

**WATER/RSK/SRW**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch**

**RESOLUTION W-4684  
May 15, 2008**

**R E S O L U T I O N**

**(RES. W-4684), THE CASMITE CORPORATION (Casmite).  
ORDER AUTHORIZING A GENERAL RATE INCREASE,  
PRODUCING AN INCREASE OF \$52,767 OR 89.73% PHASED IN  
DURING THE YEARS 2008, 2009, AND 2010.**

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**SUMMARY**

By Draft Advice Letter filed on September 20, 2006, and accepted by the Water Branch staff (Staff) on November 13, 2007, Casmite requested an increase of \$99,500 or 138% in annual gross revenues for test year 2008. This resolution grants Casmite a general rate increase in gross annual revenues of \$52,767 or 89.73% for a 9.01% rate of return based on a test year 2008.

Casmite's present rates became effective on September 11, 2006, by Advice Letter No. 1-W-A pursuant to Commission Decision (D.) 05-11-030 and Commission D.06-07-041.

A Staff report was issued in February 2008. On March 20, 2008, Casmite representatives met with the Division of Water and Audits (Division) in a settlement agreement to discuss the differences in expenses and rate of return between Casmite's request and the Staff report. Appendix A includes a Summary of Earnings with the agreed upon expenses. Casmite and the Division also agreed to phase in the rate increase of \$52,767 in the years 2008, 2009, and 2010. The rate schedule to implement the 2008 increase and the step increases for the years 2009 and 2010 are set forth in Appendix B.

**BACKGROUND**

By draft advice letter, Casmite, a Class D water utility, requests authority under Section 454 of the Public Utilities Code to increase water revenues for Casmite by

\$99,500 or 138% for test year 2008 over the utility's estimate of present rates. The purposes of the rate increase are to recover operating expenses and to provide Casmite with an adequate rate of return. Casmite's present rates became effective on September 11, 2006 by Advice Letter No. 1-W-A pursuant to D.05-11-030 and D.06-07-041.

The initial rates for Casmite were granted on November 18, 2005, pursuant to D.05-11-030 and D.06-07-041 which authorized rates of return on rate base of 0% for test year 2004, 3.26% for test year 2005, 6.52% for test year 2006, and 9.7% for test year 2007. Casmite was ordered to file "an application for rate making" by June 30, 2006. The Commission's Executive Director granted Casmite's request to extend this date until September 29, 2006.

Casmite is a wholly owned subsidiary of the Chevron Corporation providing water service to 12 service connections and seven customers in an area located near Santa Maria in or near Casmalia in Santa Barbara County. One customer has two service connections and one customer has five service connections which include two service connections that have water provided at no charge pursuant to a 1912 Grant Deed. One customer is the Casmalia Community Services District (CCSD) with 52 residential and two commercial customers.

The system receives water from one well with a capacity of 200 gallons per minute. The water from the well goes into two 10,000 gallon capacity holding tanks. A chlorination system has been installed near the well site for injection into the line between the well and the holding tanks. With an in-line 75 horsepower (at 3600 rpm) booster pump, the water is pumped approximately 7,400 feet to a 48,000 gallon storage tank on top of a hill. A pressure of 480 to 500 pounds per square inch (psi) is required to pump the water from the holding tanks to the storage tank. Two water pressure reducers have been installed between the storage tank and Casmite's customers. The distance from the storage tank to CCSD is approximately 15,250 feet. The transmission lines are 4 inch steel, polyethylene, and cast iron.

### **NOTICE, PROTESTS, AND PUBLIC MEETINGS**

A notice of the requested increase of \$99,000 or 138% was mailed to customers on November 20, 2007. Notice of the public meeting was mailed to customers 20 days prior to the meeting date. The meeting was scheduled on a Wednesday

evening at the Santa Barbara County's Board of Supervisor's hearing room in Santa Maria to ensure maximum public participation.

A public meeting was held on December 12, 2007, and was attended by approximately 80 people. Most attendees were customers of the Casmalia Community Services District, a customer of Casmite, the press, radio, television, Casmite representatives, a Congressional representative and two Santa Barbara County supervisors. Staff explained the process of the rate increase request before the Commission. Casmite representatives reviewed their rate increase request. Staff and Casmite representatives responded to various questions from the attendees.

Staff received eleven letters and two petitions signed by 140 individuals protesting the rate increase.

## **DISCUSSION**

The Staff made an independent analysis of Casmite's Summary of Earnings. Appendix A shows Casmite's and Division's estimates of the Summary of Earnings at present, requested, and recommended rates for test year 2008, to be phased in during the years 2008, 2009, and 2010.

Appendix B includes the Division's tariff rates for the years 2008, 2009, and 2010.

A staff report was issued in February 2008. On March 20, 2008, Casmite representatives met with the Division in a settlement meeting to discuss the Staff recommended expenses and zero percent rate of return. Appendix A includes a Summary of Earnings with the agreed upon expenses.

A comparison of customer bills at present rates and the recommended rates is shown in Appendix C. The Adopted Quantities and Tax Calculations are shown in Appendix D.

## **COMPLIANCE**

Casmite has no outstanding Commission compliance orders. Casmite has been filing annual reports as required and the tariff schedules in its tariff book are up to date. Casmite needs to file a Connection Fee Data Form as noted in Rule No. 15.

## **COMMENTS**

Public Utilities Code Section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

A draft of this Resolution was served on interested parties for review and comments. No comments were received.

## **FINDINGS**

1. The Division's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
4. The rate increase authorized herein is justified and the resulting rates are just and reasonable.
5. Casmite should be required to file a Commission Connection Fee Data Form as noted in Rule No. 15.

## **THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code, Section 454, for The Casmite Corporation (Casmite) to file an advice letter incorporating the Summary of Earnings and the revised rate schedule for the year 2008 attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate Schedule No. 1, General Metered Service. The effective date of the revised rate schedule for the year 2008 shall be five days after the date of filing.
2. Casmite shall file the step increases for the years 2009 and 2010 set forth in Appendix B by December 15, 2008, for the year 2009 and by December 15, 2009, for the year 2010 to be effective January 1, 2009, and January 1, 2010, respectively.
3. Casmite is authorized to increase annual revenues by \$52,767 or 89.7% to be phased in during the years 2008, 2009, and 2010.

4. The quantities (Appendix D) used to develop the Division's recommendations are adopted.
5. Casmite is ordered to file a Commission Connection Fee Data Form as noted in Rule No. 15.

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 May 15, 2008; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners

**APPENDIX A**  
**The Casmite Corporation**  
**Summary of Earnings**  
**Test Year 2008**

	Utility Estimated		Staff Estimated		Division
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	Recommended Settled Rates
<b>Operating Revenues</b>					
Metered water revenue	\$72,103	\$171,603	\$58,808	\$139,960	\$111,575
<b>Total Revenue</b>	72,103	171,603	58,808	139,960	111,575
<b>Operating and Maintenance Exp.</b>					
Purchased water					-
Power	19,000	19,000	13,317	13,317	12,966
Other volume related exp.					-
Employee Labor				-	-
Materials				-	-
Contract work	66,019	66,019	66,019	66,019	48,500
Water Testing					
Transportation expenses					
Other Plant Maintenance					
Office salaries					
Management salaries					
Employee pers. & benefits					-
Uncollectibles expense					-
Office services & rentals	11,160	11,160	3,600	3,600	3,600
Office supplies and expenses	535	535	535	535	535
Professional services	13,750	13,750	8,750	8,750	6,500
Insurance					
Regulatory comm. expense	7,867	7,867	5,200	5,200	2,500
General expenses	650	650	650	650	650
<b>Total Operating Expenses</b>	118,981	118,981	98,071	98,071	75,251
Depreciation	13,724	13,724	11,424	11,424	11,424
Taxes Other than Income	1,282	1,282	1,282	1,282	1,282
State tax	800	3,325	800	2,580	2,088
Federal income tax		5,144		3,990	3,230
<b>Total Deductions</b>	134,787	142,456	111,577	117,347	93,274
<b>Net Revenue</b>	(62,684)	29,147	(52,769)	22,613	18,301
<b>RATE BASE</b>					
Average plant	323,110	323,110	323,110	323,110	323,110
Average accum. dep.	112,652	112,652	126,216	126,216	126,216
Net plant	210,458	210,458	196,894	196,894	196,894
Plus working cash	9,915	9,915	8,173	8,173	6,271
<b>Rate Base</b>	220,373	220,373	205,067	205,067	203,165
<b>Rate of Return</b>	-28%	13.2%	-25.7%	11.0%	9.01%

**Appendix B**

**Year 2008**

**The Casmite Corporation**

**Schedule No. 1**

**Metered Service**

**APPLICABILITY**

Applicable to all metered water service.

**TERRITORY**

This schedule is applicable within the entire territory served by the utility, which is in or near the city of Casmalia in Santa Barbara County.

**RATES**

Quantity Rates:

For all water used, per 100 cu. ft. .... \$ 5.25

Monthly Services Charges:

	<u>Per Meter</u>
For 5/ 8 x 3/ 4-inch meter	\$ 83.32
For 3/ 4-inch meter	124.98
For 1-inch meter	208.31
For 1.5- inch meter	416.62
For 2- inch meter	666.59
For 3- inch meter	1,249.86
For 4- inch meter	2,083.10

The service charge is applicable to all service. It is a readiness to serve charge to which is added the charge, computed at the Quantity Rate, for water used during the month.

**SPECIAL CONDITIONS**

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

**Appendix B**

**Years 2009 and 2010**

**The Casmite Corporation**

**Schedule No. 1**

**Metered Service**

<b><u>RATES</u></b>	<b>2009</b>	<b>2010</b>
	<b>Step</b>	<b>Step</b>
	<b>Increase</b>	<b>Increase</b>
Quantity Rates:		
For all water used, per 100 cu. ft. ....	\$ 1.21	\$ 1.21
Monthly Services Charges:		
	Per Meter	Per Meter
For 5/ 8 x 3/ 4-inch meter	\$ 19.18	\$ 19.18
For 3/ 4-inch meter	28.78	28.78
For 1-inch meter	47.96	47.96
For 1.5- inch meter	95.92	95.92
For 2- inch meter	153.47	153.48
For 3- inch meter	287.76	287.77
For 4- inch meter	479.61	479.61

The service charge is applicable to all service. It is a readiness to serve charge to which is added the charge, computed at the Quantity Rate, for water used during the month.

**Appendix C**  
**Rate Comparisons**  
**The Casmite Corporation**  
Monthly Metered Service

Meter size	Present	Recommended	Amount Increase	Percent Increase
	Monthly Rate	Monthly Rate		
5/8 x 3/4	\$64.14	\$83.32	\$19.18	29.90%
1	160.35	208.31	47.96	29.91%
1 1/2	320.70	416.62	95.92	29.91%
2	513.12	666.59	153.47	29.91%
Quantity Rate	\$4.04 per ccf	\$5.25 per ccf	\$1.21 per ccf	29.95%

  

Meter size	Recommended	Recommended	Amount Increase	Percent Increase
	Monthly Rate	Monthly Rate		
5/8 x 3/4	\$83.32	\$102.50	\$19.18	23.02%
1	208.31	256.27	47.96	23.02%
1 1/2	416.62	512.54	95.92	23.02%
2	666.59	820.06	153.47	23.02%
Quantity Rate	\$5.25 per ccf	\$6.46 per ccf	\$1.21 per ccf	23.05%

  

Meter size	Recommended	Recommended	Amount Increase	Percent Increase
	Monthly Rate	Monthly Rate		
5/8 x 3/4	\$102.50	\$121.69	\$19.19	18.72%
1	256.27	304.23	47.96	18.71%
1 1/2	512.54	608.46	95.92	18.71%
2	820.06	973.54	153.48	18.72%
Quantity Rate	\$6.46 per ccf	\$7.67 per ccf	\$1.21	18.73%

  

Meter size	Present	Recommended	Amount Increase	Percent Increase
	Monthly Rate	Monthly Rate		
5/8 x 3/4	\$64.14	\$121.69	\$57.55	89.73%
1	160.35	304.23	143.88	89.73%
1 1/2	320.70	608.46	287.76	89.73%
2	513.12	973.54	460.42	89.73%
Quantity Rate	\$4.04 per ccf	\$7.67 per ccf	\$3.63 per ccf	89.85%

**Appendix D**  
**The Casmite Corporation**  
**Adopted Quantities**  
**Test Year 2008**

1. Purchased Power	\$	12,966
2. Contract Work	\$	48,500
3. Office Services and Rentals	\$	3,600
4. Office Supplies and Expenses	\$	535
5. Professional Services	\$	6,500
6. Regulatory Commission Expenses	\$	2,500
7. General Expenses	\$	650
8. Depreciation	\$	11,424
9. Taxes other Than Income	\$	1,282
10. Average Plant	\$	323,110
11. Average Depreciation Reserve	\$	126,216
12. Working Cash Allowance	\$	6,229
13. Rate Base	\$	203,123

Number of Service Connections

Metered Rate	
5/8 x 3/4-inch	8
3/4-inch	0
1-inch	2
1.5-inch	1
2-inch	1
3-inch	0
4-inch	0
 Total Service Connections	 12
 Metered Water Sales	 9,984 ccf

**Income Tax Calculations**  
 Test Year 2008

<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
Operating Revenues	\$ 111,575	\$ 111,575
Operating Expenses	\$ 75,251	\$ 75,251
Depreciation	\$ 11,424	\$ 11,424
Taxes other Than Income	\$ 1,282	\$ 1,282
State Taxable Income	\$ 23,618	\$ 23,618
State Tax (@8.84%) Minimum \$800	\$ 2,088	\$ 2,088
 Federal Taxable Income		 \$ 21,530
Federal Income Tax-- 15% on first \$50,000 of taxable income		\$ 3,230
Total State and Federal Income Tax		\$ 5,317