

WATER/RUT/RAJ: jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
WATER ADVISORY BRANCH**

**RESOLUTION NO. W-4161
JULY 22, 1999**

RESOLUTION

**(RES. W-4161) MULLEN WATER COMPANY (MWC). ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
\$2,280 OR 25.6% ADDITIONAL ANNUAL REVENUE.**

SUMMARY

By Draft Advice Letter, accepted on March 26, 1999, MWC seeks revision of tariff Schedules 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 \$2,280 or a system wide increase of 25.6% for test year 1999. The increase will provide a 20% return on margin for the test year 1999.

BACKGROUND

MWC 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 \$2,650 or 29.1% in 1999. The purpose of this request is to recover increased operating expenses and to provide an adequate rate of return. MWC's request shows that in test year 1999, gross revenues of \$9,105 at present rates would increase to approximately \$11,755 at proposed rates. MWC serves about 43 flat rate customers in an unincorporated subdivision approximately 1-1/2 miles southeasterly of the city of Porterville, in Tulare County.

The present rates became effective on June 21, 1992, pursuant to Res. W-3636, which authorized an increase of \$6,040 or 200% and a rate of return of 0.32%.

DISCUSSION

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

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

MWC'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 an operating ratio of 20% at the Branch's recommended rates. Under guidelines established by Decision 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.

MWC's filed tariffs currently contain two schedules: Schedules Nos. 1, General Metered Service, and 2R, Residential Flat Rate Service. Branch reviewed MWC's tariff schedules and found that the following need to be updated: Schedule LC, Form 2, and Rules 8, 9, 11, 20, and 21.

At the Branch's recommended rates shown in Appendix B, the annual bill for a flat rate customer will increase from \$180.00 to \$226.08. 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 no correspondence complaining of the rate increase. The Commission's Consumer Affairs Branch received four complaints from January 1, 1996 through June 4, 1999.

On April 28, 1999, the Branch held an informal public meeting in Porterville. The Branch's representative explained the Commission rate setting procedures and the utility's representative explained the need for the rate increase. Six customers attended; their questions were general in nature.

There are no outstanding Commission orders requiring system improvements. MWC 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, and the resulting rates are just and reasonable.
- e) MWC should be ordered to update its Schedule LC, Form 2, and Rules 8, 9, 11, 20, and 21.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Mullen Water Company to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedules 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 revised schedules shall be five days after the date of filing.
2. Within 60 days after the effective date of this resolution, Mullen Water Company shall file an advice letter updating its Schedule LC, Form 2 and Rules 8, 9, 11, 20, and 21.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on July 22, 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

Mullen Water Company

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	\$9,105	\$11,755	\$8,910	\$11,500	\$11,190
<u>Operating Expenses:</u>					
Purchased Power	3,179	3,179	2,650	2,650	2,650
Purchased Water	0	0	0	0	0
Other Vol. Rel. Exp.	0	0	0	0	0
Employee Labor	800	800	1,200	1,200	1,200
Materials	0	0	550	550	550
Contract Work	1,123	1,123	1,120	1,120	1,120
Transportation	0	0	0	0	0
Other Plant Maintenance	60	60	500	500	500
Office Salaries	0	0	0	0	0
Management Salaries	0	0	0	0	0
Employee Benefits	0	0	0	0	0
Office Services and Rent	0	0	0	0	0
Office Supplies	204	204	200	200	200
Professional Services	269	269	270	270	270
Insurance	0	0	0	0	0
Regulatory Comm. Exp.	149	149	150	150	150
General Expenses	<u>1,936</u>	<u>1,936</u>	<u>950</u>	<u>950</u>	<u>950</u>
Subtotal	7,720	7,720	7,590	7,590	7,590
Depreciation Expense	809	809	700	700	700
Non Income Tax	149	149	150	150	150
Payroll Taxes	0	0	0	0	0
Income Taxes	<u>0</u>	<u>1,142</u>	<u>800</u>	<u>1,140</u>	<u>1,090</u>
Total Deductions	8,678	9,820	9,240	9,580	9,530
Net Revenue	427	1,935	(330)	1,920	1,660
<u>Rate Base</u>					
End-of-Year Plant	27,899	27,899	26,270	26,270	26,270
End-of-Year Dep. Res.	13,828	13,828	16,410	16,410	16,410
Net Plant	14,071	14,071	9,860	9,860	9,860
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l & Suppl	0	0	0	0	0
Rate Base	14,071	14,071	9,860	9,860	9,860
Rate of Return	3.03%	13.75%	Loss	19.47%	-
Operating Ratio	-	-	-	-	20%

APPENDIX B
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Mullen Water Company

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated subdivision known as Tract No. 288, and vicinity adjacent to the intersection of Worth Road and County Road 258, approximately 1-1/2 miles southeasterly of the city of Forestville, Tulare County.

RATES

Quantity Rate:		
All water, per 100 cu. ft.....	\$ 0.94	(I)
	<u>Per Meter</u>	
	<u>Per Month</u>	
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$ 9.40	(I)
For 3/4-inch meter.....	14.15	
For 1-inch meter.....	23.55	
For 1 1/2-inch meter.....	47.10	
For 2-inch meter.....	75.35	(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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Mullen Water Company

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated subdivision known as Tract No. 288, and vicinity, adjacent to the intersection of Worth Road and County Road 258, approximately 1/1-2 miles southeasterly of the City of Porterville, Tulare County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For each single-family residential unit Including premises not exceeding 10,000 sq. ft. in area.....	\$18.84	(I)
a. For each additional 100 sq. ft. of Premises in excess of 10,000 sq. ft.....	\$0.113	(I)

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to a service connections not larger than one-inch in diameter.
2. All service not covered by the above classifications will be furnished only on a metered basis.
3. Meters may be installed at option of the utility for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C

Mullen Water Company

COMPARISON OF RATES

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

General Metered Rate Service:

There are presently no metered rate customers. If a customer were to use the system-wide average consumption per month and receive service under the metered rate schedule, the recommended rates will produce approximate the same monthly bill as if billed under the flat rate schedule.

Residential Flat Rate Service:

	<u>Per Service Connection Per Month</u>			
	<u>Present</u>	<u>Recommended</u>	<u>Increase</u>	
	<u>Rates</u>	<u>Rates</u>	<u>Amount</u>	<u>Percent</u>
For a single-family residence, Including premises not exceeding 10,000 sq. ft. in area	\$15.00	\$18.84	\$3.84	25.60%
For each 100 sq. ft. of area in Excess of 10,000 sq.ft.	0.09	0.113	0.023	25.56%

(END OF APPENDIX C)

APPENDIX D

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Mullen Water Company

ADOPTED QUANTITIES

Test Year 1999

Federal Income Tax Rate	15.0%
California Income Tax Rate	8.84%
Uncollectible Rate	0.0%
County Franchise Tax Rate	0.0%

Expenses:

1.	<u>Purchased Power</u>	
	Vendor	Southern California Edison
	Schedule	PA-1
	Effective Date	1-1-98
	Energy Charge:	
	kWh used	21,270
	Rate, per kWh	\$0.09172
	Amount	\$1,950
	Customer Charge:	
	No. of Meters	1
	Rate, per meter per month	\$17.65
	Amount	211
	Service Charge:	
	No. of horsepower	20
	Rate, per horsepower per month	\$2.05
	Amount	\$492
	Total Power	\$2,650
2.	Purchased Water	0
3.	Payroll and Employee Benefits:	
	Employee Labor	\$1,200
	Office Salaries	0
	Management Salaries	0
	Total	\$1,200
	Payroll Taxes	0
4.	Ad Valorem Taxes	
	Tax Rate	1.00%
	Assessed Valuation	\$14,925
	Total	\$ 150
5.	Water Testing Expenses (In contract work)	\$1,120
6.	Groundwater Replenishment Charges	0