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Decision 88-08-014 August 10, 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
UEHLING WATER COMPANY (U 314 W) for)
authority to increase rates as)
authorized by NOI 86-10-028.)

Application 86-11-021)
(Filed November 13, 1986)

ORIGINAL

In the Matter of the Application of)
PARK WATER COMPANY (U 314 W) for)
authority to increase rates in its)
Central Basin Division as authorized)
by NOI 86-10-029.)

Application 86-11-022)
(Filed November 13, 1986)

OPINION MODIFYING DECISION 87-09-071

Decision (D.) 87-09-071 granted in part the rate increase requests of Park Water Company (Park) and of Uehling Water Company (UWC), Park's wholly owned subsidiary, in general rate increase Application (A.) 86-11-021 and A.86-11-022. Ordering Paragraphs 1 and 2 of D.87-09-071 authorized Park and UWC to file revised tariff schedules for 1987 as set forth in Appendices A and B, respectively. Ordering Paragraphs 3 and 4 authorized Park to file 1988 and 1989 step increases in Appendix A subject to normal ratemaking and rate of return adjustments. Ordering Paragraphs 5 and 6 authorized UWC to file the corresponding 1988 and 1989 step increases in Appendix B. The rates and amounts of the step increases were different for each company. The rate increases of each of the companies were designed to yield a return on equity of 12%, an overall return on rate base of 11.46% in 1987, and an overall return on rate base of 11.51% for 1988. The step increases were to reflect those rates of return or the rates of return found reasonable in a later rate decision.

The merger of Park and UWC with Park as the surviving corporation was authorized by D.87-09-079. The Commission

authorized Park to operate the two service areas as a single system and to cease measuring or restricting the flow of water between the two interconnected systems. Park states that its intent was to absorb the UWC service area into its Central Basin Division. Finding 6 of D.87-09-079 states that the result of the merger will be a single water system resulting in economies in administration and accounting and increased efficiency in operations and construction.

Park states that UWC has been merged into Park consistent with the criteria described above; all separate accounting for UWC has ceased except for billing on the separate rate structures authorized in D.87-09-071. Since there is no longer a UWC and there are no separate accounting records available it is not possible to meet the requirements of Ordering Paragraphs 5 and 6 of D.87-09-071. Therefore Park requests deletion of those paragraphs. In order to file for the UWC step increases, Park requests modification of Ordering Paragraphs 3 and 4 to permit it to file appropriate workpapers on Park's enlarged Central Basin Division which now includes the UWC operations. Park's proposal would preserve the separate Uehling tariff rates set forth in Appendix B of D.87-09-071 with respect to implementing the step increases.

D.87-09-079 notes that Park's quantity rate was higher than UWC's rate. Those differences reflect UWC's lower water costs which in turn reflect the water rights which were held by UWC. Those benefits in the UWC's rate area are embedded in the step increases authorized in D.87-09-071. Park's proposal in this proceeding implicitly assumes no relative change in cost of service between its UWC rate area and the rest of its Central Basin District (CBD). Park should quantify the water rights benefits in the UWC rate area in its next CBD general rate case.

Park discussed its proposal with the Commission Advisory and Compliance Division Water Branch staff. It believes that staff does not object to its proposal. Park's proposal provides a

reasonable mechanism for it to file for the step increase authorized for its original Central Basin customers as well as for UWC's former customers now served by it.

Findings of Fact

1. D.87-09-071 authorized general rate increases for Park and for UWC in 1987 and step increases in 1988 and 1989.

2. The step increases were designed to yield 12% return on equity and returns on the rate bases of Park and UWC of 11.46% in 1987 and 11.51% in 1988.

3. UWC has been merged into Park as authorized by D.87-09-079. Separate accounting records of UWC's operations are not required or maintained, except for billings. It is not possible to make the separate step increase filings for UWC contained in Ordering Paragraphs 5 and 6 of D.87-09-071.

4. Park proposes to file for the step increases authorized in Appendix A for itself and Appendix B for the former UWC customers on a combined operations basis.

5. Park's proposal provides a reasonable mechanism for it to file for the step increases authorized for its original Central Basin customers as well as for UWC's former customers now served by it.

6. No protest has been received.

Conclusions of Law

1. Park's petition for modification of D.87-09-071 is reasonable and should be adopted.

2. The modifications should be made effective today to permit timely implementation of the tariff filings.

ORDER

IT IS ORDERED that:

1. Ordering Paragraphs 3 and 4 of D.87-09-071 are modified as follows:

3. Not earlier than 9 months from the effective date of this order Park Water Company (Park) is authorized to file an advice letter, with appropriate workpapers, requesting the rate increases for 1988 included in Appendices A and B, or to file a proportionate lesser increase for those rates in Appendices A and B in the event that its Central Basin Division's rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the prior 12 months exceeds the later of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the then most recent rate decision, or (b) 11.46%. The filing shall comply with General Order Series 96. The requested rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. Staff shall inform the Commission if it finds that the proposed rates are not in accord with this decision. The effective date of the revised schedules shall be no earlier than 7 days after filing. The revised schedules shall apply only to service rendered on and after their effective date.

4. Not earlier than 15 months from the effective date of this order Park is authorized to file an advice letter, with appropriate workpapers, requesting the rate increases for 1989 included in Appendices A and B, or to file a proportionate lesser increase for those rates in Appendices A and B in the event that its Central Basin Division's rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for

the prior 12 months exceeds the later of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the then most recent rate decision, or (b) 11.51%. This filing shall comply with General Order Series 96. The requested rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. Staff shall inform the Commission if it finds that the proposed rates are not in accord with this decision. The effective date of the revised schedules shall be no earlier than 7 days after the filing. The revised schedules shall apply only to service rendered on or after their effective date.

2. Ordering Paragraphs 5 and 6 of D.87-09-071 are deleted. This order is effective today.

Dated AUG 10 1988, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
C. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

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

Decision 88 08 014 AUG 10 1988

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