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WATER/PTL/LEP:jlj

AGENDA ITEM #4294

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4523
February 24, 2005**

R E S O L U T I O N

**(RES. W-4523), KENWOOD WATER COMPANY (KWC). ORDER
AUTHORIZING AN OFFSET RATE INCREASE OF \$9,202 OR 3.95%
ADDITIONAL REVENUE TO RECOVER LABOR COSTS.**

SUMMARY

By Advice Letter No. 57, filed January 12, 2005, KWC seeks revision of tariff Schedules Nos. 1, Metered Service, and 2, Cost to Serve Agreement, to provide an increase in rates to reflect an offset in operating costs. This resolution authorizes KWC to increase rates by \$9,202 or 3.95% to recover additional labor costs. The revenue increase recovers only the added costs and will not increase profits or affect the rate of return last authorized for KWC.

BACKGROUND

KWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates in order to offset its cost of hiring a permanent full-time operator on June of 2004. KWC's recorded earnings test for calendar year 2003 reveals that KWC is earning at 5.9% rate of return.

The present rates for Schedule 1, became effective July 23, 2004, pursuant to Decision (D.) 92-03-093, which authorized a Consumer Price Index (CPI) increase in rates for water service of \$4,348 or 1.9%. KWC's last general rate case was authorized by Res. No. W-4443, dated December 4, 2003, authorizing an increase of \$42,240 or 22.6% and a rate of return of 12.65%. This rate increase will not result in a rate of return greater than that authorized by Res. No. W-4443. KWC serves about 295-metered customers in Sonoma County.

DISCUSSION

On March 27, 2001, Res. W-4258 authorized a permanent part time operator. On December 4, 2003, KWC was authorized a general rate increase of \$42,240 or 22.6% in Res. W-4443. The part-time operator has retired and the utility is unable to find another experienced part-time operator. In June 2004, the utility was able to find a full-time qualified operator with particular knowledge of the KWC and Penngrove Water Company (PWC); two water utilities owned by Altos Sonoma Corporation. Maintenance, customer service in the field, monitoring and meter reading plus regulatory compliance and reporting requirements now requires hiring a full-time qualified employee to serve both KWC and PWC. In addition, the Department of Health Services (DHS) has steadily increased the utility's testing requirements.

The additional labor costs are to be shared by KWC and PWC; two water utilities owned by Altos Sonoma Corporation. KWC's share of employee labor is \$9,202 or 28% of the \$33,154 additional labor costs. PWC's share of employee labor is \$23,952 or 72% of the total additional labor costs. KWC presently serves approximately 295-metered rate customers in the unincorporated area known as Kenwood Village, immediately north of Kenwood, Sonoma County.

This full-time employee hourly wage is \$22.00 per hour for the first four months increasing to \$23.00 per hour for the remaining eight months for the first year's costs.

KWC is considered a Class C water company because it is part of the Altos Sonoma Corporation, which also includes PWC. D.92-03-093 allows Class C utilities to recover up to 65% of fixed costs in their readiness-to-serve charge. The proposed rate design is in compliance with D.92-03-093. The monthly bill for the average customer of KWC's Schedule No. 1, on the 5/8-inch schedule will increase approximately \$2.54 or 4.0%.

NOTICE AND PROTESTS

Notice of the proposed increase was published in the local Press Democrat Newspaper on August 3, 2004. No protest letters were received.

COMPLIANCE

There are no outstanding Commission orders regarding system improvements. KWC has filed annual reports as required.

FINDINGS

1. Resolution W-4258 authorized a permanent part-time operator.
2. The part-time operator has retired and the utility is unable to find another experienced part-time operator.
3. Customer growth, maintenance, service in the field, and DHS increased testing requirements require a full-time qualified operator.
4. Water Division has reviewed the advice letter and supporting work papers and finds KWC requests to be reasonable.
5. KWC is currently not earning in excess of its last authorized rate of return of 12.65%.
6. The Commission finds the rates hereby authorized are justified and the resulting rates are just and reasonable.
7. This is an uncontested matter subject to the public notice comment exclusion provided in the PU Code Section 311 (g) (3).

THEREFORE IT IS ORDERED THAT:

1. Kenwood Water Company is authorized to make effective the revised rates as attached in Advice Letter No. 57 and to concurrently cancel its presently effective rate Schedules Nos. 1, Metered Service, and 2, Cost To Serve Agreement. The effective date of the revised rate schedules shall be five days after the date of this resolution.

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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 held on February 24, 2005; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director