

WATER/DRP/EYM:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Advisory Branch**

**RESOLUTION No. W- 4164
August 5, 1999**

RESOLUTION

**(RES. W-4164) ERSKINE CREEK WATER COMPANY (ECWC), ORDER
AUTHORIZING A GENERAL INCREASE IN RATES PRODUCING \$33,854
OR 11.62% ADDITIONAL ANNUAL REVENUE.**

SUMMARY

By Draft Advice Letter accepted on October 13, 1998, ECWC seeks an increase in its rates for water service to earn a return on additions to plant and to recover increased expenses of operation. For Test Year 1999, this resolution grants an increase in gross annual revenues of \$33,854 or 11.62%, which is estimated to provide a 12.50% rate of return on ratebase.

BACKGROUND

ECWC 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 \$73,001 per year or 26% in 1999. ECWC's request shows that its gross revenue of \$279,639 at present rates would increase to approximately \$352,650 at proposed rates.

ECWC's previous general increase in rates of \$19,800 or 9.3% and a return on rate base of 12.10% was authorized by D.95-11-040 in November 1995. Advice Letter No. 42 authorized a cost-of-living increase in April 1998. Advice Letter No. 14 authorized the current rates for private fire protection service in March 1977.

ECWC serves 1,175 customers in the unincorporated community of Lake Isabella and vicinity, located approximately 45 miles east of Bakersfield in Kern County.

DISCUSSION

The Water Advisory Branch (Branch) made an independent analysis of ECWC's summary of earnings and issued its report in March 1999. Appendix A shows ECWC'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 ECWC's and the Branch's estimates of revenues, operating expenses, and rate base. After reviewing the Branch's report, ECWC requested Branch to reevaluate certain expense and rate base categories. Adjustments in Purchased Power, Employee Labor, Contract Work, Other Plant Maintenance, Office Salaries, Employee Pension and Benefits, Professional Services and General Expense were mutually agreed to for an increase in Operating Expenses of \$14,921 per year and Plant Additions and Working Cash for an increase in Rate Base of \$17,595.

ECWC's draft advice letter requested rates that it estimated would produce a rate of return on rate base of 13.00%. Branch recommended rates would produce a rate of return on rate base of 12.50%. This rate of return is appropriate for a reasonably well-managed water utility and is within the range of 12.00% to 13.00% recommended by the Commission's Audit and Enforcement Branch for Class C, 100% equity financed utilities.

ECWC's filed tariffs currently contain three schedules: (1) Metered Service, (2) Limited Flat Rate Service, and (3) Private Fire Protection Service. At the Branch's recommended rates shown in Appendix B, the Per Meter Every Two Months bill for the single-family residence customer with a 5/8 x 3/4 inch meter service will increase from \$15.66 to \$19.40. The every two months bill for the private fire protection customer will increase from \$2.00 to \$3.00 for each inch of diameter of service. All flat rate customers, who previously obtained service under Schedule No. 2L, Limited Flat Rate Service, have converted to metered service. Schedule No. 2L, therefore should be deleted. A comparison of customer bills at present and recommended rates is shown in Appendix C.

ECWC bills its customers on a Per Meter Every Two Months basis. Schedule No. 1, Metered Service and Schedule No. 4, Private Fire Protection Service should be changed to reflect ECWC's billing practice.

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 December 4, 1998. On December 17, 1998, the Branch held a public meeting at the Kern River Valley Senior Citizen Center, 6405 Lake Isabella Boulevard. The Branch's representative explained the Commission rate-setting procedures and the utility's representative explained the need for the rate increase. Approximately 14 people attended; most of whom were concerned with the requested increase in rates.

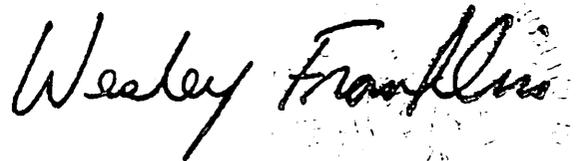
FINDINGS AND CONCLUSIONS

- 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) Tariff Schedule Nos. 1 and 4 should reflect charges to be made on a every two month basis.

IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Erskine Creek 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. 1, General Metered Service, and 4, Private Fire Protection 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 August 5, 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

ERSKINE CREEK WATER COMPANY
 Summary of Earnings
 Test Year 1999

Item	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
Operating Revenue					
Metered Service	\$ 278,598	\$ 351,609	\$ 290,761	\$ 365,985	\$ 324,300
Fire Protection Service	1,041	1,041	693	1,000	1,008
Total Revenue	\$ 279,639	\$ 352,650	\$ 291,454	\$ 366,985	\$ 325,308
Operating Expenses					
Purchased Power	\$ 37,000	\$ 37,000	\$ 35,063	\$ 35,063	\$ 35,063
Other Volume Related Exp	4,200	4,200	4,298	4,298	4,298
Employee Labor	50,000	50,000	50,000	50,000	50,000
Materials	10,500	10,500	10,357	10,357	10,357
Contract Work	9,000	9,000	9,000	9,000	9,000
Transportation	9,300	9,300	5,906	5,906	5,906
Other Plant Maintenance	3,100	3,100	917	917	917
Office Salaries	30,000	30,000	22,792	22,792	22,792
Management Salaries	42,900	42,900	41,708	41,708	41,708
Employee Pension & Benefits	22,649	22,649	22,049	22,049	22,049
Uncollectables	600	600	600	600	600
Office Services & Rentals	6,400	6,400	1,675	1,675	1,675
Office Supplies & Expense	16,000	16,000	22,808	22,808	22,808
Professional Services	6,000	6,000	4,944	4,944	4,944
Insurance	6,622	6,622	5,858	5,858	5,858
Regulatory Commission Exp	2,000	2,000	2,000	2,000	2,000
General Expense	10,000	10,000	3,100	3,100	3,100
Subtotal	\$ 266,271	\$ 266,271	\$ 243,075	\$ 243,075	\$ 243,075
Depreciation Expense	\$ 15,415	\$ 15,415	\$ 12,339	\$ 12,339	\$ 12,339
Tax & Other Expenses					
Property Tax	3,381	3,381	3,004	3,004	3,004
Payroll Tax	11,068	11,068	10,305	10,305	10,305
Franchise Fees	0	0	0	0	0
Income Taxes	0	13,059	5,118	25,892	12,740
Total Deductions	\$ 296,135	\$ 309,194	\$ 273,841	\$ 294,615	\$ 281,463
NET REVENUE	\$ (16,496)	\$ 43,456	\$ 17,613	\$ 72,370	\$ 43,845
Rate Base					
Average Plant	\$ 667,717	\$ 667,717	\$ 666,230	\$ 666,230	\$ 666,230
Ave Accumulated Depr	347,805	347,805	330,736	330,736	330,736
Net Plant	319,912	319,912	335,494	335,494	335,494
Less: Advances	0	0	0	0	0
Contributions	31,490	31,490	26,831	26,831	26,831
Plus: Working Cash	44,378	44,378	40,512	40,512	40,512
Materials & Supplies	1,550	1,550	1,550	1,550	1,550
Rate Base	\$ 334,350	\$ 334,350	\$ 350,725	\$ 350,725	\$ 350,725
Rate of Return	loss	13.00%	5.02%	20.63%	12.50%

APPENDIX B

ERSKINE CREEK WATER COMPANY

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Lake Isabella and vicinity, Kern County.

RATES

Quantity Rate:

(D)

All water used per 100 cu. ft. \$0.52

PER METER
EVERY TWO
MONTHS

(N)

SERVICE CHARGE:

For	5/8-inch meter	\$	19.40	(I)
For	3/4-inch meter	\$	29.10	(I)
For	1-inch meter	\$	48.50	(I)
For	1 1/2-inch meter	\$	97.00	(I)
For	2-inch meter	\$	155.20	(I)
For	3-inch meter	\$	291.00	(I)
For	4-inch meter	\$	485.00	(I)
For	6-inch meter	\$	970.00	(I)

This service charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added to the every two months charge computed at the Quantity Rate. (C)
(C)
(C)

SPECIAL CONDITION:

(D)

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

APPENDIX B-1

ERSKINE CREEK WATER COMPANY
Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Lake Isabella and vicinity, Kern County.

RATE

	<u>Every Two</u>	
	<u>Months</u>	(N)
For each inch of diameter of service connection	\$3.00	(I)

SPECIAL CONDITIONS:

1. The fire protection service and connection shall be installed by the utility at the utility's directions. Cost for the entire fire protection installation excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The expense of maintaining the private fire protection facilities on the applicant's premises (including the vault, meter, and backflow device) shall be paid for by the applicant.
3. All facilities paid for by the applicant shall be the sole property of the applicant. The utility and its duly appointed agents shall have the right to ingress to, and egress from the premises for all purposes relating to said facilities.
4. 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.
5. 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 adjacent to the premises to be served, then a main extension from the nearest existing main of adequate capacity shall be required by the utility.
6. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction. All facilities are to be installed according to the utility's specifications and maintained to the utility's satisfaction. The utility may require the installation of a backflow prevention device and a standard detector type meter approved by the Insurance Services Office for protection against theft, leakage, or waste of water.
7. No structure shall be built over the fire protection service and the customer shall maintain and safeguard the area occupied by the service from traffic and other hazardous conditions. The customer will be responsible for any damage to the fire protection service facilities.
8. Subject to the approval of the utility, any change in the location or construction of the fire protection service as may be required by public authority or the customers will be made by the utility following payment to the utility of the entire cost of such change.
9. Any unauthorized use of water through the fire protection service will be charged for at the applicable tariff rates and may be grounds for the utility's discontinuing fire protection service without liability.

APPENDIX C

ERSKINE CREEK WATER COMPANY

COMPARISON OF RATES
 Test Year 1999

A comparison of the present and Branch's recommended every two months rates for a 5/8 x 3/4 inch meter service using various quantities of water.

PER METER EVERY TWO MONTHS				
Water Usage in Ccf Per Month	Present Rates	Recommended Rates	Increase	
			Amount	Percent
0	\$ 15.66	\$ 19.40	\$ 3.74	23.88%
10	\$ 26.06	\$ 29.80	\$ 3.74	14.35%
20	\$ 36.46	\$ 40.20	\$ 3.74	10.26%
30	\$ 46.86	\$ 50.60	\$ 3.74	7.98%
40	\$ 57.26	\$ 61.00	\$ 3.74	6.53%

A comparison of the present and Branch's recommended every two months rate for each inch of diameter of service connection.

EVERY TWO MONTHS				
Meter Size	Present Rates	Recommended Rates	Increase	
			Amount	Percent
4 "	\$ 16.00	\$ 24.00	\$ 8.00	50.00%
6"	\$ 24.00	\$ 36.00	\$ 12.00	50.00%
8"	\$ 32.00	\$ 48.00	\$ 16.00	50.00%

APPENDIX D

ERSKINE CREEK WATER COMPANY

ADOPTED QUANTITIES
TEST YEAR 1999

Expenses:

1. Purchased Power (Electric)	
Vendor	Southern California Edison
Schedule	PA-1
Effective Date	5/1/96
Total Cost (\$)	\$ 35,063
KWh Used	281,746
Customer Charges (per meter per month)	\$ 17.65
Service Charge (per horsepower)	\$ 2.05
Energy Charge (per kWh)	\$ 0.09172
State Tax	\$ 0.0002
2. Purchased Water	None
3. Insurance Expenses	
Liability	\$ 2,789
Workers' Compensation	\$ 3,069
Total Cost	\$ 5,858
4. Ad Valorem Taxes	\$ 3,004
General Tax Rate	1.004220%
Assessed Value	\$ 299,102
5. Payroll Taxes	\$ 10,305

APPENDIX D-1

ERSKINE CREEK WATER COMPANY

ADOPTED QUANTITIES
Test Year 1999

6. Number of Service Connections

Metered	
5/8 x 3/4"	1,088
3/4"	14
1"	28
1 1/2"	31
2"	11
3"	0
4"	2
6"	1
SUBTOTAL	1,175

Fire Protection	
4"	2
6"	2
8"	1
SUBTOTAL	5

TOTAL	1,180
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7. Water Sales (Ccf)	283,946
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APPENDIX D-2

ERSKINE CREEK WATER COMPANY

ADOPTED QUANTITIES

Test Year 1999

Item	State Tax	Federal Tax	Total Tax
Operating Revenue	\$ 325,308	\$ 325,308	
O & M Expenses	\$ 243,075	\$ 243,075	
Taxes, Other Than Income	\$ 13,309	\$ 13,309	
Depreciation	\$ 12,339	\$ 12,339	
Taxable Income for State Tax	\$ 56,585		
State Tax	\$ 5,002		
Taxable Income for FIT		\$ 51,583	
Federal Income Tax		7,737	

TOTAL INCOME TAX

\$ 12,740

California Tax Rate 8.84%

Federal Income Tax Rate

On Next \$25,000 of Taxable Income	25%
On Next \$25,000 of Taxable Income	28%
Over \$100,000 of Taxable Income	34%
On First \$50,000 of Taxable Income	15%