

WATER/SNR/PTL/KKE:jjj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4582

January 12, 2005

R E S O L U T I O N

**(RES. W-4582), CAZADERO WATER COMPANY (CWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE
PRODUCING ADDITIONAL ANNUAL REVENUE OF \$18,362
OR 57.83% IN TEST YEAR 2005.**

SUMMARY

By Draft Advice Letter, filed on June 6, 2005, CWC seeks an increase in its rates for water service to recover increased expenses of operation and earn an adequate return. The Division accepted this Draft Advice Letter as complete for filing on August 9, 2005.

For Test Year 2005, this resolution grants an increase in gross annual revenues of \$18,362 or 57.83%, estimated to provide a return on expenses of 19.80%.

BACKGROUND

In its amended Draft Advice Letter, CWC, a Class D water utility, requested authority under §VI of General Order 96 and §454 of the Public Utilities Code to increase its water rates by \$18,081 or 57.83% for Test Year 2005. The purpose of the rate increase is to recover increased operating expenses and to earn an adequate rate of return. CWC'S request shows gross revenues of \$31,266 at present rates increasing to \$49,437 at the proposed rates. CWC is requesting a return on ratebase of 13.50%.

CWC's present rates became effective with its last general rate increase granted on May 13, 1999 pursuant to Resolution (Res.) W-4146 which authorized a rate increase of \$7,400 or 30.10% in Test Year 1999 with a 13.36% rate of return on ratebase.

CWC currently serves 158 customers (4 flat rate and 154 metered) and is located within the city of Cazadero and vicinity in Sonoma County. According to the Department of Health Services (DHS), CWC is a community water system that consists of four wells, three concrete storage tanks with a total storage capacity of 160,000 gallons, and an associated distribution system. There is no fire control structure associated with the system. The water treatment provided is Hypochlorination.

DISCUSSION

The Water Division (Division) made an independent analysis of CWC's summary of earnings and issued its report in November 2005. Appendix A shows CWC's and the Division's estimates of the summary of earnings at present, requested, and recommended rates. Appendix A also shows differences in CWC's and the Division's estimates in operating revenues, expenses, and rate base. Informed of the Division's differing views, CWC agreed with the Division's findings.

The Division's staff audited operating expenses and revenue streams. Staff verified the operating expenses by reviewing supporting documents for accuracy, and included those expenses that were deemed reasonable and prudent. The Division's Audit and Compliance Branch performed a cash flow analysis on the original application and granted an interim increase of 5% or \$1,600 in Res. W-4568.

The Division's estimate of CWC's profit requirement using the return on margin method was \$9,979 or 20.80% higher than authorized herein (\$7,904) because the company requested revenue not be significantly greater than requested in the public meeting notice.

CWC'S current rate structure consists of two rate schedules - Schedule No. 1A, General Metered Service, and Schedule No. 2A, Annual General Flat Rate Service. The new rate schedules are included in Appendix B.

At the Division's recommended rates, CWC's monthly bill for a 3/4-inch metered residential customer using an average of 6 Ccf would increase from \$14.99 to \$19.96 per month, an increase of \$4.96 or 33.11%; and for a flat rate residential connection, the monthly charge of \$17.67 will increase to \$27.83, an increase of \$10.16 or 57.50%. The difference in percentage increases between the

two connection types (flat and metered) reflects the Branch policy of allocating 100% of fixed costs into the cost of service charge.

Shown in Appendix C is a comparison of customer bills at present and recommended rates. The adopted tax calculations are shown in Appendix D.

CWC's tariff sheets were reviewed by the Staff and the following sheets need to be updated: Preliminary Statement; Rules 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 10, Disputed Bills; and Form 2, Customer's Deposit Receipt.

NOTICE AND PROTEST

A notice of the proposed rate increase was mailed to each customer on or before August 25, 2005. On September 16, 2005, a public meeting was held within CWC's service area at the Cazadero Volunteer Fire Department, Cazadero, California. The meeting was held to afford customers the opportunity to be heard and to ask questions about the proposed increase and the approval process. No customers attended.

A field visit to review CWC's expenses and other quantities and to inspect its facilities was conducted by the Division staff with the CWC owners and administrative accountant.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. The summary of earnings (Appendix A) developed by the Division is reasonable and should be adopted.
2. The rates proposed by the Division (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used are reasonable and should be adopted.
4. The tariff sheets Preliminary Statement; Rules 3, 5, 7 and 10; and Form 2 must

be updated.

5. This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

THEREFORE IT IS ORDERED THAT:

1. Cazadero Water Company is authorized to file an advice letter adopting Schedule No. 1A, General Metered Service, and Schedule No. 2A, Annual General Flat Rate Service, attached to this resolution as Appendix A, and to concurrently cancel its presently effective Schedule No. 1A, General Metered Service, and Schedule No. 2A, Annual General Flat Rate Service.
2. Within 60 days after the effective date of this resolution, Cazadero Water Company shall file an advice letter updating its tariff sheets: Preliminary Statement; Rules 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; and 10, Disputed Bills; and Form 2, Customer's Deposit Receipt by contacting the tariff unit of the Water Branch. The advice letter filing shall comply with General Order 96-A.
3. The effective date of the revised schedules shall not be earlier than five days after the date of its filing.
4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on January 12, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

APPENDIX A SUMMARY OF EARNINGS

**Cazadero Water Company
 Summary of Earnings
 Test Year 2005**

Item	Utility Estimated		Branch Estimated		Adopted
	Present	Requested	Present	Requested	
		13.50%			
Unmetered water revenue	742	1,480	953	1,503	1,503
Metered revenue	6,862	47,867	30,800	48,612	48,612
Other water revenue (cost of service)	23,662				
Total Revenue	31,266	49,347	31,753	50,115	50,115
Purchase power	3,810	3,810	3,810	3,810	3,810
Other volume related expenses	0	0	400	400	400
Employee labor	8,632	8,632	8,632	8,632	8,632
Materials	1,942	1,942	1,942	1,942	1,942
Contract Work	0	0	1,411	1,411	1,411
Water testing & DHS	0	0	1,500	1,500	1,500
Transportation	87	87	87	87	87
Other plant O&M	540	540	540	540	540
Office salary	6,000	6,000	6,000	6,000	6,000
Management Salary	0	0	0	0	0
Pensions and Benefits	0	0	0	0	0
Uncollectible	0	0	0	0	0
Office services & rentals	3,000	3,000	3,000	3,000	3,000
Office supplies & exp	325	325	325	325	325
Professional Services	2,551	2,551	2,551	2,551	2,551
Insurance	703	703	703	703	703
Regulatory expenses	0	0	100	100	100
General Expenses	5,411	5,411	2,000	2,000	2,000
TOTAL operating Exp	33,001	33,001	33,001	33,001	33,001
Depreciation Expense	806	806	889	889	889
Other than inc. tax	6,025	6,025	6,025	6,025	6,025
Income Taxes	800	1,596	800	2,296	\$2,296
Total Deductions	40,632	41,428	40,715	42,211	42,211
Net Revenue	-9,366	7,919	-8,962	7,904	7,904
Rate Base					
Average Plant	102,137	102,137	102,137	102,137	102,137
Average Depr. Reserve	43,480	43,480	47,837	47,837	47,837
Net Plant	58,657	58,657	54,300	54,300	54,300
Plus: Material & Supplies	0	0	1,000	1,000	1,000
Rate Base	58,657	58,657	55,300	55,300	55,300
ROR = Net Rev/Rate Base	-15.97%	13.50%	-16.21%	14.29%	14.29%
25% of expenses	<u>-23.51%</u>	<u>19.88%</u>	<u>-22.45%</u>	<u>19.80%</u>	<u>19.80%</u>

APPENDIX B RATE SCHEDULES

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Cazadero Water Company

**Schedule 1A
GENERAL METERED SERVICE**

APPLICABILITY

Applicability to all domestic, commercial, and industrial metered water service.

TERRITORY

Cazadero and vicinity, Sonoma County.

RATES

Monthly Quantity Rate:

Per 100 cu. ft. \$1.14 (I)

Service Charge:

Per Meter
Per Year

For 5/8 x 3/4 -inch meter	\$209.77	(I)
For 3/4-inch meter	232.65	(I)
For 1-inch meter	316.11	(I)
For 1 1/2 -inch meter	442.42	(I)
For 2-inch meter	568.93	(I)

The annual service charge is a readiness-to-serve charge which is applicable to all metered service and is in addition to the monthly quantity rates computed at the above quantity rate billed additionally.

APPENDIX B RATE SCHEDULES

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Cazadero Water Company

**Schedule 2A
ANNUAL GENERAL FLAT RATE SERVICE**

APPLICABILITY

Applicability to all flat rate water residential service.

TERRITORY

Cazadero and vicinity, Sonoma County.

RATES

	<u>Per Service Connection</u> <u>Per Year</u>	
1. For single family residential unit, including premises	\$333.98	(I)
2. For Cazadero Supply	\$501.01	(I)

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APPENDIX C COMPARISON OF RATES

**Cazadero Water Company
Comparison of Rates**

		Per Service Connection Per Year		
		Present Rates	Recommended Rates	Increase
Metered Rate Service - Schedule No. 1A		\$	\$	%
Service Charge:				
5/8 x 3/4-inch meter		158.60	209.77	32.26
3/4-inch meter		175.60	232.65	32.26
1 - inch meter		239.00	316.11	32.26
1 ½ - inch meter		334.50	442.42	32.26
2-inch meter		430.15	568.93	32.26
Flat Rate Service - Schedule No. 2A				
Single family residential unit with premises		215.05	333.98	57.50
Quantity Charge				
All water, per 100 cu.ft.		0.67	1.14	70.15
A monthly comparison bill for a customer with a 3/4 -inch meter is shown below:				
Monthly Usage 100 cu. ft.	Present Bills	Recommended Bills	Amount Increase	Increase
	\$	\$	\$	%
0	14.66	19.39	4.73	32.26
5	14.94	19.86	4.93	32.97
System wide avg 6	14.99	19.96	4.96	33.11
10	15.22	20.34	5.12	33.65
15	15.50	20.81	5.32	34.31
20	15.78	21.29	5.51	34.94
A monthly comparison bill for flat rate residential customers is shown below:				
Connection type.	Present Bills	Recommended Bills	Amount Increase	% Increase
Flat single-family	\$17.67	\$27.83	\$10.16	57.50%

APPENDIX D ADOPTED QUANTITIES

**Cazadero Water Company
Adopted Quantities
Test Year 2005**

Taxes

Federal Tax Rate	15%
State Tax Rate	8.84%
Ad Valorem Taxes	
Other than income tax Rates	
Total property	\$2,731
Total Payroll	\$1,748
Total	<u>\$6,025</u>

Payroll

Office Salary	6,000
Contract Labor	1,411
Labor	<u>8,632</u>
Total	<u>16,043</u>

PG&E rates and kWh

Schedule A-1 Small General Services

Customer Charge Single-phase (\$ per meter per day)\$0.23951

Energy Rates (\$ per kWh)

Summer Rates	\$0.17583
Winter Rates	\$0.11778
kWh	25,653

APPENDIX D (CONTINUED)

**Cazadero Water Company
 Test Year 2005**

Service Connections

Metered Rate:

5/8 x 3/4-inch	0
3/4-inch.....	149
1-inch.....	4
1.1/2-inch.....	0
2-inch.....	<u>1</u>
Total metered	<u>154</u>

Metered water sales used to design rates..... **10,626 Ccf**

Flat Rate:

Single family	3
Cazadero Supply	<u>1</u>
Total flat.....	<u>4</u>

Adopted Tax Calculations

**Cazadero Water Company
 2005 Test Year**

Line	Item	State Tax	Federal Tax
1.	Operating Revenues	\$50,115	\$50,115
2.	Expenses	33,001	33,001
3.	Taxes other than Income	6,025	6,025
4.	Depreciation Expense	889	889
5.	Taxable Income for State Tax	10,200	
6.	State Tax (at 8.84% or \$800)	902	
7.	Taxable Income for FIT		9,298
8.	Federal Income Tax (at 15%)		1,395
9.	Total Income Taxes		2,296