

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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to Executive Director

RESOLUTION NO. W-3324

EVALUATION & COMPLIANCE DIVISION
 BRANCH/SECTION: Water Utilities
 DATE: July 16, 1986

Director
 Numerical File
 Alphabetical File
 Accounting Officer

RESOLUTION

GREAT OAKS WATER COMPANY (GOWC). ORDER AUTHORIZING
 AN OFFSET RATE INCREASE PRODUCING \$119,902 OR 3.5%
 ADDITIONAL ANNUAL REVENUE.

By Advice Letter No. 118, filed May 19, 1986, GOWC requests authority under Section VI of General Order 96-A, and Sections 792.5 and 454 of the Public Utilities Code to increase rates to offset: (1) a \$59,884 increase in ground water charges and (2) a \$60,018 increase due to the removal of the balancing account amortization rate authorized in Resolution No. W-3254, dated July 10, 1985. GOWC serves about 17,304 metered customers in southeast San Jose and vicinity, Santa Clara County.

The amortization rate was established to amortize a then existing total overcollection in the purchased power, ground water charges, and postage balancing accounts. The total overcollection in the balancing accounts has been amortized as of March 31, 1986. GOWC requests that the amortization rate now be removed. Failure to do so will cause a projected total undercollection of approximately \$5,002 per month or \$60,018 annually.

The present rates became effective on July 10, 1985 pursuant to Resolution No. W-3254 which authorized an offset rate increase. GOWC's current rate of return on rate base is about 8.3%. This is well below the 11% to 12% rates of return currently being realized for water companies comparable in size to GOWC. This offset increase will not result in an increase of GOWC's rate of return.

GOWC has not applied for a general rate increase since it was certificated on December 20, 1959, by Decision No. 59173 and is still on a minimum charge rate schedule. In theory, the minimum charge rate schedule is designed to allow a utility to recover its fixed costs of providing service as well as the cost of a minimum amount of water. Water used above the minimum is charged through declining blocks. GOWC's minimum amount of water is 500 cubic feet. GOWC's rate structure is not in line with the Commission's current policy on rate

design. However, GWC is not requesting a rate structure change and the Water Utilities Branch (Branch) believes that any modification of the rate structure should be addressed in a general rate proceeding where all aspects of the cost of service are reviewed.

Since the increase is primarily caused by changes in the cost of groundwater and in the purchased power and ground water charges balancing accounts, all of which are related to water consumption, it is applied to the quantity blocks for metered customers. The rates for all quantities of water over the minimum charge were increased by \$0.031/Ccf.

The Branch has reviewed the latest pump efficiency tests and found them satisfactory.

GWC has given public notice of the request for increase by publishing in the local newspaper on June 9, 1986. No customer protests or correspondence have been received.

Service is satisfactory. There are no Commission orders requiring system improvement, nor are there significant service problems requiring corrective action.

The table below shows typical bills for residential customers at various usage levels at present and proposed rates:

General Metered Service (5/8 x 3/4-inch meters)

<u>Monthly Usage</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
500 cu.ft.	\$ 3.23	\$ 3.23	0.00%
1,000	6.87	7.03	2.33
2,000	14.15	14.62	3.32
3,000	21.43	22.20	3.59
4,000	27.61	28.69	3.91
5,000	33.79	35.18	4.11

After investigation by the Branch, the Commission finds that the requested rate increase is reasonable, and to the extent provided by the following resolution is justified. GWC is directed to maintain its balancing accounts as required by Public Utilities Code Section 792.5.

THE COMMISSION FINDS that the increased rates hereby authorized are justified and that the present rates are for the future, unjust and unreasonable.

IT IS RESOLVED that Great Oaks Water Company is authorized, on the effective date herein, to make effective revised Schedule No. 1 attached to Advice Letter No. 118 and to cancel the presently effective rate schedule for water service.

This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 16, 1986. The following Commissioners approved it:

DONALD VIAL
President
VICTOR CALVO
FRISCILLA C GREW
FREDERICK R. DUDA
Commissioners



VICTOR R. WEISSER
Executive Director