

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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 to Executive Director

RESOLUTION NO. W-3335

EVALUATION & COMPLIANCE DIVISION
 BRANCH/SECTION: Water Utilities
 DATE: August 18, 1986

Director
 Numerical File
 Alphabetical File
 Accounting Officer

R E S O L U T I O N

CAMP MEEKER WATER SYSTEM, INC. (CMWS). ORDER
 AUTHORIZING AN OFFSET RATE INCREASE PRODUCING
 \$8,200 OR 17.3% ADDITIONAL ANNUAL REVENUE.

By Advice Letter No. 19, filed August 6, 1986, CMWS requests authority under Section VI of General Order 96-A, and Section 454 of the Public Utilities Code to increase rates to offset: (1) a \$1,000 increase in purchased power costs; (2) a \$4,500 increase due to additional water testing to comply with California Department of Health Services (DHS) requirements; (3) \$1,240 in increased labor and related payroll taxes; and (4) \$1,460 in liability insurance increases. CMWS serves 360 flat rate customers in the unincorporated area known as Camp Meeker and vicinity, Sonoma County.

The present rates became effective on October 1, 1985 pursuant to Decision No. (D.) 84-09-093 which authorized a general rate increase. In D.84-09-093, the Commission found rates of return on rate base of 11.25% for 1984, 11.25% for 1985, and 11.25% for 1986 reasonable. This offset increase will not result in a rate of return greater than last authorized.

All connections on the system are served under the Annual Residential Flat Rate Schedule. All rates will increase by 17.3%. For the average flat rate customer, the rate will increase by \$1.87 per month.

In D.84-09-093 the Commission set forth four ordering paragraphs aimed at improving various aspects of CMWS's service. CMWS was ordered to bury distribution mains which were exposed; to establish a schedule for periodically flushing distribution mains to purge them of accumulated sedimentation; to continue a moratorium on new connections to the system while its existing water supplies and distribution system remain inadequate; and not to file otherwise authorized tariff increases until the DHS certified that CMWS was fulfilling water testing requirements. Those ordering paragraphs notwithstanding, the Commission in D.84-09-093 found CMWS's level of water service adequate.

D.84-09-093 discussed the issue of anticipated higher expenses due to additional DHS-required testing and related activity, but observed that

recognizing these items would cause CMWS's revenue increase to exceed the levels given in the public notice. The Commission, therefore, specifically left them "...for possible offset advice letter treatment if they qualify under G.O. 96-A after one year of experience of increased costs..."

Without a full service investigation, which would be beyond the scope of an offset filing such as this, the Branch cannot with confidence state that CMWS has or has not complied with the service improvement orders in D.84-09-093. CMWS has submitted evidence that it has made substantial expenditures aimed at satisfying DHS water testing requirements as ordered by the Commission. The Branch observes, however, that this offset request is strictly to reimburse CMWS on a dollar-for-dollar basis for expense increases over which it has no control. Indeed, the major portion of this request was specifically deferred by the Commission to such offset treatment in the last general rate decision. The company has informed the Branch that it intends to file for a general rate increase in the near future. The Branch therefore recommends that any issues of compliance be handled in the next general rate proceeding.

A notice of the proposed increase was mailed to each customer on July 21, 1986. Eleven customer protests have been received. Among the eleven protest letters were nine mentioning the rates as being too high, four mentioning poor service, and four alleging that the current annual flat rate tariffs are inequitable to part-time residents.

The Water Utilities Branch (Branch) has sent letters to all customers who protested, explaining that offset increases are intended to compensate the company on a dollar-for-dollar basis for cost increases over which it has no control. The Branch's letters also cited the fact that CMWS is under Commission order to improve its service.

Additionally, the Branch's letter explained that a large portion of the costs of providing water service do not vary with the amount of water used. Thus, even though many customers do not use water year-round, the costs of maintaining the system ready to serve accrue regardless, and the rates must take this into consideration. If the company were to install meters, the costs of purchasing, installing, maintaining and reading those meters would have to be passed on to customers as overall higher rates.

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

<u>Annual Residential Flat Rate Service</u>			
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
<u>Single Family Residential Unit</u>	\$129.25	\$151.65	17.3%
<u>Additional Units</u>	98.75	115.85	17.3

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. CWS is directed to initiate 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 Camp Meeker Water System, Inc. is authorized, on the effective date herein, to make effective revised Schedules Nos. 1 and 2AR attached to Advice Letter No. 19 and concurrently to cancel the presently effective rate schedules 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 August 18, 1986. The following Commissioners approved it:

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C. GREW
FREDERICK R. DUDA
STANLEY W. HULETT
Commissioners



VICTOR R. WEISSER
Executive Director