

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4588

March 15, 2006

R E S O L U T I O N

**(RES. W-4588), ERSKINE CREEK WATER COMPANY, INC. (Erskine).
ORDER AUTHORIZING AN INTERIM GENERAL RATE INCREASE
SUBJECT TO REFUND, PRODUCING AN INCREASE IN GROSS
ANNUAL REVENUES OF \$24,289 OR 6.44%.**

SUMMARY

By Draft Advice Letter accepted on January 31, 2006, Erskine requested an increase in rates to produce an increase in annual revenue of \$159,000 or 40% for test year 2006. To provide Erskine with sufficient income to pay operating expenses pending the processing of the utility's general rate case (GRC), this resolution grants Erskine an interim general rate increase in gross annual revenues of \$24,289 or 6.44%. This interim increase is subject to refund upon the final resolution of Erskine's GRC request.

BACKGROUND

Erskine is a Class C water utility and serves approximately 1,180-metered customers located in the unincorporated community of Lake Isabella and vicinity in Kern County.

Erskine 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 \$159,000 or 40% in test year 2006. Erskine's request shows 2005 gross revenues of \$398,085 at present rates increasing to \$557,085 at proposed rates to produce a rate of return on rate base of 16.31%.

Erskine's present rates became effective June 7, 2005, pursuant to Decision No. (D.) 92-03-093, which authorized a Consumer Price Index (CPI) increase. The last general rate increase was approved on August 5, 1999, by Resolution (Res.) No. W-4164 which granted an increase of \$33,854 or 11.62% and a 12.5% rate of return on rate base.

NOTICE

A draft notice regarding the general rate increase was mailed to the utility on January 31, 2006. A notice of the full increase request will be published in the local newspaper on February 16, 2006. This resolution is for an Interim General Rate Increase subject to refund.

PROTESTS

This resolution is a compliance filing as authorized by Res. No. W-4540, Ordering Paragraph No. 3, which pertains to an interim increase subject to refund.

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 No. 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 Erskine's general rate increase request.

Erskine 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 Erskine should be allowed an interim increase of \$24,289 in order for the utility to meet its cash-flow requirements.

The interim tariff schedules – Nos. 1, Metered Service, and 4, Private Fire Protection Service, show the recommended rates.

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

Schedule No. 1 - Metered Service

	Present Rates	Interim Proposed Rates
Quantity Rates:		
All usage, per 100 cu. ft.	\$ 0.57	\$ 0.61
Service Charge:		
	<u>Per Meter Every Two Months</u>	
For 5/8 - inch meter	\$ 21.40	\$ 22.78
For 3/4- inch meter	\$ 32.11	\$ 34.18
For 1- inch meter	\$ 53.52	\$ 56.97
For 1 1/2 - inch meter	\$ 107.04	\$ 113.93
For 2 - inch meter	\$ 171.29	\$ 182.32
For 3- inch meter	\$ 321.17	\$ 341.82
For 4 - inch meter	\$ 535.30	\$ 569.77
For 6 - inch meter	\$1,070.62	\$1,139.57

Schedule No. 4 - Private Fire Protection Service

	Present Rate	Interim Proposed Rate
	<u>Every Two Months</u>	
For each inch of diameter of service connection	\$6.62	\$7.05

COMPLIANCE

Erskine has no outstanding compliance orders.

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 Erskine's general rate increase request.

THEREFORE IT IS ORDERED THAT:

1. Erskine Creek Water Company is authorized to file an advice letter incorporating the rates contained in Schedules No. 1, Metered Service, and No. 4, Private Fire Protection Service, attached to this resolution as Appendix A, and to concurrently cancel Schedules No.1 and No. 4. Its filing shall comply with General Order 96-A. The 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 Erskine Creek Water Company's general rate increase request.
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 March 15, 2006; the following Commissioners voting favorably thereon:

/s/ STEVE LARSON

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY

President

GEOFFREY F. BROWN

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

Commissioners

APPENDIX A
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Schedule No. 1
METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Lake Isabella and vicinity, Kern County.

RATES

Quantity Rates:

All usage, per 100 cu.ft. \$ 0.61 (I)

Service Charge:

		Per Meter	
		Every Two Months	
For	5/8 x 3/4-inch meter.....	\$ 22.78	(I)
For	3/4-inch meter	\$ 34.18	
For	1-inch meter	\$ 56.97	
For	1 1/2 - meter	\$ 113.93	
For	2 - inch meter	\$ 182.32	
For	3 - inch meter	\$ 341.82	
For	4- inch meter	\$ 569.77	
For	6- inch meter	\$1,139.57	(I)

This service charge is a readiness-to-serve charge, which is applicable to all metered service and to which is to be added to the every two month charge computed at the Quantity Rate.

SPECIAL CONDITIONS

(D)

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

APPENDIX A
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Schedule No. 4
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Lake Isabella and vicinity, Kern County.

RATE

Every Two Months

For each diameter of service connection \$7.05 (I)

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the utility at the utility's directions. Cost for the entire fire protection installation excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The expense of maintaining the private fire protection facilities on the applicant's premises (including the vault, meter, and backflow device) shall be paid for by the applicant.
3. All facilities paid for by the applicant shall be the sole property of the applicant. The utility and its duly appointed agents shall have the right to ingress to, and egress from the premises for all purposes relating to said facilities.
4. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
5. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a main extension from the nearest existing main of adequate capacity shall be required by the utility.
6. 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 the underwriters having jurisdiction. All facilities are to be installed according to the utility's specifications and maintained to the utility's satisfaction. The utility may require the installation of a backflow prevention device and a standard detector type meter approved by the Insurance Services Office for protection against theft, leakage, or waste of water.
7. No structure shall be built over the fire protection service and the customers shall maintain and safeguard the area occupied by the service from traffic and other hazardous conditions. The customer will be responsible for any damage to the fire protection service facilities.
8. Subject to the approval of the utility, any change in the location or construction of the fire protection service as may be required by public authority or the customers will be made by the utility following payment to the utility of the entire cost of such change.
9. Any unauthorized use of water through the fire protection service will be charged for at the applicable tariff rates and may be grounds for the utility's discontinuing fire protection service without liability.