

ORIGINAL

Decision No. 86043

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application
of CALIFORNIA-AMERICAN WATER
COMPANY for an order authorizing
it to increase the rates for water
service in its Coronado District
to offset increases in the cost of
purchased water.

Application No. 56424
(Filed April 23, 1976;
amended June 14, 1976)

O P I N I O N

California-American Water Company (Cal-American) requests authority to increase water rates for general metered service by 11.64 percent in its Coronado District to yield additional annual gross revenues of \$238,000, as a direct offset to an increase in cost of water purchased from the city of San Diego. (Present and proposed rates are set forth in Appendix A.)

The application shows that Cal-American's Coronado District, on March 31, 1976, served 14,639 general metered customers, and provided public fire protection through 772 fire hydrants and private fire protection at 35 connections.

All of the water supplied to the Coronado District is purchased from the city of San Diego. Water purchased is of potable quality and requires no further treatment.

Cal-American has pending before this Commission Application No. 54942 in which it seeks a general rate increase for all its districts, including Coronado. The current rates for the Coronado District were authorized by Decision No. 82251 dated

December 18, 1973 in Application No. 53698. The rates so authorized were designed to produce a rate of return of 7.8 percent for a 1973 test year.

The application states that current rates reflect a price of 25 cents per 1,000 gallons (18.7 cents per Ccf) applicable during 1972 and 1973. Negotiations were undertaken to establish a price to be charged by San Diego for water purchased by the Coronado District, which price was established by a board of arbitrators on January 27, 1976, at the rate of 23.8 cents per Ccf through June 30, 1978. The effective date of the price increase is July 1, 1976. The increase in the price of purchased water is 27.27 percent. Applicant estimates that the total annual increase in cost of purchased water is \$238,000, based upon estimates of water usage set forth in Commission staff Exhibit 137 in Application No. 54942. The percent increase in gross revenues required to produce that amount of additional revenue is estimated to be 11.64 percent.

The following table sets forth applicant's estimate of the sought offset rate adjustment requested herein, based upon data in staff Exhibit 137 in Application No. 54942:

TABLE 1

CALIFORNIA-AMERICAN WATER COMPANY

1975 Summary of Earnings - Coronado District

	Staff Exh. 137 in <u>A.54942</u>	Offset <u>Adjustment</u>	<u>Adjusted</u>	Adjustment To Gross <u>Revenues</u>	Adjusted to <u>Proposed Rates</u>
Operating Revenues	\$2,044,700		\$2,044,700	\$238,000	\$2,282,700
Operating Revenue Deductions					
Purchased Water	\$ 875,000	\$238,000	\$1,113,000		\$1,113,000
Other Operation	346,400		346,400		346,400
Maintenance	49,400		49,400		49,400
Depreciation	156,900		156,900		156,900
Taxes - Other Than on Income	178,300		178,300		178,300
Taxes - on Income	94,600		(30,700)		94,600
Total Oper. Rev. Deductions	\$1,700,600		\$1,813,300		\$1,938,600
Utility Operating Income	\$ 344,100		\$ 231,400		\$ 344,100
Rate Base	\$4,307,000		\$4,307,000		\$4,307,000
Rate of Return	7.99 %		5.37 %		7.99 %

(Red Figure)

The Commission's Utilities Division staff has set forth its analysis and recommendations in a report which is made part of the record herein as Exhibit 1. That exhibit states that the staff has reviewed the information and exhibits contained in the application and recommends that the application be granted. It states that applicant's proposed revenue increase is consistent with the increase in expense and is reasonable, and that the rate of return will not be increased if revenue and expense are increased concurrently.

The staff has independently developed a recommended schedule of rates designed to offset an annual increase in purchased water costs of \$238,000. The staff proposed no increase in the minimum charges for all meters, and, further, no increase for the first 500 cubic feet of water used per month. The staff recommends a surcharge increase on amounts of water in excess of 5 Ccf of \$0.066/Ccf. The applicant's proposal contains an 11.6 percent increase in both minimum meter charge and water quantity charge. We agree with the staff recommendation that increases in meter charges not be utilized to raise revenue, except for charges for the smallest meter, and that the charges for the quantity of water used be increased. However, we do not feel an exemption appropriate in that all users should share some of the burden of a basic increase in cost of water supply. Since the rate increase application is solely based on a 27.27 percent increase in the cost of purchased water per hundred cubic feet, we believe it appropriate that a uniform increase in the quantity rates per hundred cubic feet be applied to raise the required revenue. A surcharge increase for amounts of water utilized at the rate of \$0.053/Ccf will be authorized for general metered service, as set forth hereto in Appendix B. Rather than the applicant's uniform 11.6 percent increase, the authorized surcharge will result in a 9.8 percent increase for small users to a 13.3 percent increase for larger users. A typical monthly bill for a residential or business customer using 1,600 cubic feet would be:

Present rate	\$7.48	
Surcharge	<u>0.85</u>	
Temporary new bill	\$8.33	(11.4% increase)

The application was served in accordance with Commission rules, and notice of the filing of the application appeared on the Commission's Daily Calendar. There are no protests or requests for hearing.

Findings

1. Applicant purchases all of the water for its Coronado District from the city of San Diego.
2. After arbitration, the price of the water purchased by applicant from the city of San Diego is increased from 18.7 cents per Ccf to 23.8 cents per Ccf, or 27.3 percent.
3. Additional costs of purchased water are estimated to be \$238,000 annually.
4. Additional revenues equal to the additional cost of water should be granted as an offset, pending a final decision in Application No. 54942 in which Cal-American seeks increased rates for all districts.
5. A surcharge increase of \$.053/Ccf will result in the required revenue of \$238,000 annually.
6. Increased rates in the form of a surcharge as set forth in Appendix B will be reasonable and are justified, pending the consolidation of the surcharge with the rates authorized in Application No. 54942.

Conclusion

The Commission concludes that the application should be granted as provided in the order which follows. The order herein will be made effective on the date hereof because the increased expenses are being incurred, and because there is no known opposition to the increase.

O R D E R

IT IS ORDERED that after the effective date of this order, California-American Water Company is authorized to file for its Coronado District the surcharges on general metered service rates attached to this order as Appendix B. Such filing shall comply with General Order No. 96-A. The effective date of the new or revised tariff sheets shall be four days after the date of filing. The surcharges shall apply only to service rendered on and after the effective date of the new or revised tariff sheets.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 29th day of JUNE 1, 1976.

William Sproule President
Vernon L. Sturgeon
Norm
Robert Bateman Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

PRESENT AND PROPOSED RATES

Schedule No. CO-1

Coronado District Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORYCoronado, Imperial Beach, and portion of San Diego, and vicinity,
San Diego County.RATES

Quantity Rates:	<u>Per Meter Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
First 500 cu.ft. or less.....	\$ 2.75	\$ 3.07
Next 2,500 cu.ft., per 100 cu.ft..	.43	.48
Over 3,000 cu.ft., per 100 cu.ft..	.40	.447

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 2.75	\$ 3.07
For 3/4-inch meter.....	4.00	4.50
For 1-inch meter.....	5.00	5.50
For 1-1/2-inch meter.....	8.50	9.50
For 2-inch meter.....	13.50	15.00
For 3-inch meter.....	25.00	28.00
For 4-inch meter.....	43.00	48.00.
For 6-inch meter.....	85.00	95.00
For 8-inch meter.....	135.00	150.00

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

APPENDIX B

Schedule No. CO-1-S

Coronado District Tariff Area

GENERAL METERED SERVICE SURCHARGE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Coronado, Imperial Beach, and portions of San Diego, and vicinity,
San Diego County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 500 cu.ft. or less.....	\$0.270
Next 2,500 cu.ft., per 100 cu.ft.....	0.053
Over 3,000 cu.ft., per 100 cu.ft.....	0.053

SPECIAL CONDITION

The surcharge is additive to all bills rendered at General Metered Service Rates (Schedule No. CO-1) until such time as it is appropriate to consolidate this tariff schedule with Schedule No. CO-1.