

WATER/RSK/PTL/jlj

DIVISION OF WATER AND AUDITS  
Water & Sewer Advisory Branch

RESOLUTION NO. W-4695  
June 26, 2008

R E S O L U T I O N

**(RES. W-4695), WENDELL WATER COMPANY (Wendell).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$8,633 OR 95% IN 2008.**

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**SUMMARY**

By draft advice letter filed on January 25, 2008 and revised on March 4, 2008, Wendell requested an increase of \$14,756 or 163% in annual gross revenue for test year 2008 to recover operating expenses. The Division of Water and Audits (Division) accepted this draft advice letter as complete for filing on March 5, 2008.

For Test Year 2008, this Resolution grants an increase in gross revenues of \$8,633 or 95% to recover operating expenses.

**BACKGROUND**

Wendell is a Class D water utility. Weeks Drilling & Pump Company took over Wendell in receivership effective October 1, 2007. Wendell has requested authority under Rule 7.6.2 of General Order 96-B and Water Industry Rule 7.3.3 (5), and Section 454 of the Public Utilities Code to increase its rates by \$14,756 or 163%. The purpose of the rate increase is to recover increased operating expenses. Wendell's request shows 2008 gross revenues of \$9,043 at present rates increasing to \$23,799 at the proposed rates.

Wendell's present rate became effective on March 28, 2007, by approval of Advice Letter 25, which authorized an increase of \$238 annually, or 2.5%, Consumer Price Index for 2006. Wendell amended its 2007 annual report on May 29, 2008. The last general rate increase became effective on March 14, 1999, by Res. W-4139.

Wendell currently serves 25 residential metered rate customers in its service area in Sebastopol, Sonoma County. The majority of customers are full-time residents, being a mixture of retired or working individuals.

## **NOTICE, PROTESTS, AND PUBLIC MEETING**

A notice regarding the general rate increase was mailed to each customer on March 18, 2008. No protests were received. A public meeting was held on April 8, 2008, and was attended by approximately nine residents. Staff explained the process of the rate increase request before the Commission. The receiver reviewed the rate increase request. Staff and the receiver responded to various questions from the attendees.

## **DISCUSSION**

The Division made an independent analysis of Wendell's operations. Appendix A shows Wendell's and the Division's estimated summary of earnings at present, proposed, and recommended rates for Test Year 2008. Wendell is in agreement with the summary of earnings and the Division's recommended rates in Appendices A and B. The Division recommends the rate increases and resulting rates shown in Appendix B be approved.

The Division staff reviewed the receiver's request to recover the operating expenses including purchased power, materials, contract work, water testing, other plant maintenance, office salaries, office supplies and expenses, insurance, general expenses, depreciation, and taxes other than income. Wendell's water plant has been fully depreciated and has a zero rate base. Staff verified the rate base and operating expenses by reviewing supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

Wendell's current rate structure consists of one schedule: No. 1, General Metered Service. At the recommended rates the increase in revenue will be \$8,633 or 95% for Test Year 2008.

At the Division's recommended rates shown in Appendix B, the monthly bill for a residential customer using 10 Ccf (One Ccf equals 100 cubic feet) of water with a 5/8 x 3/4- inch meter will increase from \$31.61 to \$61.62 which is \$30.01 or 95%. A comparison of customer bills for adopted and recommended rates is shown in Appendix C. The projections and tax calculations are shown in Appendix D.

## **COMPLIANCE**

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required. However, the utility needs to update the following: Title Sheet; Preliminary Statement; Rules 5, Special Information Required on Forms, and 10, Disputed Bills; and Form 3, Bill for Service.

**COMMENTS**

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

**FINDINGS**

1. The Division's recommended earnings (Appendix A) are 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 Division's recommendations are reasonable and should be adopted.
4. Wendell should be required to update its Title Sheet; Preliminary Statement; Rules 5, Special Information Required on Forms, and 10, Disputed Bills; and Form 3, Bill for Service.

**THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 to Wendell Water Company, to file an advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective Schedule No. 1, General Metered Service. The effective date of the revised rate schedules shall be five days after the date of its filing.
2. Wendell Water Company is authorized to increase its annual revenues by \$8,633 or 95%, for test year 2008.
3. Wendell Water Company is ordered to update its Title Sheet; Preliminary Statement; Rules 5, Special Information Required on Forms; 10, Disputed Bills; and Form 3, Bill for Service.

4. 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 June 26, 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**  
**Wendell Water Company**  
**Summary of Earnings - Test Year 2008**

	Utility Present Rates	Estimated Proposed Rates	Branch Present Rates	Estimated Proposed Rates	Adopted Rates
<b>Operating Revenues</b>					
Metered water revenue	9,043	23,799	9,043	17,676	17,676
<b>Total Revenue</b>	9,043	23,799	9,043	17,676	17,676
<b>Operating Expenses</b>					
Power	482	850	850	850	850
Employee labor	200	204	204	204	204
Materials	244	720	720	720	720
Contract work	2,500	6,744	6,744	6,744	6,744
Water testing	1,464	1,000	1,000	1,000	1,000
Transportation expenses	0	0	0	0	0
Other Plant Maintenance	2,500	1,200	1,200	1,200	1,200
Office salaries	0	5,760	3,256	3,256	3,256
Management salaries	0	0	0	0	0
Uncollectibles expense	0	0	0	0	0
Office Svcs & Rentals	0	0	0	0	0
Office supplies & expenses	450	565	565	565	565
Professional services	1,050	4,500	1,050	1,050	1,050
Insurance	20	388	20	20	20
Regulatory comm. expense	0	0	0	0	0
General expenses	180	262	262	262	262
Utility's error		601			
<b>Total operating expenses</b>	9,090	22,794	15,871	15,871	15,871
Depreciation	162	0	0	0	0
Taxes other than income tax	874	1,005	1,005	1,005	1,005
State tax	0	0	800	800	800
Federal income tax	0	0	0	0	0
<b>Total deductions</b>	10,126	23,799	17,676	17,676	17,676
<b>Net Revenue</b>	(1,083)	0	(8,633)	0	0
Average plant	0	0	0	0	0
Average accum. dep.	0	0	0	0	0
<b>Net plant</b>	0	0	0	0	0
Plus: Working cash	0	0	0	0	0
Mat'l & supplies	0	0	0	0	0
Less: Advances	0	0	0	0	0
Contributions	0	0	0	0	0
<b>Rate Base</b>	0	0	0	0	0
<b>ROR = NetRev/Rate Base</b>	N/A	N/A	N/A	N/A	N/A

(END OF APPENDIX A)

**APENDIX B**

**Wendell Water Company  
Test year 2008**

**Schedule No. 1**

**GENERAL METERED SERVICE**

**APPLICABILITY**

Applicable to all metered water service.

**TERRITORY**

Wendell Lane in Sebastopol, Sonoma County.

**RATES**

	<u>Per Meter Per Month</u>	
Quantity Rate:		
All water, per 100 cubic feet.....	\$ 2.65	(I)
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$35.12	(I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered services, and to which is to be added the monthly charge computed at the Quantity Rate.

**SPECIAL CONDITIONS**

1. All bills are subject to the Reimbursement Fee set forth in Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C

Wendell Water Company

COMPARISON OF RATES

TEST YEAR 2008

	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount of Increase</u>	<u>Percent Increase</u>
Service Charge:				
For 5/8 x 3/4-inch meter	\$18.01	\$35.12	\$17.11	95%
Quantity Rate:				
All water per 100 cu.ft.	\$1.36	\$2.65	\$1.29	95%
Usage <u>100 cu.ft.</u>				
0	\$18.01	\$35.12	\$17.11	95%
5	\$24.81	\$48.37	\$23.56	95%
10	\$31.61	\$61.62	\$30.01	95%
15	\$38.41	\$74.87	\$36.46	95%

(END OF APPENDIX C)

**APPENDIX D**

**Wendell Water Company**

**ADOPTED QUANTITIES**

TEST YEAR 2008

Expenses:

1. Purchased power		
Annual power cost		\$850
2. Number of metered service connections		25
1. Adopted tax calculation:		
Operating revenue		\$17,676
Operating Expenses		\$15,871
Taxes other than income		\$ 1,005
Taxable income for state tax		\$ 800
California corporate franchise tax rate-minimum		\$ 800
Taxable income for federal tax		\$ 0
Federal income tax		\$ 0

(END OF APPENDIX D)