

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

W-4

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RESOLUTION NO. W-3351

EVALUATION & COMPLIANCE DIVISION
BRANCH/SECTION: Water Utilities
DATE: March 6, 1987

____ Director
____ Numerical File
____ Alphabetical File
____ Accounting Officer

R E S O L U T I O N

LAKE FOREST WATER COMPANY (LFWC). ORDER AUTHORIZING AN OFFSET RATE INCREASE PRODUCING \$5,956 OR 24.8% ADDITIONAL ANNUAL REVENUE FOR ONE YEAR AND A 4.1% REVENUE REFUND OR \$984.

By Advice Letter No. 22, filed February 19, 1987, LFWC requests authority under Section VI of General Order 96-A, and Section 454 of the Public Utilities Code to increase rates to offset a \$5,956 increase resulting from the additional cost of \$33,801 for the installation of a storage tank and related facilities. Ordering Paragraph 3 of Resolution W-3276, dated August 21, 1985 authorized the filing of this advice letter for the water system improvements so long as the project was processed in accordance with the Commission's Service Improvement Policy for Water Utilities (SIP). This policy requires a utility to inform its customers about the need for large scale improvements and their impact on rates, and if necessary, to hold a public meeting at which time the improvements are discussed. If the customer consensus is a desire to retain a lower quality (but not unsafe) service rather than pay for improvements, the policy does allow this.

LFWC serves about 130 flat rate customers and one metered customer in a small community located approximately two miles northeast of Tahoe City, Placer County.

The present rates became effective on August 21, 1985 pursuant to Resolution W-3276 in which the Commission found the rate of return on rate base of 11.0% for 1985 reasonable. This offset increase will not result in a rate of return greater than last authorized.

The system improvements include the installation of a 100,000 gallon water storage tank, its associated piping, and the property upon which the tank sits.

Prior to the system improvements, LFWC's source of water supply was from a spring which was located at the upper end of the service area. At that time, the gravity flow from this spring coupled with two tanks with combined storage capacity of 20,000 gallons was sufficient to provide adequate service (meeting

the system's peak demands and fire flow requirements). In early 1985, however, the California Department of Health Services ordered LFWC to cease use of its spring water due to contamination. This forced LFWC to pump its water from Lake Tahoe, the only practical alternative available to the utility. Because it is not economical to pump water at the same flow rate as the spring, it was necessary for LFWC to install 100,000 gallons of additional storage to maintain adequate service.

In conformance with SIP, LFWC on February 11, 1986 notified each customer by mail of \$24,000 in anticipated plant additions (system improvements) which would more than double rate base. The notice identified the intended improvements, the problems to be solved, the estimated total cost, the effect on customer rates, and the likely result if improvements were not made. No letters of comment were received. This notice, however, indicated that the improvements would result in an increase in rates of approximately 18.7%. The actual costs exceeded the original estimated costs requiring an offset rate increase of 24.8% instead of 18.7%. Therefore, a second notice of the proposed increase was mailed to each customer on January 21, 1987 informing them of the higher (24.8%) request. No letters of comment were received.

It has been recently brought to the attention of the Water Utilities Branch (Branch) by way of a customer complaint that LFWC, which bills twice a year, incorrectly billed its customers for the first half of 1987 by charging rates which are higher than those presently in effect. Discussions with the owner of LFWC indicate that all customers were overbilled at the level sought in this increase request. This is an obvious violation of Section 454 of the Public Utilities Code which states in effect that no utility shall raise its rates without Commission approval. The Commission's Consumer Affairs Branch (CAB) responded to the customer complaint by informing LFWC, in a letter dated January 23, 1987, to stop charging unapproved rates and to refund any overcharges. In a letter dated January 26, 1987, CAB advised the complainant to pay LFWC the presently effective tariff rate. This has alleviated the overcharge problem for only one individual customer. The Branch believes it is necessary to insure that the overcharges to all customers are refunded.

To determine the overcharge, the Branch computed overcollection of revenues from January 1, 1987 to March 6, 1987, the effective date of this resolution. These overcharges amount to \$984 or approximately \$7.50 per customer. Since LFWC bills its customers semi-annually in December and June, overcharges for the period from January 1, 1987 to March 6, 1987 have already been collected. Therefore, the Branch recommends that the next semi-annual billing in June for the July 1, 1987 to December 31, 1987 period be adjusted to reflect the unauthorized overcharge LFWC collected from January 1, 1987 to March 6, 1987. The Branch's recommended lower rates for this period and rates after January 1, 1988 are shown in Appendix A attached to this resolution.

Consistent with past Commission policy for offsets, the percentage increase to flat and metered rate customers is about the same percentage as the overall increase or 24.8%. For the average flat rate residential customer, the rate will increase by \$3.00 per month. LFWC has no residential customers on metered rates.

An increase caused by an addition to plant, which is fixed and not related to water consumption, would ordinarily be applied solely to the service charge

portion of a metered rate schedule. However, there has been little experience with LFWC's metered rate schedule because all the customers, with the exception of a restaurant, are on the flat rate schedule. It is the Branch's view that attempts to apply the usual rate-making treatment should occur only after more experience is gained with this rate schedule. Therefore, the Branch recommends a more cautious approach which calls for the increase to be spread evenly between the service charge and the quantity rates.

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

Residential Flat Rate Service

	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
For each single unit of residential occupancy.....	\$146	\$182	24.66%
For each additional unit of residential occupancy on the same premises and served from the same connection.....	109	136	24.77

The Commission's opinion, after investigation by the Water Utilities Branch, is that:

- a. The requested rate increase is reasonable.
- b. LFWC has incorrectly overcharged its customers for the first half of 1987 and the rates authorized by this resolution should reflect a refund in the amount of the overcharge.


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 Lake Forest Water Company's Advice Letter No. 22 is rejected and that authority is granted under Section 454 of the Public Utilities Code for Lake Forest Water Company to file an advice letter incorporating the revised rate schedules attached to this resolution as Appendix A and concurrently to cancel the presently effective rate Schedules Nos. 1A and 2A.

This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on March 6, 1987. The following Commissioners approved it:

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
Commissioners


VICTOR R. WEISSER
Executive Director

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated area known as Lake Forest Unit No. 1, and vicinity, located adjacent to Highway No. 28 and approximately 2 miles northeast of the community of Tahoe City, Placer County.

RATES

Monthly Quantity Rates:	PER SERVICE CONNECTION EFFECTIVE		
	<u>3/6/87-</u> <u>6/30/87</u>	<u>7/1/87-</u> <u>12/31/87</u>	<u>1/1/88</u> <u>Per Year</u>
First 300 cu.ft., per 100 cu.ft..	\$.77	\$.77	\$.77 (I)
Over 300 cu.ft., per 100 cu.ft..	1.14	1.14	1.14 (I)
Annual Service Charges:			
For 5/8 x 3/4-inch meter.....	30.75	45.95	97.00 (I)
For 3/4-inch meter.....	33.95	50.70	107.00
For 1-inch meter.....	46.30	69.15	146.00
For 1-1/2-inch meter.....	61.85	92.35	195.00
For 2-inch meter.....	83.10	124.10	262.00
For 3-inch meter.....	154.45	230.70	487.00
For 4-inch meter.....	209.60	313.15	661.00 (I)

Schedule No. 2A

ANNUAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service billed on a semi-annual basis (6 months).

TERRITORY

The unincorporated area known as Lake Forest Unit No. 1, and vicinity, adjacent to State Highway 28 and approximately 2 miles northeast of the community of Tahoe City, Placer County.

RATES

	PER SERVICE CONNECTION EFFECTIVE			
	3/6/81- 6/30/81	7/1/81- 12/31/81	1/1/83 Per Year	
1. For each single unit of residential residential occupancy	\$57.70	\$ 86.20	\$182.00	(I)
(a) For each additional unit of resident occupancy on the same premises and served from the same connection...	43.15	64.40	136.00	
2. For motels or recreational vehicle parks First or Manager's Unit.....	57.70	86.20	182.00	
(a) For each additional motel or vehicle unit on the same premises and served from the same connection.....	21.90	32.70	69.00	
3. Single unit commercial units having minimum fixtures described as one hosebib or stand-pipe.....	43.15	64.40	136.00	
4. Double commercial units with less than 1500 sq.ft. having minimum fixtures in each unit.....	86.25	128.85	272.00	(I)

Appendix A
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Schedule No. 2A

ANNUAL FLAT RATE SERVICE (Contd)

<u>RATES</u>	<u>PER SERVICE CONNECTION EFFECTIVE</u>		
	<u>3/6/87- 6/30/87</u>	<u>7/1/87- 12/31/87</u>	<u>1/1/88 Per Year</u>
5. Intermediate commercial less than 2000 sq. ft., 1" service lines, additional fixtures than minimum, additional uses such as landscaping, power/steam wash, or one living accommodation unit.....	\$101.80	\$152.05	\$321.00 (I)
6. Commercial warehouse buildings with office facilities, separate bays, less than 2000 sq.ft.....	101.80	152.05	321.00
7. Commercial warehouse buildings with office facilities, separate bays, more than 2000 sq.ft.....	143.65	214.60	453.00
8. Utility maintenance station, large commercial with one living accommodation, parks, beaches.....	143.65	214.60	453.00
(a) Each additional living unit.....	42.50	63.50	134.00 (I)