

# PROPOSED RESOLUTION

Resolution W-5013  
DWA/RSK/ds4

AGENDA ID #13479 (Rev. 1)  
ITEM 15

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION W-5013  
December 18, 2014

### RESOLUTION

**(RES. W-5013) WEST WATER COMPANY. ORDER  
AUTHORIZING A GENERAL RATE INCREASE OF  
\$6,159, OR 58.4%, FOR TEST YEAR 2015.**

#### SUMMARY

West Water Company (West) filed Advice Letter Number 15 on August 4, 2014, requesting authority under Section VI of General Order 96-B and Section 454 of the Public Utilities Code to increase rates for water to produce additional revenues of \$7,805, or 92%, above current revenues to recover increased expenses and earn a 1.17% return on investment for Test Year (TY) 2015.

This resolution grants West a general rate increase of \$6,159, or 58.4%, and a rate of return of 1.17% for Test Year 2015.

#### BACKGROUND

The last general rate case (GRC) for West was granted on August 23, 2001 pursuant to Resolution (Res.) W-4290, which authorized a general rate increase of \$3,706, or 67%, and a rate of return (ROR) of 13.25% for TY 2001.

The present rates became effective on December 1, 2004, by approval of AL 14, which authorized a surcharge to recover the operating costs of fees imposed by the Department of Health Services. To minimize the impact of the general rate increase on customers, West proposes just a 1.17% return on ratebase, significantly less than the 10.8% to 11.8% range recommended by the Division of Water and Audits for Class D water utilities.

West serves a single-subdivision know as West's Tract located along the bank of the Russian River approximately one mile northeast of the City of Cloverdale, Sonoma County. The service area consists of 17 lots. The number of active service connections over the years has varied from as many as 16 to as few as 7. Currently, West has 13 active service connections. Five connections are metered, while the remaining eight connections receive flat rate service. West's water source is a single well adjacent to the Russian River which pumps water into a 5,000 gallon storage tank and is then distributed through a single main along Else Way to its customers.

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West is a small Class D water company which until 1997 was owned and operated by Mr. Clint E. Kemp. Mr. Kemp sold the utility and a residence in an unauthorized transfer to Tom W. and Lorrie Beth Johnson, the current owners and operators of West. Subsequently, Decision No. (D.) 97-12-072 provided Tom W. and Lorrie Beth Johnson with a certificate of public convenience and necessity to operate West.

In 2010, to help defray expenses, West, in consultation with its customers, increased the monthly service charge from \$25.93 per month to \$51.04 per month, and the quantity rate from \$0.528 to \$0.561 per hundred cubic feet. These rate changes were implemented without Commission authorization. West states that it has never recovered the annual revenue authorized by the Commission in its last general rate increase in 2001, despite raising rates on its own in 2010.

## NOTICE AND PROTESTS

Notice of the public meeting and proposed rate increase was mailed to West's customers on July 24, 2013. The Division of Water and Audits (Division), in cooperation with West, conducted a public meeting on September 13, 2013 at 6:30 PM at the Stirling City Community. Approximately eight customers were in attendance. At the meeting, the Division received one protest. No additional responses or protests regarding the proposed rate increase have been received.

## DISCUSSION

In reviewing West's rate increase request, the Division made an independent analysis of the utility's operations. Appendix A of this resolution shows West's and the Division's estimates of operating revenues, expenses and rate base. Appendix A also shows differences in West's and the Division's estimates in operating revenues, expenses, and rate base which are discussed below. West was informed of the Division's differing views of revenues, expenses and rate base and agrees with the Division's recommended revenue requirement in Appendix A, as well as the recommended rates contained in Appendix B.

### Expenses

The Division reviewed West's estimated 2015 operating expenses, including purchased power, employee labor, materials, plant maintenance, office salaries, office services and rentals, office supplies and expenses, professional services, insurance, regulatory and general expenses, depreciation, and property taxes. The Division verified the operating expenses by reviewing supporting documents for substantiation and accuracy and included the amounts that were verifiable and deemed reasonable for ratemaking purposes.

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## Rate Base

The Division reviewed West's plant accounts from the last authorized test year (2001) through TY 2015. West has not made any additions to ratebase since 2001. West does not expect to make any plant additions for TY 2015. The Division accepts the 3.3% depreciation rate used by West and uses this rate to depreciate plant in service adopted in its last test year to make its TY 2015 estimate of \$7,714.

## Rate of Return

West has requested a 1.17% ROR for TY 2013. The Division's March 21, 2014 Memorandum provides guidance for determining an appropriate ROR for utilities by providing a range of ROR's centered on the average rate allowed by the Commission. The Memorandum recommends a ROR range of between 10.8% and 11.8% for Class D water utilities. Given the impact to rates that would result by granting West the recommended ROR range, the Division accepts West's request for a lower ROR of 1.17%.

## Revenues and Rate Design

Based on the reduced rate of return the Division recommends that West be granted an increase in revenue of \$6,159, or 58.4%, for TY 2015, which provides a ROR of 1.17% at the Division's proposed rates.

West is a class D utility. The Division proposed rate design collects 100% of fixed costs through the service charge. The rates proposed by the Division are shown in Appendix B.

West's current rate structure consists of two schedules: Schedule No. 1, General Metered Service and Schedule No. 2R, Residential Flat Rate Service. At the Division's recommended rates shown in Appendix B, the monthly bill for a metered residential customer using an average 19 Ccf (One Ccf equals 100 cubic feet) of water per month with a 5/8 x 3/4-inch meter will increase from \$61.68 to \$81.78, which is \$20.10 or 32.6%. A flat rate customer's bill will increase from \$51.04 to \$82.00 per month, or by \$30.96 or 61%. 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.

West also requests the inclusion of a Facilities Fee Schedule, Schedule No. F, into its tariffs. The Division has reviewed West's proposal and concurs with the addition of the proposed schedule.

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## COMPLIANCE

West has no outstanding compliance orders and the utility has been filing annual reports as required. West meets all applicable drinking water quality standards as required by the State Water Resources Control Board, Division of Drinking Water.

## COMMENTS

Public Utilities Code Section 311(g)(3) requires that resolutions be served on all parties and subject to a 30-day period for public review and comment. Accordingly, this draft resolution was mailed on November 14, 2014 to all parties and interested persons.

One comment from a customer of West Water was received. The comment stated that the proposed Residential Flat Rate service charges for additional units on the same property were too high. No changes were made to the resolution.

## FINDINGS

1. The Summary of Earnings (Appendix A) recommended by the Division of Water and Audits is reasonable and should be adopted.
2. The rates (Appendix B) recommended by the Division of Water and Audits are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the recommendations of the Division of Water and Audits are reasonable and should be adopted.
4. The water rate increase authorized herein is justified and the resulting rates are just and reasonable.

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## THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to West Water Company to file a supplemental advice letter with the revised rate schedules attached to this Resolution as Appendix B, and concurrently cancel its presently effective rate Schedule No. 1, General Metered Service and Schedule No. 2R, Residential Flat Rate Service and add Schedule No. F, Facilities Fees. The effective date of the revised schedules shall be five days after the date of filing.

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 December 18, 2014; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director

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## APPENDIX A WEST WATER COMPANY Summary of Earnings - Test Year 2015

	<u>Utility Estimated</u>		<u>Division Estimated</u>		<u>Adopted Rates</u>
	<u>Present Rates</u>	<u>Requested Rates</u>	<u>Present Rates</u>	<u>Requested Rates</u>	
<b><u>Operating Revenue</u></b>					
Metered Rate	\$ -	\$ -	\$ 3,191	\$ 5,026	\$ 4,908
Flat Rate	\$ 8,495	\$ 16,300	\$ 7,350	\$ 15,047	\$ 11,792
	\$ 8,495	\$ 16,300	\$ 10,541	\$ 20,072	\$ 16,700
<b><u>Operating Expenses</u></b>					
610 Purchased Water	\$0	\$0			
615 Purchased Power	\$1,543	\$1,543	\$ 1,543	\$ 1,543	\$ 1,543
618 Other Volume Related Expenses	\$0	\$0			
630 Employee Labor	\$102	\$102	\$ -	\$ -	\$ -
640 Materials	\$102	\$102	\$ 102	\$ 102	\$ 102
650 Contract Work	\$2,208	\$2,208	\$ 2,208	\$ 2,208	\$ 2,208
Water Testing	\$1,435	\$1,435	\$ 1,435	\$ 1,435	\$ 1,435
660 Transportation Expenses	\$1,346	\$1,346	\$ 1,346	\$ 1,346	\$ 1,346
664 Other Plant Maintenance	\$568	\$568	\$ 568	\$ 568	\$ 568
670 Office Salaries	\$600	\$600	\$ 600	\$ 600	\$ 600
671 Management Salaries	\$2,400	\$2,400	\$ 2,400	\$ 2,400	\$ 2,400
674 Employee Benefits	\$0	\$0	\$ -	\$ -	\$ -
676 Uncollectibles Expense	\$68	\$68	\$ 68	\$ 68	\$ 68
678 Office Services & Rentals	\$102	\$102	\$ 102	\$ 102	\$ 102
681 Office Supplies & Expenses	\$756	\$756	\$ 756	\$ 756	\$ 756
682 Professional Services	\$848	\$848	\$ 848	\$ 848	\$ 848
684 Insurance	\$1,589	\$1,589	\$ 1,589	\$ 1,589	\$ 1,589
688 Regulatory Commission Expense	\$951	\$951	\$ -	\$ -	\$ -
689 General Expenses	\$290	\$290	\$ 350	\$ 350	\$ 350
<b>Subtotal</b>	<b>\$ 14,908</b>	<b>\$ 14,908</b>	<b>\$ 13,915</b>	<b>\$ 13,915</b>	<b>\$ 13,915</b>
Depreciation	\$ 486	\$ 486	\$ 486	\$ 486	\$ 486
Taxes other than Income	\$ -	\$ -	\$ 1,393	\$ 1,393	\$ 1,393
Income Taxes	\$ 816	\$ 816	\$ 800	\$ 1,322	\$ 816
<b>Total Deductions</b>	<b>\$16,210</b>	<b>\$16,210</b>	<b>\$16,594</b>	<b>\$17,115</b>	<b>\$16,609</b>
<b>Net Revenue</b>	<b>-\$7,715</b>	<b>\$90</b>	<b>-\$6,053</b>	<b>\$2,957</b>	<b>\$91</b>
<b><u>Rate Base</u></b>					
Average Plant	\$ 14,572	\$ 14,572	\$ 14,572	\$ 14,572	\$ 14,572
Ave. Accumulated Depreciation	\$ 7,775	\$ 7,775	\$ 7,532	\$ 7,532	\$ 8,018
<b>Net Plant</b>	<b>\$ 6,797</b>	<b>\$ 6,797</b>	<b>\$ 7,040</b>	<b>\$ 7,040</b>	<b>\$ 6,554</b>
<u>Less</u> Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Plus</u> Working Cash	\$ 904	\$ 904	\$ 1,160	\$ 1,160	\$ 1,160
Materials & Supplies	\$ 100	\$ 100	\$ -	\$ -	\$ -
<b>Rate Base:</b>	<b>\$ 7,801</b>	<b>\$ 7,801</b>	<b>\$ 8,200</b>	<b>\$ 8,200</b>	<b>\$ 7,714</b>
<b>Rate of Return</b>	<b>-98.90%</b>	<b>1.17%</b>	<b>-73.82%</b>	<b>36.06%</b>	<b>1.17%</b>

(END OF APPENDIX A)

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## APPENDIX B

### Schedule No. 1 GENERAL METERED SERVICE

#### APPLICABILITY

Applicable to all metered water service.

#### TERRITORY

West's Tract and vicinity, Preston, Sonoma County.

#### RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rate:		
All water used, per 1,000 gallons	\$ 0.83	(I)
Service Charge:		
For 5/8 x 3/4 inch meter	\$ 70.00	(I)
For 3/4 inch meter	\$ 105.00	
For 1 inch meter	\$ 175.00	
For 1-1/2 inch meter	\$ 350.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the quantity rates.

#### SPECIAL CONDITIONS

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

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(continued)

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## APPENDIX B (continued)

### Schedule No. 2R RESIDENTIAL FLAT RATE SERVICE

#### APPLICABILITY

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

#### TERRITORY

West's Tract and vicinity, Preston, Sonoma County.

#### RATES

	Per Residential Unit <u>Per Month</u>	
For a single-family residential unit.....	\$82.00	(I)
For each additional residential unit on the same lot..	\$82.00	(N)

#### SPECIAL CONDITIONS

1. The above residential flat rate applies to service connections not larger than one-inch in diameter.
2. A meter shall be installed at the option of the utility, in which event service thereafter will be furnished only on the basis of Schedule No. 1, General metered Service.
3. All bills are subject to reimbursement fee set forth on Schedule No. UF.

(D)  
(D)

(continued)

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## APPENDIX B (continued)

Schedule No. F			
<u>FACILITIES FEES</u>			
<b><u>APPLICABILITY</u></b>			
Applicable to all customers applying for service from the Utility in the territory served for premises not previously connected to its distribution mains, for additional service connections to existing premises, and for increases in size of service connections to existing premises.			
<b><u>TERRITORY</u></b>			
This schedule is applicable within the entire territory served by the utility.			
<b><u>RATES</u></b>			
Initial Fee for each Service Connection:			
For	5/8 x 3/4 -inch meter .....	\$ 2,000.00	(N)
For	3/4 -inch meter .....	\$ 3,000.00	
For	1 -inch meter .....	\$ 5,000.00	
For	1-1/2 -inch meter .....	\$ 10,000.00	(N)
<b><u>SPECIAL CONDITIONS</u></b>			
1.	Facility fees are payable in addition to and do not limit any charges for extensions of mains that may be applicable under Rule 15, Main Extensions.		(N)
2.	Payments made to this schedule are not subject to the reimbursement fee set forth in Schedule UF.		
3.	These fees shall be used only for the repair and replacement or the installation of new infrastructure.		
4.	These fees shall be deposited in a separate trustee account and used only upon permission of the Water Division or its successors.		(N)

(END OF APPENDIX B)

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## APPENDIX C

### WEST WATER COMPANY COMPARISON OF RATES TEST YEAR 2015

Metered Rate Service:

		Per Service Connection Per Month		
		Present	Adopted	Percent
		<u>Rates</u>	<u>Rates</u>	<u>Increase</u>
<b>Quantity Charge:</b>				
<b>Potable Water</b>	All use, per 100 cu. ft. . . .	\$ 0.56	\$ 0.62	10.7%
	All use, per 1,000 gallons		\$ 0.83	
<b>Service Charge:</b>				
	<b>For 5/8 x 3/4-inch meters</b>	<b>\$ 51.04</b>	<b>\$70.00</b>	<b>37.1%</b>
	For 3/4-inch meters	\$ 76.56	\$105.00	37.1%
	For 1-inch meters	\$ 132.70	\$175.00	31.9%
	For 1-1/2-inch meters	\$ 255.20	\$350.00	37.1%

Flat Rate Service:

Present		Adopted	Amount	Percent
Rates		Rates	Increase	Increase
\$ 51.04		\$ 82.00	\$ 30.96	61%

Monthly Bill Comparison:

Usage	Present	Recommended	Amount	Percent
<u>100 cu. ft.</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
0	\$ 51.04	\$ 70.00	\$ 18.96	37.1%
5	\$ 53.84	\$ 73.10	\$ 19.26	35.8%
10	\$ 56.64	\$ 76.20	\$ 19.56	34.5%
<b>19 (AVG)</b>	<b>\$ 61.68</b>	<b>\$ 81.78</b>	<b>\$ 20.10</b>	<b>32.6%</b>
25	\$ 65.04	\$ 85.50	\$ 20.46	31.5%
30	\$ 67.84	\$ 88.60	\$ 20.76	30.6%

(END OF APPENDIX C)

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## APPENDIX D

### WEST WATER COMPANY

#### ADOPTED QUANTITIES TEST YEAR 2015

1. Purchased Power		
Total Cost		\$1,543
2. Water Sales in 1,000 of gallons (ccf)		2,915 (3,898)
3. Property Taxes		\$1,393
4. Service Connections - Meter Size		
5/8 x 3/4"		5
3/4"		0
1"		0
1-1/2"		0
Flat Rate		8
Add'l units on Flat Rate services		<u>4</u>

#### Adopted tax calculation

<u>Item</u>	<u>Rate of Return</u>	
	<u>State</u>	<u>Federal</u>
Operating Revenues	\$ 16,700	\$ 16,700
Expenses	\$ 13,915	\$ 13,915
TOIT	\$ 1,393	\$ 1,393
Depreciation	\$ 486	\$ 486
Interest	\$ -	\$ -
State Taxable Income	\$ 907	\$ 907
State Tax (@8.84% or \$800 min.)	\$ 800	
Federal Taxable Income		\$ 107
Federal Taxable Income (@15%)		16
Federal Taxable Income (@25%)		-
Federal Taxable Income (@34%)		\$ -
Federal Taxable Income (@39%)		
State Tax		\$ 800
Federal Tax		\$ 16
Total Taxes		\$ 816

(END OF APPENDIX D)



# **WEST WATER COMPANY**

## **ADVICE LETTER NO. 15**

### **SERVICE LIST**

Utilities Department  
City of Cloverdale  
124 N. Cloverdale Blvd.  
Cloverdale, CA 95425

Jack Hawks  
California Water Association  
601 Van Ness Ave., Ste. 2047  
San Francisco, CA 94102

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