

84 C7 C75

Decision

July 5, 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of DOMINGUEZ WATER CORPORATION, a
California corporation, for
authorization to increase its
rates for water service.

Application 83-07-01
(Petition for Modification
of Decision 84-03-055 filed
May 14, 1984.)

SUPPLEMENTAL OPINION AND ORDER

On May 14, 1984, Dominguez Water Corporation (DWC) filed its Petition for Modification of Decision (D.) 84-03-055 issued in this application, seeking amendment of ordering paragraphs 2 and 3 of that decision modifying the number of replacement meters that must be installed in 1984 and 1985 to avoid a rate of return penalty.

In support of its request, DWC alleges the following:

One of the items of expense considered in D.84-03-055 was DWC's meter replacement program calling for the replacement of 4,000 meters each year in the years 1984, 1985 and 1986 in order to catch up on the replacement of substantial number of meters in DWC's system which have been in service in excess of 20 years. Thereafter, commencing in 1987, DWC would replace from 1,000 to 1,200 meters each year in order to maintain a 20 year cycle in its meter replacement program.

Allowances have been made in the rates authorized in D.84-03-055 for the additional costs of replacing the larger number of meters during the first three years of the program. Ordering paragraph 2 of D.84-03-055 states that "If DWC does not replace 4,000 meters in the year 1984, the allowable rate of return due to attrition will be reduced proportioned to the amount of meters replaced." (Emphasis added.) Ordering paragraph 3 of the decision further provides "If DWC does not replace 4,000 meters in the year 1985 or 8,000 meters in 1984 and 1985, the allowable rate of return due to attrition will be reduced accordingly." (Emphasis added.)

DWC believes that operating within the limits of the expenses budgeted for this project as proposed in DWC's showing at the rate proceeding and incorporated into the decision, there is insufficient time remaining in 1984 to install the full 4,000 meters using only the levels of manpower contemplated in DWC's presentation. DWC was not in a position to increase the number of employees which would be required to complete the installation of 4,000 meters in 1984 as contemplated under its showing at the hearing until it was certain that the expense of such project had been allowed in the rate proceeding. Within two days after the receipt of the decision, DWC had been able to hire additional personnel and to commence its meter replacement program at the level contemplated in its presentation and reflected in the decision. DWC believes that it will be able to complete the installation of 3,000 meters in the balance of 1984 and that it will be able to complete the installation of the 4,000 meters in 1985 and 1986 as contemplated under the plan. As a result of the delay in the receipt of the authorization, it will be necessary for DWC to carry-over the installation of the remaining additional 1,000 meters for completion in 1987.

DWC asserts that so long as it proceeds diligently with the meter change and installation program on the same scale contemplated in the rate proceeding, it should not be penalized for its inability to complete the installation of the 4,000 meters in 1984 because the decision was delayed until the end of the first quarter of the year. DWC states that it will be able to complete the installation of the full 4,000 meters in 1985 for a cumulative total of at least 7,000 meters by the end of 1985.

DWC alleges that the loss of a substantial portion of the allowable rate of return due to attrition, which under the provisions of the decision would go into effect for 1985, because of the inability of DWC to install all of the 4,000 meters in the remaining nine months of the year would be detrimental to both DWC and to its customers. DWC further asserts that a reduction in the estimated

revenues to be received during 1985 would probably have an adverse effect upon its ability to finance the installation of the 4,000 meters contemplated for 1985 which would in turn have an adverse effect upon its ability to be eligible for the further step increase in the rate of return contemplated for 1986.

We have reviewed the allegations made by DWC. Should DWC install 3,000 meters instead of 4,000 meters in 1984, it will cause a reduction in rate base adopted in D.84-03-055. However, if DWC is allowed to install a total of 8,000 meters in 1984 and 1985 to complete the meter replacement program, the combined effect on rates for 1984 and 1985 will be minimal. Therefore, we will revise Ordering Paragraphs 2 and 3 of D.84-03-055 to require DWC to install 8,000 meters in the two-year period.

The petition to modify D.84-03-055 was served on all parties. There were no protests. Staff recommends that the decision be modified as set forth below.

IT IS ORDERED that:

1. Ordering paragraphs 2 and 3 of D.84-03-055 are amended to read as follows:

2. On or after November 15, 1984 DWC is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1985 shown in Appendix A attached to this order, or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix A in the event that the rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1984, exceeds the lower of (a) the rate of return found reasonable by the Commission for DWC during the corresponding period in the then most recent rate decision or (b) 12.15%. This filing shall comply with GO Series 96 and shall include a letter indicating the

number of meters replaced. If DWC does not replace 3,000 meters in the year 1984, the allowable rate of return due to attrition will be reduced proportioned to the amount of meters replaced. The requested step rates shall be reviewed by staff and shall go into effect upon staff's determination that they conform with this order. But staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedules shall be no earlier than January 1, 1985, or 30 days after the filing of the step rate, whichever is later.

3. On or after November 15, 1985 DWC is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1986 shown in Appendix A attached to this order, or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix A in the event that the respective rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1985, exceeds the lower of (a) the rate of return found reasonable by the Commission for DWC during the corresponding period in the then most recent rate decision or (b) 12.16%. This filing shall comply with GO Series 96 and shall include a letter indicating the number of meters replaced. If DWC does not replace 4,000 meters in the year 1985 or 8,000 meters in 1984 and 1985, the allowable rate of return due to attrition will be reduced accordingly. The requested step rates shall be reviewed by staff and shall go into effect upon staff's determination that they conform with this order. But staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision,

and the Commission may then modify the increase. The effective date of the revised schedules shall be no earlier than January 1, 1986, or 30 days after the filing of the step rates, whichever is later.

2. The Petition for Modification filed May 14, 1984 in this proceeding is granted as set forth above.

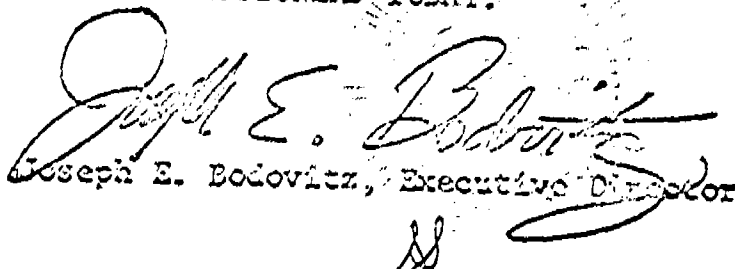
This order becomes effective 30 days from today.

Dated July 5, 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director

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In support of its request, DWC alleges the following:

One of the items of expense considered in D.84-03-055 was DWC's meter replacement program calling for the replacement of 4,000 meters each year in the years 1984, 1985 and 1986 in order to catch up on the replacement of substantial number of meters in DWC's system which have been in service in excess of 20 years. Thereafter, commencing in 1987, DWC would replace from 1,000 to 1,200 meters each year in order to maintain a 20 year cycle in its meter replacement program.

Allowances have been made in the rates authorized in D.84-03-055 for the additional costs of replacing the larger number of meters during the first three years of the program. Ordering paragraph 2 of D.84-03-055 states that "If DWC does not replace 4,000 meters in the year 1984, the allowable rate of return due to attrition will be reduced proportioned to the amount of meters replaced." (Emphasis added.) Ordering paragraph 3 of the decision further provides "If DWC does not replace 4,000 meters in the year 1985 or 8,000 meters in 1984 and 1985, the allowable rate of return due to attrition will be reduced accordingly." (Emphasis added.)

revenues to be received during 1985 would probably have an adverse effect upon its ability to finance the installation of the 4,000 meters contemplated for 1985 which would in turn have an adverse effect upon its ability to be eligible for the further step increase in the rate of return contemplated for 1986.

We have reviewed the allegations made by DWC. Should DWC install 3,000 meters instead of 4,000 meters in 1984, it will cause a reduction in rate base adopted in D.84-03-055. However, if DWC is allowed to install a total of 8,000 meters in 1984 and 1985 to complete the meter replacement program, the combined effect on rates for 1984 and 1985 will be minimal. Therefore, we will revise Ordering Paragraphs 2 and 3 of D.84-03-055 to require DWC to install 8,000 meters in the two-year period.

IT IS ORDERED that:

1. Ordering paragraphs 2 and 3 of D.84-03-055 are amended to read as follows:

2. On or after November 15, 1984 DWC is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1985 shown in Appendix A attached to this order, or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix A in the event that the rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1984, exceeds the lower of (a) the rate of return found reasonable by the Commission for DWC during the corresponding period in the then most recent rate decision or (b) 12.15%. This filing shall comply with GO Series 96 and shall include a letter indicating the number of meters replaced. If DWC does not replace 3,000 meters in the year 1984, the allowable rate of return due to attrition will be reduced proportioned to the amount of meters replaced. The requested step rates shall be

reviewed by staff and shall go into effect upon staff's determination that they conform with this order. But staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedules shall be no earlier than January 1, 1985, or 30 days after the filing of the step rate, whichever is later.

3. On or after November 15, 1985 DWC is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1986 shown in Appendix A attached to this order, or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix A in the event that the respective rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1985, exceeds the lower of (a) the rate of return found reasonable by the Commission for DWC during the corresponding period in the then most recent rate decision or (b) 12.16%. This filing shall comply with GO Series 96 and shall include a letter indicating the number of meters replaced. If DWC does not replace 4,000 meters in the year 1985 or 8,000 meters in 1984 and 1985, the allowable rate of return due to attrition will be reduced accordingly. The requested step rates shall be reviewed by staff and shall go into effect upon staff's determination that they conform with this order. But staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedules shall be no earlier than January 1, 1986, or 30 days after the filing of the step rates, whichever is later.

2. The Petition for Modification filed May 14, 1984 in this proceeding is granted as set forth above.

This order becomes effective 30 days from today.

Dated JUL 5 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO

PRISCILLA C. GREW

DONALD VIAL

WILLIAM T. BAGLEY

Commissioners