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WATER/FLC/SNR/PTL/RKN/jlj

Agenda Item #5101

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

**RESOLUTION NO. W-4574
December 1, 2005**

R E S O L U T I O N

(RES. W-4574), R. R. LEWIS SMALL WATER COMPANY (RRLewis). ORDER AUTHORIZING AN INTERIM GENERAL RATE INCREASE SUBJECT TO REFUND, PRODUCING AN INCREASE IN GROSS ANNUAL REVENUES OF \$3,600 OR 12.82%.

SUMMARY

By Draft Advice Letter accepted on October 19, 2005, RRLewis requested an increase in rates to produce an increase in annual revenue of \$65,274, or 300% for test year 2006. To provide RRLewis with sufficient income to pay operating expenses pending the processing of the utility's general rate case (GRC), this resolution grants RRLewis an interim general rate increase in gross annual revenues of \$3,600 or 12.82%. This interim increase is subject to refund upon final resolution of RRLewis' GRC request.

BACKGROUND

RRLewis is a Class D water utility and serves approximately 110 flat rate and metered customers located in an area northeast of Sierra City, north of the North Yuba River, adjacent to Highway 49, in Sierra County.

RRLewis requested authority under Section VI of General Order 96 and Section 454 of the Public Utilities Code to increase rates for water service to produce additional revenues of \$65,274 or 300% in test year 2006. RRLewis' request shows 2005 gross revenues of \$21,746 at

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present rates increasing to \$87,020 at proposed rates to produce a rate of return on rate base of 13.4%.

RRLewis present rates became effective on December 9, 1987, pursuant to Resolution (Res.) W-3378, which authorized a metered service rates. The last general rate increase was approved on May 1, 1985, by Res. W-3244, granting an increase of \$5,275 or 89% and a 11.0% rate of return on the rate base.

NOTICE

A draft notice regarding the full general rate increase was mailed to the utility on October 19, 2005. Notice was sent to customers on October 19, 2005 of the full increase. This Resolution is for an Interim General Rate Increase subject to refund.

PROTESTS

This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g) (3).

DISCUSSION

The Service Guarantee Plan for Small Water Companies (Standard Practice U-9-SM) as augmented by Res. No. W-4540 dated June 16, 2005, Ordering Paragraph 3, allows an interim rate increase for small water companies operating at a loss on a cash-flow basis. The interim rate increase provides the utility with sufficient income to cover its operating expenses. It is subject to refund pending the final resolution of RRLewis' general rate increase request.

RRLewis is currently operating at a loss. The rate increase request was based on financial information for the period from January through December 2004. After an analysis of these records, the Audit and Compliance Branch estimates that RRLewis should be allowed an interim increase of \$3,600 in order for the utility to meet its cash-flow requirements.

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The interim tariff schedules – Schedules Nos. 1, Metered Service; 2RA, Annual Residential Flat Rate Service; and 5, Public Fire Hydrant Service, show the recommended rates.

The Water Division recommends that the proposed interim rates shown below be granted to RRLSWC:

Schedule No. 1

Metered Service

Quantity Rates:

| | <u>Old Rates</u> | <u>New Rates</u> |
|--------------------------------|------------------|------------------|
| All usage, per 100 cu. ft..... | \$ 0.295 | \$ 0.33 |

Service Charge:

| | <u>Present Rates</u> | <u>Interim Proposed Rates</u> |
|-----------------|----------------------|-------------------------------|
| | <u>Per Month</u> | <u>Per Month</u> |
| Metered Service | | |
| For 5/8" | \$ 6.25 | \$ 7.05 |
| For 1" | \$ 10.35 | \$ 11.68 |

Schedule No. 2RA

Annual Residential Flat Rate Service

Rates

| | <u>Present Rate</u> | <u>Per Service Connection Proposed Rate</u> |
|---|---------------------|---|
| | | <u>Per Year</u> |
| For single family residential unit including premises | \$149.25 | \$168.38 |
| For each additional single family residential unit on the same premises served from the same service connection | \$149.25 | \$168.38 |

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Schedule No. 5

Public Fire Hydrant Service

Rates

| | <u>Per Month</u> | |
|------------------|------------------|-----------------|
| | <u>Present</u> | <u>Proposed</u> |
| | <u>Rate</u> | <u>Rate</u> |
| For each hydrant | \$6.25 | \$7.05 |

COMPLIANCE

RRLewis has no outstanding compliance orders.

COMMENTS

The Resolution is a compliance filing as authorized by Res. No. W-4540, Ordering Paragraph 3 that pertains to an interim increase subject to refund. Comments are not required.

FINDINGS

1. The interim rates recommended by the Water Division (Appendix A) are reasonable and should be adopted.
2. The rate increase authorized in this resolution is subject to refund pending the completion of the staff investigation of RRLewis' general rate increase request.
3. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g) (3).

THEREFORE IT IS ORDERED THAT:

1. R. R. Lewis Small Water Company is authorized to file an advice letter incorporating the rates contained in Schedules Nos. 1, Metered Service; No. 2RA, Annual Residential Flat Rate Service; and 5, Public Fire Hydrant Service, attached to this resolution as Appendix A, and to concurrently cancel Schedules Nos. 1, 2-RA, and 5. Its filing shall comply with General Order 96-A. The

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effective date of the revised rate schedules shall not be earlier than five days after the date of its filing.

2. The rate increase authorized in this resolution is subject to refund pending the final resolution of R. R. Lewis Small Water Company's general rate increase request.

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3. 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 1, 2005; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

APPENDIX A

R. R. Lewis Small Water Company

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area northeast of Sierra City, north of the North Yuba River, adjacent to Highway 49 in Sierra County. .

RATES

Quantity Rates:

All usage, per 100 cu.ft.....\$ 0.33 (I)

Service Charge:

For 5/8 x 3/4-inch meter.....\$ 7.05 (I)

For 1-inch meter.....\$11.68 (I)

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.

APPENDIX B

Sheet 2

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

The area northeast of Sierra City, north of the North Yuba River, adjacent to Highway 49 in Sierra County. .

RATES

| | Per Service Connection <u>Per Year</u> | |
|---|---|-----|
| For a single-family residential unit, including premises..... | \$168.38 | (I) |
| For each additional single-family residential unit on the same premises served from the same service connection..... | \$168.38 | (I) |

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one-inch in diameter.
2. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth(1/365) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not contained for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

APPENDIX B

Sheet 3

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the state.

TERRITORY

The area northeast of Sierra City, north of the North Yuba River, adjacent to Highway 49 in Sierra County.

RATES

| | |
|-----------------------|------------------|
| | <u>Per Month</u> |
| For each hydrant..... | \$7.05 (I) |

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made according to Schedule No. 2RA, Annual Residential Flat Rate Service.
2. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the ownership, type, and the size of hydrant and the specific location at which each is to be installed.
4. From facilities installed prior to the amendment to General Order No. 103 by Decision No. 84334, dated April 15, 1975, the utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
5. From facilities installed after April 15, 1975, the utility shall supply water service for the fire protection in accordance with Section VIII.1.a. of General Order No. 103 unless otherwise authorized by the Commission.