

WATER/RSK/PTL/AAS/jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water & Sewer Advisory Branch

RESOLUTION NO. W-4701
August 21, 2008

R E S O L U T I O N

**(RES. W-4701), NACIMIENTO WATER COMPANY (Nacimiento)
ORDER AUTHORIZING AN EXPENSE OFFSET REVENUE
INCREASE PRODUCING AN INCREASE IN GROSS ANNUAL
REVENUES OF \$61,118 OR 13.6%.**

SUMMARY

Nacimiento has requested an expense offset rate increase to cover additional labor and insurance costs by Advice Letter (AL) 30 received by Division of Water and Audits (Division) on April 11, 2008. This resolution grants an offset rate increase in gross annual revenue of \$61,118, or 13.6%. This increase will not result in a rate of margin greater than last authorized for Nacimiento.

BACKGROUND

Nacimiento is a Class C utility which serves the community of Oak Shores adjacent to Lake Nacimiento. It is approximately 20 miles northwest of Paso Robles, in San Luis Obispo County. The present rates were established on April 18, 2008 by approval of AL 29, which authorized a Consumer Price Index (CPI) increase of \$17,506 or 4.1%.

Nacimiento has been serving 632 metered customers as of 2007. In addition, it maintains 76 private fire protection services in its service area.

The last general rate increase (GRC) was on August 25, 2005 by Resolution W-4555 which approved a 68.1% increase with a rate of margin (ROM) of 24%.

Nacimiento has requested authority under General Order 96-B, Rule 7.6.2, Water Industry Rule 7.3.3(7) and Section 454 of the Public Utilities Code to increase its rates by \$52,517 or 12.3%. The purpose of the rate increase is to recover the increased insurance cost plus pay for an additional certified Treatment and Distribution operator who is now required to keep the system in compliance with the requirements of the California Department of Public Health. Analysis of the Nacimiento request shows 2007 gross revenue, plus a CPI increase, to be \$448,241. This will increase to \$509,359 in 2008 at proposed rates to produce a rate of margin of 15.75%.

NOTICE AND PROTESTS

Notice of the proposed general rate increase was mailed to customers on April 10, 2008. Two protests were received by the Commission. Nacimiento responded to both protests.

DISCUSSION

The number of connections serviced has been increasing steadily since the last GRC. Nacimiento has hired an additional employee to handle the increasing workload. The company has increased the salary of present staff to retain personnel in face of an industry-wide shortage of certified operators. The additional \$20,000 labor costs are for another certified operator and a \$12,000 salary increase for present personnel. Another item, \$12,360 for employee benefits, reflects an increase in pension benefits. The \$4,113 increase in insurance is Worker's Compensation Insurance at 7.91% of the increase in salaries. The taxes other than income are additional FICA and State Unemployment Insurance for the increased salaries amount to \$4,328. The additional operating expense total for this expenditure is \$52,801.

The Division recommends \$61,118, or 13.6%, revenue increase based on the recorded ROM. This will not result in a ROM greater than last authorized for Nacimiento. The Division recommends the expense offset increases and resulting rates shown in Appendix A. Comparison of customer bills for present and recommended rates is shown in Appendix B.

A footnote in Schedule No. 4, Private Fire Protection has been deleted. It reads: "The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system." Utilities are required to conform to local fire authorities standards per GO 103. Nacimiento has provided staff with results of previous fire flow tests and conducted a current test to indicate that they are in conformance with standards.

COMPLIANCE

Service by Nacimiento is satisfactory. There are no Commission orders requiring system improvements, nor are there any service problems requiring corrective actions. The utility has been filing annual reports as required.

COMMENTS

Resolution W-4701
Nacimiento/AL 30/RSK/PTL/AAS/jrb

August 21, 2008

Commissioners

APPENDIX A
Sheet 1

NACIMIENTO WATER COMPANY

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract Nos. 378, 379, 380 and 381 and Phase I of Tract 2162 and Cantinas Campground, all in the Oak Shores area of San Luis Obispo County.

RATES

| | | | |
|--------------------------------|--|---------------------------|-----|
| Quantity Rate: | | | |
| All water used per 100 cu. ft. | | \$4.80 | (I) |
| Service Charge: | | <u>Per Meter Per Year</u> | |
| For 5/8 & 3/4-inch meter | | \$366.71 | (I) |
| For 1-inch meter | | \$916.78 | (I) |
| For 1-1/2-inch meter | | \$1,833.55 | (I) |
| For 2-inch meter | | \$2,933.68 | (I) |
| For 3-inch meter | | \$5,500.65 | (I) |

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge computed at the Quantity Rate, for water used during the billing period.

SPECIAL CONDITIONS

1. The annual service charge applied to service during the 12-month period commencing on January 1 is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, they may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods. Meters will be read and quantity charges billed monthly, bimonthly or quarterly in accordance with the utility's established billing periods except the meters may be read and quantity charges billed during the winter season at intervals greater than three months.

Resolution W-4701
Nacimiento/AL 30/RSK/PTL/AAS/jrb

August 21, 2008

(continued)

APPENDIX A
Sheet 2

NACIMIENTO WATER COMPANY

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all fire hydrant service rendered from fire hydrants on private property connected to utility owned mains.

TERRITORY

Tract Nos. 378, 379, 380 and 381 and Phase I of Tract 2162 and Cantinas Campground, all in the Oak Shores area of San Luis Obispo County.

RATES

| | <u>Per Month</u> | |
|-----------------------|------------------|-----|
| For each fire hydrant | \$83.16 | (I) |

SPECIAL CONDITIONS

1. The fire hydrant will be installed by the utility at the cost of the applicant.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1A, Annual Metered Service.
(D)
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(End of Appendix A)

APPENDIX B
NACIMIENTO WATER COMPANY
COMPARISON OF RATES

ANNUAL METERED SERVICE:

| <u>Size</u> | <u>Current Connect Rate/year</u> | <u>Increase</u> | <u>New Rate</u> |
|-------------|------------------------------------|-----------------|----------------------|
| 5/8" & 3/4" | \$335.05 | \$31.66 | \$366.71 |
| 1" | \$838.68 | \$78.10 | \$916.78 |
| 1-1/2" | \$1,677.57 | \$155.98 | \$1,833.55 |
| 2" | \$2,683.57 | \$250.11 | \$2,933.68 |
| 3" | \$5,032.09 | \$468.56 | \$5,500.65 |
| | <u>Current Quantity Rate (Ccf)</u> | <u>Increase</u> | <u>New Flow Rate</u> |
| | \$4.23 | \$0.57 | \$4.80 |

PRIVATE FIRE PROTECTION SERVICE:

| <u>Current Connect Rate/month</u> | <u>New Rate</u> |
|-----------------------------------|-----------------|
| \$72.02 | \$83.16 |

(End of Appendix B)