

WATER/RSK/PTL/OE2/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-4846
October 28, 2010

RESOLUTION

**(RES. W-4846), FULTON WATER COMPANY INC. (FWC). ORDER
AUTHORIZING A RATEBASE OFFSET REVENUE INCREASE,
PRODUCING AN INCREASE IN GROSS ANNUAL REVENUE OF
\$61,548 OR 9.41% TO CURRENT APPROVED GROSS REVENUES.**

SUMMARY

By Advice Letter (AL) 56, filed on June 17, 2010, FWC seeks a rate base offset of \$359,684 for water plant additions which would cause an increase in annual revenue of \$64,224 or 9.82%.

This resolution grants an increase in gross annual revenue of \$61,548 or 9.41%. This increase will not result in a rate of return greater than the last authorized for FWC.

BACKGROUND

FWC is a class C water company and presently provides service to approximately 916 flat rate customers in two noncontiguous service areas next to Lake Tahoe, approximately two miles north of Tahoe City, Placer County.

FWC requests authority under General Order 96-B, Water Industry Rules 7.3.3 (8) and Section 454 of the Public Utilities Code to increase its rates by \$64,224 or 9.82% for rate base offset for various water plant additions. The utility's last general rate increase (GRC), Res. W-4677 dated February 28, 2008, authorized an increase of \$198,745 or 46.5% with a 12.60% return on rate base. The present rates became effective on May 13, 2010, by approval of AL 55-W, which authorized a Consumer Price Index-Urban increase of \$17,197 or 2.7%.

NOTICE AND PROTESTS

FWC's requested offset increase is 9.82%, which is less than ten percent of the revenue requirement last authorized for the utility. Per General Order 96-B, Water Industry Rule 3.1, FWC may give notice of the requested increase by publishing a legal notice in

a newspaper of local circulation. FWC published the notice in a local newspaper of general circulation on June 18, 2010. No protests were received.

DISCUSSION

The Division of Water and Audits (DWA) reviewed the documentation associated with the various water system improvements including invoices supporting the expenditure. DWA confirmed that: (1) the plant additions requested cost recovery did not exceed the authorized rate of return, and (2) these plant additions have been completed and are currently used and useful.

FWC has requested a rate base offset for various water system improvements since the last GRC through the end of December 2009, totaling \$359,684. DWA Staff, on the other hand, has recommended a rate base offset of \$349,257 due to FWC's inclusion of a tank in its plant, which is not used and useful, thereby ensuring that only reasonable additions pertaining to plant are included. This results in an additional revenue requirement of \$61,548 or 9.41% and a rate of return of 10.65% which is less than the last authorized 12.6%.

These plant additions were primarily done to comply with Department of Public Health standards and orders and include the following plant additions: wells, pumps, mains, meter sets and vehicles. Some of these additions were also done to replace old and worn-out systems.

A field inspection conducted by DWA Staff verifies that the above plant additions were prudent investments and are used and useful. The new rate base is shown in Appendix A.

COMMENTS

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

FINDINGS

1. The recommended increase in rate base of \$349,257 and the resulting annual revenue requirement increase of \$61,548 or 9.41% are reasonable and should be adopted.
2. The plant additions were primarily done to comply with Department of Public Health standards and orders.
3. The Commission finds that, after investigation by the Division of Water and Audits, the rate base and revenue requirement increases and the resulting rate increase hereby authorized are just and reasonable.

4. The Division of Water and Audit's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.
5. The rates recommended by the Division of Water and Audits (Appendix B) are reasonable and should be adopted.

THEREFORE IT IS ORDERED THAT:

1. Fulton Water Company is authorized to file a supplemental advice letter incorporating the revised rate schedules attached to this resolution as Appendix B, and to concurrently cancel its presently effective Schedules Nos. 2RA, Annual Residential Flat Rate Service, and 4, Service to Privately-Owned Fire Protection Systems. 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 the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California on October 28, 2010; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

JOHN A. BOHN

TIMOTHY ALAN SIMON

NANCY E. RYAN

Commissioners

Commissioner Dian M. Grueneich, being necessarily absent, did not participate.

APPENDIX A
FULTON WATER COMPANY
Summary of Earnings

	Actual 2009	CPI Increase 2009	Division Suggested Rate Base Offset	Division Recommended Rates
<u>Operating Revenue</u>				
Flat Rates	\$635,670	\$17,163	\$61,397	\$714,230
Fire Protection Revenue	\$1,272	\$34	\$0	\$1,306
Other Water Revenue	\$0	\$0	\$151	\$151
Total	\$636,942	\$17,197	\$61,548	\$715,687
<u>Operating Expenses</u>				
Purchased Power	\$49,265			\$49,265
Other Volume Related Expenses	\$6,213			\$6,213
Employee Labor	\$28,068			\$28,068
Materials	\$50,106			\$50,106
Contract Work	\$2,030			\$2,030
Transportation Expenses	\$12,514			\$12,514
Other Plant Maintenance	\$3,514			\$3,514
Office Salaries	\$73,275			\$73,275
Management Salaries	\$76,200			\$76,200
Employee Benefits	\$34,318			\$34,318
Uncollectibles Expense	\$0			\$0
Office Services & Rentals	\$18,000			\$18,000
Office Supplies & Expenses	\$14,729			\$14,729
Professional Services	\$12,130			\$12,130
Insurance	\$15,025			\$15,025
Regulatory Commission Expense	\$3,345			\$3,345
General Expenses	\$3,627			\$3,627
Subtotal	\$402,359			\$402,359
Depreciation	\$80,507		\$7,768	\$88,275
Taxes other than Income	\$29,444		\$2,420	\$31,864
Income Taxes	\$35,472		\$23,122	\$58,244
Total Deductions	\$547,782		\$33,310	\$581,092
Utility Operating Income	\$89,160			\$134,595
Interest Expense	\$0			\$0
Net Income	\$89,160	\$17,197	\$28,238	\$134,595
<u>Rate Base</u>				
Water Plant	\$2,304,758			\$2,304,758
Accumulated Depreciation	\$1,033,404			\$1,033,404
Net Plant	\$1,271,354			\$1,271,354
<u>Less</u> Advances	\$6,000			\$6,000
Contributions	\$5,540			\$5,540
<u>Plus</u> Working Cash	\$0			\$0
Materials & Supplies	\$3,800			\$3,800
Rate Base:	\$1,263,614			\$1,263,614
Rate of Return	7.06%			10.65%
Authorized Rate of Return	12.60%			12.60%

**APPENDIX B
FULTON WATER COMPANY**

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 located approximately one mile southwest of Carnelian Bay, Lake Tahoe, Placer County.

RATES

Per Service Connection Per Year

For a single-family residential
Unit, including premises

Served through a 3/4-inch service	\$ 769.91	(I)
1-inch service	\$1,285.75	
1-1/2-inch service	\$2,563.79	(I)

For each additional single-family
residential unit on the same premises
and served from the same connection.

\$538.95 (I)

SPECIAL CONDITIONS

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual General Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the metered service charge for the same period shall be made on or before that day.
2. The annual flat rate charge applies to service during the 12-month period commencing January 1, and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charge and surcharge in advance at intervals of less than one year (monthly, bi-monthly, or quarterly), in accordance with the utility's established billing periods. A non-permanent resident may elect to pay the annual charge in two equal installments. Where such a resident has failed to pay the first half of the annual charge due January 1, service will not be restored until the total annual charge has been paid.

APPENDIX B

FULTON WATER COMPANY

**Schedule No. 2RA
(continued)**

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (continued)

3. 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 and surcharge 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 in which service is taken. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(D)

APPENDIX B

FULTON WATER COMPANY

Schedule No. 4

SERVICE TO PRIVATELY-OWNED FIRE PROTECTION SYSTEMS

APPLICABILITY

Applicable to all water service furnished for privately-owned fire protection systems.

TERRITORY

The area located approximately one mile southwest of Carnelian Bay, Lake Tahoe, in Placer County.

RATES

	<u>Per Service Per Year</u>
For each inch of diameter of service connection	\$165.10 (I)

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made under Schedule No. 1A, Annual General Metered Service, or Schedule No. 2RA, Annual Residential Flat Rate Service.
2. The utility undertakes to supply only such water at such pressure as may be available from time to time as a result of normal operation of Utility's system. Section 774 of the Public Utilities Code limits the liability of the utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. This limit of liability includes but is not limited to the construction and repair of fire protection facilities. Acceptance of service under this tariff is acknowledgement of notice of the provisions of Section 774 of the Public Utilities Code.
3. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by underwriters having jurisdiction, are installed according to specifications of the Utility and are maintained to the satisfaction of the Utility. The Utility may require the installation of a detector check valve with meter for protection against theft, leakage or waste of water and these costs will be paid by the applicant. These costs shall not be subject to refund.
4. Maintenance will be the responsibility of the customer of record at his cost.

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