

WATER/RSK/PTL/MDC/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4813
December 17, 2009

R E S O L U T I O N

**(RES. W-4813), LARKSPUR MEADOWS WATER CO. (Larkspur).
ORDER AUTHORIZING A GENERAL RATE INCREASE (GRC)
PRODUCING ADDITIONAL ANNUAL REVENUE OF \$3,648 OR
26.12 % FOR TEST YEAR (TY) 2010.**

SUMMARY

By Draft Advice Letter, filed on August 17, 2009, Larkspur seeks to increase its rates for water service to recover increased operating expenses and earn an adequate return on its plant investment. The Division of Water and Audits (Division) accepted this draft advice letter as complete for filing on September 10, 2009.

For TY 2010, this resolution grants an increase in gross annual revenues of \$3,648 or 26.12 % which is estimated to provide a rate of margin (ROM) of 24%.

BACKGROUND

Larkspur, a Class D water utility, has requested authority under General Order 96-B, Rule 7.6.2 and Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by \$2,833 or 20.28% for Test Year 2010. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return.

Larkspur's request shows 2008 gross revenues of \$13,967 at present rates, increasing to \$16,800 at proposed rates.

Larkspur serves 35 flat rate customers near Red Bluff, in Tehama County. The owner manages the water system from the location of another business enterprise in the city of Paramount in Los Angeles County, California.

The present rates were established on March 15, 2001 pursuant to Res. W-4250, which authorized a GRC increase of \$3,194 or 32.9% resulting in a rate of return on rate base of 5.29%.

NOTICE AND PROTEST

A notice of the proposed rate increase was mailed to each customer on September 18, 2009. No protest was received.

An informal public meeting was held on Wednesday, October 14, 2009, at 6:30 p.m. at Forward Park at 850 Monroe St., Red Bluff, CA. One person attended the meeting. No protest was received.

DISCUSSION

The Division made an independent analysis of Larkspur's operations. Appendix A shows Larkspur's and staff's estimated summary of earnings at present, proposed, and recommended rates for TY 2010. Larkspur is in agreement with staff's recommended estimates and the rates shown in Appendix B.

The Division reviewed Larkspur's operating revenues and expenses, including purchased power, other plant maintenance, uncollectible, professional services, and regulatory commission expense, general expense, and depreciation, taxes other than income, state income taxes, and federal income taxes.

The Division verified the operating expenses by reviewing actual bills, annual reports, and supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

Larkspur has a very small rate base of \$1,078; therefore, per Decision (D.) 92-03-093, dated March 31, 1992, the Division used the rate of margin of 24% for Class D water utilities.

The recommended increase will be \$3,648 or 26.12% for test year 2010.

Larkspur's current rate structure consists of one flat rate schedule: No. 2R, Residential Flat Rate Service.

At the Division's recommended rates shown in Appendix B, a flat rate residential customer's bill will increase from \$33.60 to \$41.94. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities 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, Larkspur should be required to update the following tariff rules and schedule: Title Page, Rules: 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; and 10, Disputed Bills; and Schedule UF, Surcharge to Fund PUC Reimbursement Fee.

COMMENTS

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

FINDINGS

1. The Division used annual reports for expenses, when actual bills were not available.
2. Larkspur has a very small rate base of \$1,078; therefore, per D.92-03-093, the Division recommends the rate of margin of 24% for class D water utilities.
3. The Division's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
4. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
5. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
6. Larkspur should be required to update the following tariff rules and schedule: Title Page; 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; and 10, Disputed Bills; and Schedule UF, Surcharge to Fund PUC Reimbursement Fee.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Larkspur Meadows 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. 2R, Residential Flat Rate Service. The effective date of the revised rate schedule shall be five days after the date of filing.
2. The quantities (Appendix D) used to develop the Division's recommendations are adopted.

December 17, 2009

3. Larkspur Meadows Water Company shall update the following pages for its tariff book: Title Page; Rules: 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; and 10, Disputed Bills; and Schedule UF, Surcharge to Fund PUC Reimbursement Fee.
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 December 17, 2009; 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
Larkspur Meadows Water Company
SUMMARY OF EARNINGS
Test Year 2010

	Utility Present Rates	Utility Proposed Rates	Division Present Rates	Division Proposed Rates	Adopted Rates
Operating Revenues					
Flat Rate Water Revenue	\$13,967	\$16,800	\$13,967	\$17,615	\$17,615
Total Revenue	\$13,967	\$16,800	\$13,967	\$17,615	\$17,615
Operating Expenses					
615 Power	\$3,916	\$4,800	\$5,200	\$5,200	\$5,200
618 Other Volume Related	\$0	\$0	\$0	\$0	\$0
630 Employee Labor	\$0	\$0	\$0	\$0	\$0
640 Materials	\$0	\$0	\$0	\$0	\$0
650 Contract Work	\$0	\$0	\$0	\$0	\$0
660 Transportation Expenses	\$0	\$0	\$0	\$0	\$0
664 Other Plant Maintenance	\$1,095	\$4,800	\$3,939	\$3,939	\$3,939
670 Office Salaries	\$0	\$0	\$0	\$0	\$0
671 Management Salaries	\$0	\$0	\$0	\$0	\$0
674 Employee Pensions and Benefits	\$0	\$0	\$0	\$0	\$0
676 Uncollectibles	\$176	\$230	\$167	\$167	\$167
678 Office Services and Rentals	\$0	\$0	\$0	\$0	\$0
681 Office Supplies and Expenses	\$0	\$0	\$0	\$0	\$0
682 Professional Services	\$1,345	\$1,800	\$1,396	\$1,396	\$1,396
684 Insurance	\$0	\$0	\$0	\$0	\$0
688 Regulatory Commission Expense	\$1,363	\$1,680	\$1,415	\$1,415	\$1,415
689 General Expense	\$661	\$900	\$626	\$626	\$626
Subtotal	\$8,556	\$14,210	\$12,743	\$12,743	\$12,743
403 Depreciation	\$440	\$450	\$446	\$446	\$446
408 Taxes Other Than Income	\$340	\$340	\$340	\$340	\$340
409 State Income Taxes	\$408	\$800	\$800	\$361	\$361
410 Federal Income Taxes	\$620	\$620	\$731	\$560	\$560
Total Deductions	\$10,364	\$16,420	\$15,060	\$14,450	\$14,450
Net Revenue/Operating Margin	\$3,603	\$380	(\$1,093)	\$3,165	\$3,165
Rate Base					
Average Plant	\$19,392	\$19,392	\$19,392	\$19,392	\$19,392
Average Accum Dep	\$19,322	\$19,322	\$19,322	\$19,322	\$19,322
Net Plant	\$70	\$70	\$70	\$70	\$70
Plus: Working Cash	\$503	\$1,008	\$1,008	\$1,008	\$1,008
Mat'l & Supplies	\$0	\$0	\$0	\$0	\$0
Less: Advances	\$0	\$0	\$0	\$0	\$0
Contributions	\$0	\$0	\$0	\$0	\$0
Total Rate Base	\$573	\$1,078	\$1,078	\$1,078	\$1,078
ROR Net Rev/Rate Base	N/A	N/A	N/A	N/A	N/A
Rate of Margin (ROM)					24%

(End of Appendix A)

APPENDIX B
Larkspur Meadows Water Company

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE
Test Year 2010

APPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

Larkspur Meadows Subdivision and vicinity, located approximately one mile south of the City of Red Bluff, Tehama County.

RATES

	<u>Per Service Connection Per Month</u>	
For a single family residence, including premises not exceeding 10,000 square feet in area	\$ 41.94	(I)
For each 100 sq. ft. of area in excess of 10,000 sq. ft.	0.14	(I)

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than one inch in diameter.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX C
Larkspur Meadows Water Company

COMPARISON OF RATES
Test Year 2010

A comparison of the present and adopted rates is shown below:

Residential Flat Rate Service:

	<u>Per Service Connection Per Month</u>		
	<u>Present</u> <u>Rates</u>	<u>Adopted</u> <u>Rates</u>	<u>Increase</u>
For a single family residence on lot of under 10,000 sq. ft. in size	\$ 33.60	\$41.94	24.82%
For each 100 sq. ft. in excess of 10,000 sq. ft.	\$ 0.11	\$ 0.14	24.82%

APPENDIX D
Larkspur Meadows Water Company

ADOPTED QUANTITIES

Test Year 2010

Expenses

1. Power

Supplier:	Pacific Gas and Electric Company
Rate Schedule	A1 Small General Service
kWh Used	30,258
Total Charge	\$ 5,120
Average cost per kWh	\$ 0.17

2. Purchased Water None

3. Service Connections:

Metered	None
Flat Rate	
Single-Family Residential	35
Private Fire:	None

4. Income Tax Calculation

<u>Item</u>	<u>State</u>	<u>Federal</u>
Operating Revenues	\$ 17,615	\$ 17,615
Expenses	\$ 12,743	\$ 12,743
Taxes Other Than Income	\$ 340	\$ 340
Depreciation	\$ 446	\$ 446
State Taxable Income	\$ 4,086	\$ 4,086
State Tax (@8.84% or \$800 min.)	\$ 361	
Federal Taxable Income		\$ 3,725
Federal Taxable Income (@15%)		\$ 560
State Tax		\$ 361
Federal Tax		\$ 560
Total Taxes		\$ 921