

WATER/VDM/FLC:jrb*

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Advisory Branch**

**RESOLUTION W-4172
November 18, 1999**

RESOLUTION

**(RES. W-4172) HILLCREST WATER COMPANY, INC. (HWC), ORDER
AUTHORIZING AN INCREASE IN RATES PRODUCING \$38,552 OR 5.59%
ADDITIONAL ANNUAL REVENUE AFTER HAVING COMPLETED THE
PENALTY ORDERED BY D.97-06-105**

SUMMARY

By Advice Letter No. 87, filed October 14, 1999, HWC is requesting an increase in revenue to restore its earnings after completing the penalty ordered by D.97-06-105. The penalty required HWC to reduce its rate of return from 10.75% to 5.375% for the period of time that it was out of compliance with a prior Commission order. The requirement has been fulfilled and this resolution authorizes HWC to file tariffs to increase rates by \$38,552 or 5.59% in annual revenue to restore the rate of return originally authorized.

BACKGROUND

After its customers had supplied all the funds needed, D.95-01-038 required HWC to repay its Safe Drinking Water Bond Act loan to the Department of Water Resources by January 1, 1996. Having failed to do so, D.97-06-105 penalized HWC for not complying by requiring it to reduce its rates to one-half of its authorized rate of return for period of time that it remained out of compliance. To allow HWC to apply for a rehearing of D.97-06-105, the effective date of the tariffs for lower rates was delayed until July 30, 1998, but, by mistake, HWC started billing customers the lower rates on September 1, 1997. HWC finally repaid its loan on January 6, 1998, bringing it into compliance. By this advice letter HWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates and restore its rate of return to 10.75%. HWC serves 4,445 customers in the city of Yuba City and surrounding areas in Sutter County.

DISCUSSION

Although HWC's tariffs for the reduction in rates show the effective date of July 30, 1998, it is reasonable to calculate the period of time that HWC was penalized starting on September 1, 1997, the date that HWC actually reduced rates. HWC was out of compliance from January 1, 1996, to January 6, 1998, or two years and five days. With September 1, 1997, as the starting date, the penalty would be completed on September 6, 1999, therefore, HWC has completed the penalty ordered by the Commission and its rates should be increased immediately.

The tariffs HWC filed in compliance with D.97-06-105 established uniform rates for all territory served. Tariffs transmitted with Advice Letter 87, however, introduce separate higher rates for Teja Buena without any substantiation. In the Appendix, the Branch has prepared tariffs for General Metered Rates and Residential Flat Rates that preserve the existing rate design and provide for increasing HWC's revenue by \$38,552 per year, the same amount by which rates were reduced.

At the proposed rates, the monthly bill for a flat-rate customer with a single-family residence would increase from \$14.77 to \$15.55, or 5.28%. The rate per one hundred cubic feet of water to metered customers will increase from \$0.41 to \$0.42, or 2.44%.

NOTICE

Notice of the proposed rate increase was published in the *Marysville Appeal Democrat* on November 3 and 4, 1999. No protests have been received.

FINDINGS AND CONCLUSIONS

- a) HWC has completed the penalty ordered in D.97-06-105 and should be authorized to increase rates to provide a previously authorized rate of return of 10.75%.
- b) The tariff schedules transmitted with Advice Letter No. 87 establish unreasonable differences in rates within its service area and Advice Letter No. 87 should be supplemented by filing the schedules contained in the Appendix.
- c) The rates recommended by the Branch in the Appendix are reasonable and should be authorized.
- d) The rate increase proposed by the Branch is justified and the resulting rates are just and reasonable.

IT IS ORDERED THAT:

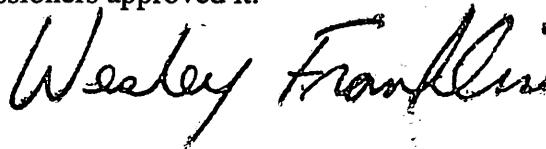
1. Authority is granted under Public Utilities Code Section 454 for Hillcrest Water Company, Inc. to file a supplement to Advice Letter 87 incorporating the revised rate schedules attached to this resolution in the Appendix, and concurrently to cancel its presently effective rate Schedule No. 1, General Metered Service, and Schedule No. 2R, Residential Flat Rate

November 18, 1999

Service. Its filing shall comply with General Order No. 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 November 18, 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
Page 1 of 2

HILLCREST WATER COMPANY, INC.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within Yuba City and vicinity, Sutter County, as defined on the service area map.

(T)

RATES

Quantity Rates:

For all water delivered per 100 cu.ft. \$ 0.42 (I)

Service Charge:

Per Meter
Per Month

For 5/8 x 3/4-inch meter	\$ 6.80
For 3/4-inch meter	7.20
For 1-inch meter	8.30
For 1-1/2-inch meter	9.50
For 2-inch meter	12.30
For 3-inch meter	30.00
For 4-inch meter	50.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

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

APPENDIX
Page 2 of 2

HILLCREST WATER COMPANY, INC

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential and commercial water service.

TERRITORY

Within Yuba City and vicinity, Sutter County, as defined on the service area map.

(T)

RATES

	<u>Per service Connection Per Month</u>	
For a single-family residential unit including premises, not to exceed 13,000 square feet	\$.15.55	(I)
For additional unit on the same premises	7.45	
For each swimming pool	2.54	
For each 100 square feet of premises in excess of 13,000 square feet	0.09	(I)

SPECIAL CONDITIONS

1. The above flat rate applies to service connections not larger than one-inch in diameter.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(End of Appendix)