

WATER/ABJ/PTL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION  
Water Advisory Branch

RESOLUTION NO. W-4177  
December 16, 1999

RESOLUTION

(RES. W-4177), HAT CREEK WATER COMPANY (HCWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE  
PRODUCING \$3,106 OR 28% ADDITIONAL ANNUAL REVENUE  
AND MODIFYING THE INTEREST RATES ON DEPOSITS FOR  
ALL CLASS B, C, AND D WATER AND SEWER UTILITIES.

SUMMARY

By Draft Advice Letter, accepted on September 28, 1999, HCWC seeks revision of tariff schedules No. 1, General Metered Service; No. 2R, Residential Flat Rate Service, No. 2L, Limited Flat Rate Service; and No. 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 revenue of \$3,106 or 28% for the test year 1999. The increase will provide a 13.25% rate of return on rate base for the test year 1999.

BACKGROUND

HCWC requests 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 \$3,106 or 28% in 1999. The purpose of this request is to recover increased operating expenses and to provide an adequate rate of return. HCWC's request shows 1999 gross revenue of \$11,104 at present rates increasing to \$14,210 at proposed rates to produce a rate of return on rate base of 13.25%. HCWC presently serves approximately 49 metered customers in the unincorporated community of Old Station located about 60 miles east of Redding, Shasta County.

The present rates became effective on July 13, 1992, pursuant to Commission Res. W-3654, which authorized a general rate increase producing \$3,893 or 44.9% additional annual revenue.

## DISCUSSION

The Water Advisory Branch (Branch) made an independent analysis of HCWC's summary of earnings. Appendix A shows HCWC's and the Branch's estimated summary of earnings at present, requested, and adopted rates for test year 1999.

HCWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 13.25%. This rate of return is the midpoint of the 12.75% to 13.75% standard rate of return range recommended by the Audit and Enforcement Branch of the Water Division for small, 100% equity-financed water utilities.

HCWC requests a change in Rule No. 7, Deposits, in its current tariffs. Section E. of HCWC's Rule No. 7 states, in part, "Interest on deposit held will be paid by the utility at the rate of 7/12 per cent per month (7% annually)....." HCWC informed the Branch that paying 7% on deposits at this point in time is very unrealistic when the utility earns far less than that in a savings account in which it places the deposits. The Branch concurs and, therefore, recommends that the rule be changed to require HCWC to place customer deposits into a savings account in a bank or savings and loan and give the customer the actual interest accrued when the deposit is returned upon discontinuance of service. This provision should apply to all Class B, C, and D water and sewer utilities. Additionally, Branch reviewed this tariff and sees no justification in having a special dollar amount (\$5 per month) for deposits from 5/8 x 3/4 -inch metered customers. All customers should deposit twice the estimated monthly bill. Appendix B shows the revised Rule No. 7.

Currently, HCWC has no residential flat rate customers, no privately-owned fire protection, and has no 4-inch, 6-inch, 8-inch, and 10-inch customers, therefore, the Branch recommends that Schedules Nos. 2R, 2L, and 4 should be cancelled, and Schedule No. 1 should be updated.

At the Branch's recommended rates shown in Appendix C, the monthly bill for a typical metered residential customer with a 5/8 x 3/4-inch meter using an average of 1,800 cubic feet of water per month would increase from \$19.63 to \$25.13 or 28.0%, per month. A comparison of typical customer bills at present and proposed rates is shown in Appendix D. The adopted quantities and tax calculations are shown in Appendix E.

Branch has reviewed HCWC's tariff sheets and has determined that the following tariff sheets need to be updated: Rules 5, 7, 9, 10, 11, 20, and 21; Form 2; and Schedules No. 1 and LC, Late Payment Charge.

### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on October 4, 1999. No letters protesting the increase were received by the Branch. The Commission's Consumer Affairs Branch has not received any service complaints relating to HCWC over the last three years.

A public meeting was held on October 21, 1999, in HCWC's service area. The Branch's representative explained the Commission rate-setting procedures, and the utility owner explained the need for the rate increase. Three customers attended the public meeting. None of the customers at the meeting expressed dissatisfaction with the quality of the water, HCWC's service, or the proposed rate increase.


### FINDINGS AND CONCLUSIONS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix C) are reasonable and should be adopted.
3. The quantities (Appendix E) used to develop the Branch's recommendations are reasonable and should be adopted.
4. All Class B, C, and D water and sewer utilities should be allowed to place customer deposits in a bank or savings and loan and give the actual interest to the customer when the deposit is refunded.
5. HCWC should be ordered to update the following tariff sheets: Rules 5, 7, 9, 10, 11, 20, and 21; Form 2; and Schedules Nos. 1 and LC (Late Payment Charge).
6. HCWC's tariff Schedules Nos. 2R, Residential Flat Rate Service, and Schedule No. 2L, Limited Flat Rate Service, and Schedule No. 4, Private Fire Protection Service, are no longer applicable and should be cancelled.
7. The rate increase authorized herein is justified, and the resulting rate is just and reasonable.

**IT IS ORDERED that:**

1. Authority is granted under Public Utilities Code Section 454 for Hat Creek Water Company to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendices A and C, respectively, and concurrently to cancel its presently effective rate Schedules Nos. 1, 2R, 2L, and 4. 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, Hat Creek Water Company shall file an advice letter updating its Tariff Rules 5, 7, 9, 10, 11, 20, and 21; Form 2; and Schedules Nos. 1 and LC.
3. Hat Creek Water Company's filed tariff Schedule No. 2R, Residential Flat Rate Service, and Schedule No. 2L, Limited Flat Rate Service, and Schedule No. 4, Private Fire Protection Service, are cancelled.
4. All Class B, C, and D water and sewer utilities are authorized to modify their tariffs by advice letter, to pay the interest on deposits as determined in this resolution.
5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on December 16, 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

APPENDIX A

HAT CREEK 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>					
Metered	\$10,500	\$14,210	\$11,104	\$14,210	\$14,210
Total Revenues	10,500	14,210	11,104	14,210	14,210
<u>Operating Expenses:</u>					
Purchased Power	944	944	944	944	944
Material Expense	300	300	300	300	300
Employee Labor	100	100	100	100	100
Management Salaries	2,000	2,000	2,000	2,000	2,000
Other Plant Maintenance	1,000	1,000	1,000	1,000	1,000
Office Supplies	50	50	50	50	50
Professional Services	320	320	320	320	320
Insurance	1,400	1,400	1,400	1,400	1,400
General Expenses	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
Subtotal	6,514	6,514	6,514	6,514	6,514
Depreciation Expense	1,913	1,913	1,913	1,913	1,913
Property Taxes	736	736	736	736	736
Income Taxes	<u>881</u>	<u>1,437</u>	<u>971</u>	<u>1,437</u>	<u>1,437</u>
Total Deductions	3,530	4,086	3,620	4,086	4,086
Net Revenue	456	3,610	970	3,610	3,610
<u>Rate Base</u>					
Average Plant	48,077	48,077	48,077	48,077	48,077
Avg. Depr. Reserve	20,838	20,838	20,838	20,838	20,838
Net Plant	27,239	27,239	27,239	27,239	27,239
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	27,239	27,239	27,239	27,239	27,239
Rate of Return	1.67%	13.25%	3.56%	13.25%	13.25%

(END OF APPENDIX A)

## APPENDIX B

### Rule No. 7

#### DEPOSITS

#### A. Amount to Establish Credit

##### 1. Metered Service

(D)

- a. To establish credit by deposit, the amount for all service will be twice the estimated average periodic bill when bills are rendered monthly or bimonthly, but in any event not more than twice the estimated bimonthly bill nor less than the amounts set forth above.

(C)

##### 2. Flat Rate Service

No deposit will be required, except as prescribed for temporary service in Rule No. 13.

#### B. Amount to Re-establish Credit

##### 1. Former Customers

To re-establish credit for an applicant who previously has been a customer of the utility and during the last 12 months of that prior service has had service discontinued for nonpayment of bills, the amount will be twice the estimated average monthly or bimonthly bill to be rendered for the service requested.

##### 2. Present Customers

To re-establish credit for a customer whose service has been discontinued for nonpayment of bills, the amount will be twice the average monthly or bimonthly bill to be rendered for that service.

#### C. Applicability to Unpaid Accounts

Deposits made under this rule will be applied to unpaid bills for service when such service has been discontinued.

APPENDIX B

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Rule No. 7  
(continued)

DEPOSITS

D. Return of Deposits

Upon discontinuance of service, the utility will refund the balance of the customer's deposit in excess of unpaid bills for that service for which the deposit was made.

E. Interest on Deposits

Deposits will be placed in a savings account at a bank or savings and loan and the interest accrued while held in the savings account will be paid by the utility when the deposit is returned, upon discontinuance of service, or after the deposit has been held for 12 consecutive months, provided service has not been discontinued for nonpayment. No interest shall accrue after mailing to the customer or to the customer's last known address the refund or a notice that the refund is payable.

(N)  
|  
(N)

(END OF APPENDIX B)

APPENDIX C  
Page 1

HAT CREEK WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Rim Rock Ranch, Unit No. 1, and vicinity, located near the community of Old Station, Shasta County.

RATES

Quantity Rate:

All water used per 100 cu. ft.....	\$ 0.657	(I)
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Service Charge:

	Per Meter	
	<u>Per Month</u>	
For 5/8 x 3/4-inch meter.....	\$ 13.30	(I)
For 3/4-inch meter.....	19.33	
For 1-inch meter.....	24.19	
For 1 1/2-inch meter.....	33.92	
For 2-inch meter.....	43.65	
For 3-inch meter.....	82.56	(I)
		(D)

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.



APPENDIX C  
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HAT CREEK WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

SPECIAL CONDITIONS

1. In the event that a customer terminates service under this schedule and reinstates service at the same location, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service. (N)  
|  
|  
(N)
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)  
(L)

(END OF APPENDIX C)

APPENDIX D

HAT CREEK WATER COMPANY

COMPARISON OF RATES

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

METERED SERVICE:

Service Charge:

	<u>Per Meter Per Month</u>			
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
For 5/8 x 3/4-inch meter . . . . .	\$10.40	\$13.30	\$ 2.90	27.9
For 3/4-inch meter . . . . .	15.10	19.33	4.23	28.0
For 1-inch meter . . . . .	18.90	24.19	5.29	28.0
For 1 1/2-inch meter . . . . .	26.50	33.92	7.42	28.0
For 2-inch meter . . . . .	34.10	43.65	9.55	28.0
For 3-inch meter . . . . .	64.50	82.56	18.06	28.0

Quantity Rate:

All usage, per 100 cu.ft. . . . .	\$0.513	\$ 0.657	\$ 0.144	28.0
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GENERAL FLAT RATE SERVICE

<u>Monthly Usage</u> <u>100 cu.ft.</u>	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
0	\$10.40	\$13.30	\$ 2.90	27.9%
3	11.94	15.27	3.33	27.9
5	12.97	16.59	3.62	27.9
10	15.53	19.87	4.34	28.0
18 (Avg.)	19.63	25.13	5.50	28.0
30	25.79	33.01	7.22	28.0
50	36.05	46.15	10.10	28.0

(END OF APPENDIX D)

APPENDIX E  
Page 1

HAT CREEK WATER COMPANY

ADOPTED QUANTITIES

Expenses:

1. Purchased Power

Vendor	PG&E
Schedule No.	A-1 P
Effective Date	January 1, 1999
Winter	
Energy Charge per kWh	\$0.10193
Consumption	1.492 kWh
Summer	
Energy Charge per kWh	\$0.1487
Consumption	5.306 kWh
Total Cost	\$944 per year

2. Purchased Water	None
3. Insurance Expense	\$1,400
4. Ad Valorem Taxes	\$736
Composite Tax Rate	1.0%
Assessed Value	\$24,400
Special Assessment	\$492

Service Connections

Metered Rate:

5/8 x 3/4-inch meter	41
3/4-inch meter	1
1-inch meter	5
1-1/2-inch meter	1
2-inch meter	<u>1</u>
Total	49

Metered Water Sales Used to Design Rates	7.690 Ccf
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APPENDIX E  
Page 2

HAT CREEK WATER COMPANY

ADOPTED TAX CALCULATIONS

Test Year 1999

Federal Tax Rate: 15%  
California Corporate Franchise Rate: 8.84%  
Local Franchise Rate: 0.0%

<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
1. Operating Revenue	\$14,210	\$14,210
2. O & M Expenses	6,514	6,514
3. Taxes Other Than Income	736	736
4. Depreciation	1,913	1,913
5. Interest	0	0
6. Taxable Income for CCFT	\$ 5,047	
7. CCFT @ 8.84% (\$800 min. if Corp.)	800	\$ 800
8. Taxable Income for FIT		\$ 4,247
9. Federal Income Tax @ 15%		\$ 637
10 Total Income Tax		\$ 1,437

(END OF APPENDIX E)