate of return range that the Commission's Audit and Enforcement Branch recommends for a Class D, 100% equity financed water utility.

LAWC's filed tariffs currently contain three schedules: No. 1A, Annual Metered Service, No. 2AR, Annual Residential Flat Rate Service, and No. 4, Private Fire Protection Service. Branch reviewed LAWC's tariff schedules and found that they are up to date.

At the Branch's recommended rates shown in Appendix B, the annual bill for a flat rate customer will increase from \$494.75 to \$529.43. 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 1, 1999. The Branch received two letters complaining of the rate increase.

On May 10, 1999, the Branch held an informal public meeting in the Bear Valley Library. The Branch's representative explained the Commission rate-setting procedures and the utility's representative explained the need for the rate increase. Only one customer attended, and his questions were general in nature.

There are no outstanding Commission orders requiring system improvements. LAWC 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 Lake Alpine 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 Metered Service, 2AR, Annual Residential Flat Rate Service., and 4, Private Fire Protection 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 July 8, 1999. The following commissioners approved it:



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WESLEY M. FRANKLIN  
Executive Director

RICHARD A. BILAS  
President

HENRY M. DUQUE  
JOSIAH L. NEEPER  
JOEL Z. HYATT  
CARL W. WOOD

Commissioners

LAKE ALPINE WATER COMPANY

SUMMARY OF EARNINGS

Test Year 1999

Item	Utility Estimated		Branch Estimated		Recommended Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<b>Operating Revenue</b>					
Flat Rates	\$217,691	242,682	\$217,691	242,682	232,951
Fire Protection	\$1,668	1,859	\$1,668	1,859	1,785
Metered Water Revenue	\$18,448	20,566	\$18,448	20,566	19,741
Other Water Revenue	\$1,430	1,596	\$1,430	1,596	1,527
<b>TOTAL</b>	<b>\$239,237</b>	<b>266,703</b>	<b>\$239,237</b>	<b>266,703</b>	<b>256,004</b>
<b>Operating Expenses</b>					
Power	8,306	8,400	8,400	8,400	8,400
Other volume related expenses	7,580	11,780	11,780	11,780	11,780
Employee Labor	11,826	11,800	11,820	11,820	11,800
Materials	1,438	1,450	1,450	1,450	1,450
Contract Work	2,447	3,500	3,500	3,500	3,500
Water Testing	2,782	2,800	2,800	2,800	2,800
Transportation Exp.	4,254	4,250	3,800	3,800	3,800
Other plant maintenance	291	300	300	300	300
Office Salaries	12,000	12,000	12,000	12,000	10,800
Management Salaries	42,180	43,680	42,180	42,180	37,930
Employee Benefits	6,160	6,300	6,300	6,300	6,300
Uncollectibles Exp.	379	1,000	379	379	612
Office Rental	1,800	2,400	2,400	2,400	2,400
Office Suppl. & Exp.	3,345	3,000	3,345	3,345	3,000
Professional Services	900	900	900	900	900
Insurance	4,994	5,460	5,923	5,923	5,620
Regulatory Comm. Exp.	621	1,000	500	500	500
General Expenses	156	150	150	150	150
<b>Subtotal</b>	<b>\$111,459</b>	<b>\$120,170</b>	<b>\$117,927</b>	<b>\$117,927</b>	<b>\$112,042</b>
Depreciation Expense	\$32,145	\$33,802	\$23,644	\$23,644	\$23,644
Property Taxes	5,091	5,091	5,091	5,091	\$5,091
Payroll Taxes	6,363	7,549	6,363	6,363	\$5,418
State Income Tax	7,441	6,739	7,621	\$10,049	\$9,707
Federal Income Tax	14,341	17,121	14,971	\$22,391	\$22,289
<b>Total Deductions</b>	<b>\$176,840</b>	<b>\$190,472</b>	<b>\$175,617</b>	<b>\$185,465</b>	<b>\$178,191</b>
<b>Net Revenue</b>	<b>\$62,397</b>	<b>\$76,231</b>	<b>\$63,620</b>	<b>\$81,238</b>	<b>\$77,813</b>
<b>Rate Base</b>					
Average Plant	1,220,568	1,220,568	1,205,172	1,220,568	1,205,172
Avr. Accum. Deprec.	375,615	375,615	328,593	375,615	328,593
Net Plant	844,953	844,953	876,579	844,953	876,579
Less:					
Contributions	312,142	312,142	312,142	312,142	312,142
Plus:					
Construction Work in Progress	\$21,596	\$21,596	\$21,596	\$21,596	\$21,596
Working Cash	\$0	\$0	\$720	\$0	\$720
Materials and Supplies	\$0	\$0	\$500	\$0	\$500
<b>RATE BASE</b>	<b>\$554,407</b>	<b>\$554,407</b>	<b>\$587,253</b>	<b>\$554,407</b>	<b>\$587,253</b>
<b>Rate of Return</b>	<b>11.25%</b>	<b>13.75%</b>	<b>10.83%</b>	<b>14.65%</b>	<b>13.25%</b>

**APPENDIX B**

**LAKE ALPINE WATER COMPANY**

Schedule No.1A

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Bear Valley tracts, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

RATES

Per Meter  
Per Month

Quantity Rate:

All Water used per 100 cu. ft.....	\$1.59	(1)
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Service Charge:

For 3/4-inch meter	\$291.07	(1)
For 1-inch meter	\$402.36	
For 1-1/2 inch meter	\$565.01	
For 2-inch meter	\$722.32	
For 3-inch meter	\$1,270.21	
For 4-inch meter	\$1,758.17	(1)

The annual service charge is applicable to all service. It is a readiness-to-serve charge to which is added the charge for water used during the billing period computed at the Quantity Rate.

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 in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

(continued)

**APPENDIX B**

**LAKE ALPINE WATER COMPANY**

Schedule No.2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Bear Valley tracts, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

RATES

Per Service Connection  
Per Year

For a single-family residential unit including premises.....	\$529.43	(1)
For each additional single-family residential unit on the same premises and served from the same connection.....	\$228.88	(1)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than 3/4-inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. A meter may be installed at the option of the utility in which event service thereafter will be furnished only on the basis of Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the service charge for the same period shall be made on or before that day.

(continued)

**APPENDIX B**

**LAKE ALPINE WATER COMPANY**

Schedule No.4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Bear Valley tracts, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

RATE

For each inch of diameter of service connection..... \$8.75 (1)

SPECIAL CONDITIONS

1. The fire protection service connection will 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 system in addition to all other normal service does not exist in the street or alley 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 C**  
**LAKE ALPINE WATER COMPANY**  
**COMPARISON OF RATES**

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

Yearly bill for a single-family residential flat rate customer:

Per Meter Per Year			
Present Rates	Recommended Rates	Increase	
		Amount	Percent
\$494.75	\$529.43	\$34.68	7.01%

Comparison of average monthly customer bill at present and authorized rates for a 3/4-inch meter shown below:

<u>Usage</u> <u>Ccf</u>	<u>Present</u> <u>Rates</u>	<u>Recommended</u> <u>Rates</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$22.67	\$24.26	\$1.59	7.01%
5	\$22.74	\$24.34	\$1.59	7.01%
10	\$22.82	\$24.42	\$1.60	7.01%
20	\$22.96	\$24.58	\$1.61	7.02%
30	\$23.11	\$24.74	\$1.62	7.02%
40	\$23.26	\$24.90	\$1.63	7.02%
50	\$23.41	\$25.06	\$1.64	7.02%
100	\$24.16	\$25.86	\$1.70	7.03%

**APPENDIX D**

**LAKE ALPINE WATER COMPANY**

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**ADOPTED QUANTITIES**

Test Year 1999

Expenses:

1. Purchased power (Electric)	
Vendor	Pacific Gas and Electric
Schedules	A-1P
Effective Date	1/1/99
Total Cost (\$)	\$8,204
KWH Used	59,344
Customer Charges (per month)	\$8.10
\$/KWh - Summer	\$0.14870
\$/KWH - Winter	\$0.10193
2. Purchased water	None
3. Ad Valorem Taxes	\$5,091
Composite Tax Rate	1.07%
Assessed Value	\$476,000
4. Payroll & Employee Benefits	
Employee Labor	\$11,800
Management Salary	\$37,930
Office Salary	\$10,800
Total Payroll	\$60,530
Pension and Benefits	\$6,300
Payroll Taxes	\$5,418

(continued)

APPENDIX D

LAKE ALPINE WATER COMPANY

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ADOPTED QUANTITIES

Test Year 1997

5. Number of Service Connections:

Flat Rate 424

Additional services -

2 units 34

3 units 1

**Total 459**

Metered

3/4" 7

1" 3

1 1/2" 1

2" 4

4" 1

**Total 16**

Public Fire Hydrant Services 41

Private Fire Protection Services 5

Metered Water Sales Used to Design Rates: 7,077 Ccf

(continued)

**APPENDIX D**

**LAKE ALPINE WATER COMPANY**

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**ADOPTED QUANTITIES**

Test Year 1999

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$256,004	\$256,004
2.	O & M Expenses	\$112,042	\$112,042
3.	Taxes Other Than Income	\$10,510	\$10,510
4.	Deprecation	\$23,644	\$23,644
5.	Taxable Income for State Tax	\$109,808	
6.	State Tax	\$9,707	
7.	Taxable Income for FIT		\$100,101
8.	Federal Income Tax		\$22,289
9.	Total Income Tax		\$31,996
	California Corporate Franchise Rate	8.84%	
	Federal Income Tax Rate		
	On first \$50,000 of taxable income	15%	
	On next \$25,000 of taxable income	25%	
	On next \$25,000 of taxable income	34%	