

WATER/RSK/FLC/JB5/SRW/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4741
February 20, 2009

R E S O L U T I O N

**(RES. W- 4741), BASS LAKE WATER COMPANY (Bass Lake).
ORDER AUTHORIZING A RATE BASE OFFSET INCREASE
IN RATES PRODUCING ADDITIONAL GROSS ANNUAL
REVENUES OF \$122,648 OR 24.35%.**

SUMMARY

By Advice Letter (AL) 49-W-A, filed on December 8, 2008, Bass Lake requests a revenue increase of \$103,911, or 20.63%, to provide a return on the addition to rate base for the capital projects of \$672,548 during the years 2004 through 2008.

This resolution grants increased gross annual revenues of \$122,648 or 24.35% to provide a return on rate base for the capital projects of \$694,397 for the years 2004 through 2008. The rate base difference of \$21,850 is due to Bass Lake using recorded and average plant additions versus Division of Water and Audits (DWA) correctly using total actual plant additions for 2004. DWA's higher revenue requirement calculation is due to the higher rate base figure used and to a difference in the income tax calculation. This increase will not result in a rate of return greater than the 12.15 % that was last authorized for Bass Lake in Res. W-4544.

BACKGROUND

Bass Lake, a Class C water utility, provides water service to approximately 945 flat rate and 44 metered customers at Bass Lake, Madera County. Bass Lake serves an unincorporated community consisting of permanent residential, rental homes, and commercial development in a lake resort setting.

Bass Lake filed AL 49-W-A to request approval of a rate base increase for completed plant additions during the years 2004 through 2008.

DISCUSSION

In Res. W-4544 the Commission authorized Bass Lake to file an advice letter to recover the costs of improvements after the plant was used and useful and to request a rate base

offset for expenditures for water treatment plant feasibility study, aerial topographic survey, environmental studies, permits, geotechnical investigation, utility coordination, membrane procurement and design of creek intake facilities to facilitate the next phases of a water treatment plant. In 2008 these related projects cost \$198,104.

During the years 2004 through 2008, Bass Lake also completed projects related to pump replacement, chlorination of water, main replacements, hydrants, new meters, and services to provide adequate water service to their customers. Bass Lake has included these completed projects in this request for rate base offset treatment. Rate base offset treatment by advice letter is beneficial to the water customers and Bass Lake. Water customers are provided reasonable water service and Bass Lake will earn a return on their investment and be encouraged to maintain the water system.

The Projects

DWA reviewed the projects proposed for inclusion into rate base. DWA confirmed that the projects have been completed and are currently used and useful. In addition, DWA reviewed invoices supporting expenditures for these projects.

Table A sets forth a summary of the plant additions for the years 2004 through 2008.

	Table A						
	2004	2005	2006	2007	2008	Total	
Plant Additions	\$53,219	\$33,976	\$67,406	\$54,554	\$485,242	\$694,397	

The plant additions in 2004 of \$53,219 were a new chlorine room with pumping equipment and a panel system, well vault, piping, and meter for Pines Well One location.

The plant additions in 2005 of \$33,976 were services and meter installation in Willow Cove, booster pumps and a new truck.

The plant additions in 2006 were replacement of mains, 21 new service connections, a new fire hydrant, and rebuilding the engine on a bobcat.

The plant additions in 2007 of \$54,554 were pumping equipment for the School Road Well, water main replacement, and two chlorine analyzers.

The plant additions in 2008 of \$287,138 were replacement of undersized distribution mains, installation of two new fire hydrants, 18 new service connections, and a main

line replacement in Road No. 22. In addition there were expenditures of \$198,104 for water treatment plant feasibility study, aerial topographic survey, and environmental studies, permits, geotechnical investigation, utility coordination, membrane procurement, and design of creek intake facilities to facilitate the next phases of a water treatment plant.

Revenue Requirement

Bass Lake has completed projects for \$694,397 during the years 2004 through 2008. DWA determined the annual gross revenue requirement of \$122,648 by the Summary of Earnings in Appendix A. DWA used the expenses adopted in the last general rate case (Res. W-4544). DWA determined taxes other than income taxes and depreciation expense by using the rates adopted in Res. W- 4544 and the plant additions each year. These calculations are shown in Appendix B. Advances for construction were updated using the data provided by Bass Lake. Income tax calculations are shown in Appendix C. DWA calculated the net revenue requirement using a 12.15% rate of return on rate base adopted in Res. W-4544.

A typical metered customer with a $\frac{3}{4}$ -inch meter and monthly water usage of 12 hundred cubic feet (One Ccf is equal to one hundred cubic feet) would have a monthly bill increase from \$35.53 to \$43.49 or 22.40%. A typical flat rate customer with a $\frac{3}{4}$ -inch service would have a monthly bill increase from \$45.45 to \$55.81 or 22.79%. A comparison of customer bills at present rates and the recommended rates is shown in Appendix D. The Safe Drinking Water Bond Adjustment (SDWBA) surcharge has been included in the bill calculations.

NOTICE AND PROTESTS

Bass Lake provided customers a notice dated September 26, 2008, to advise them of a rate increase request filed with the Commission. DWA received two written inquiries related to the requested rate increase. DWA received no protests against the rate base adjustment or the projected rate increase related to the rate base adjustment.

COMPLIANCE

Bass Lake has no outstanding compliance orders. There are no Commission orders requiring system improvements. The utility has been filing annual reports as required.

COMMENTS

This is an uncontested matter in which the decision grants the relief requested. This proceeding is subject to the public review and notice comment exclusion pursuant to Public Utilities Code 311(g) (3).

Appendix A

Summary of Earnings

Item	Resolution W-4544 Test year 2004	Rate Base Increase	Year 2008
Operating Revenues			
Metered	\$ 57,815	\$ 14,078	\$ 71,893
Flat	445,874	108,570	554,444
Total Revenue	503,689	122,648	626,337
Operating Expenses			
Purchased Power	13,000		13,000
Other Volume Related Expenses	26,564		26,564
Materials	17,900		17,900
Contract Work	17,890		17,890
Dept. Health Services Fee	728		728
Transportation Expense	9,500		9,500
Other Plant Maintenance			
Management Salaries	6,646		6,646
Employee Pensions and Benefits	18,565		18,565
Office Salaries	13,200		13,200
Employee Labor	129,947		129,947
Office Services and Rentals	10,800		10,800
Office Supplies and Expenses	6,000		6,000
Uncollectables	450		450
Professional Services	1,000		1,000
Insurance	36,500		36,500
Regulatory Expense	1,000		1,000
General Expense	4,000		4,000
Subtotal	313,690		313,690
Depreciation Expense	39,537	17,321	56,858
Taxes Other Than Inc. Taxes	22,271	9,757	32,028
Income Taxes	38,071	44,512	82,583
Total Deductions	413,569	71,590	485,159
Net Revenue	90,120	51,058	141,178
Rate Base			
Plant	1,585,051	694,397	2,279,448
CWIP	17,345	-17,345	
Depreciation Reserve	516,129	227,582	743,711
Net Plant	1,086,267	449,470	1,535,737
Less: Contributions/Advances	438,957	-54,477	384,480
Plus: Working Cash Allowance	7,182		7,182
Plus: Materials and Supplies	3,500		3,500
Rate Base	657,992	394,993	1,161,939
Rate of Return	13.7%		12.15%
Rate of Margin	24.0%		34.1%

		Appendix B						
		2004	2005	2006	2007	2008	Total	
Plant Additions		53,219	33,976	67,406	54,554	485,242	694,397	
Test Year 2004								
Depreciation Reserve			516,129					
Depreciation Expense			39,537					
Plant			1,585,051					
Depreciation Expense Rate			0.024944					
Taxes Other Than Inc. Taxes			22,271					
Taxes Other Inc. Taxes Rate			0.014051					
Year		2004	2005	2006	2007	2008	Total	
Accumulated Plant Additions		53,219	87,195	154,601	209,155	694,397		
Add't Depreciation Each Year		1,327	2,175	3,856	5,217	17,321	56,858	
Depreciation Expense Each Year		40,864	41,712	43,393	44,754	56,858	227,582	
Depreciation Reserve							743,711	
Taxes Other Than Income Taxes								
Plant			1,585,051					
Taxes Other Than Income Tax			22,271					
Taxes Other Than Income Tax Rate			0.014051					
Accumulated Plant Additions			694,397					
Additional Taxes Other Than Income Taxes			9,757					
2008 Taxes Other Than Income Taxes			32,028					

Appendix C

Income Tax Calculations

Gross Revenues		\$	626,337
Total Income Tax Deductions			402,576
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State Taxable Income			223,761
State Income Tax Rate			0.0884
State Income Tax			19,780
Federal Taxable Income			203,981
50,000	0.15		7,500
25000	0.25		6,250
25000	0.34		8,500
\$ 103,981	0.39		40,553
Federal Income Tax			62,803
Income Taxes			82,583
Net Income			141,178

Net to Gross Multiplier 1.5849554

Operating Expenses Subtotal			313,690
Depreciation Expense			56,858
<u>Taxes Other Than Income Ta</u>			<u>32,028</u>
Total Income Tax Deductions			402,576

Appendix D
Rate Comparisons

	Per Service Connection Per Year			
	Present Rates \$\$	New Rates \$\$	% Increase	
Metered Rate Service				
Service Charge:				
5/8 x 3/4-inch meter	193.37	234.86	21.46	
3/4 - inch meter	290.06	352.29	21.45	
1-inch meter	483.43	587.14	21.45	
1 1/2 - inch meter	966.86	1,174.29	21.45	
2-inch meter	1,503.90	1,825.30	21.37	
3-inch meter	2,900.57	3,522.85	21.45	
4-inch meter	9,093.52	11,167.78	22.81	
Flat Rate Service				
3/4 inch meter	545.36	669.75	22.81	
1 inch meter	908.89	1,116.20	22.83	
1-1/4 inch meter	1,363.39	1,674.37	22.81	
2 inch meter	2,908.77	3,572.25	22.81	
Additional connection on same premise	382.18	475.24	24.35	
Quantity Charge				
All water, per 100 cu.ft.	0.947	1.1776	24.35	
A monthly comparison bill for a customer with a 3/4 -inch meter is shown below:				
Monthly Usage100 cu. ft.	Present Bills	Recommended Bills	Amount Increase	% Increase
0	\$24.17	\$29.36	\$5.19	21.47
5	28.91	35.25	6.34	21.93
10	33.64	41.14	7.50	22.29
12	35.53	43.49	7.96	22.40
15	38.38	47.02	8.64	22.51
20	43.11	52.88	9.77	22.66
A monthly comparison bill for flat rate customers is shown below:				
Connection type.	Present Bills	Recommended Bills	Amount Increase	% Increase
3/4-inch	45.45	55.81	10.36	22.79
1 1/4-inch	113.62	139.53	25.91	22.80
Additional	31.85	39.60	7.75	24.33

Appendix E

Schedule No. 1

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered service furnished on an annual basis.

TERRITORY

The northwest shore of Bass Lake including the Falls and Bass Lake and vicinity, Madera County.

RATES

Quantity Rate:

All water, per 100 cubic feet	\$ 1.178	(I)
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Annual Service Charge:

Per Meter Per Year

For 5/8 x 3/4-inch meter	\$ 211.86	(I)
For 3/4-inch meter	317.70	
For 1-inch meter	529.64	
For 1-1/2-inch meter	1,059.29	
For 2-inch meter	1,641.30	
For 3-inch meter	3,177.85	
For 4-inch meter	10,592.78	(I)

The Service Charge is a readiness-to-serve charge that is applicable to all metered service and to which is to be added the annual charge computed at the Quantity Rates.

(continued)

Appendix F

Schedule No. 2

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The northwest shore of Bass Lake including the Falls and Bass Lake and vicinity, Madera County.

RATES

Per Service Connection
Per Year

For a single family resident unit

3/4-inch service	\$ 635.25	(I)
1-inch service	1,058.70	
1-1/4-inch service	1,588.12	
1-1/2-inch service	1,227.56	
2-inch service	3,388.25	(I)

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

\$ 475.24 (I)

(continued)