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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3354
March 25, 1987

R E S O L U T I O N

SOUTHERN CALIFORNIA WATER COMPANY, POMONA VALLEY
DISTRICT (SOCAL). ORDER AUTHORIZING AN OFFSET
RATE INCREASE PRODUCING \$1,087,800 OR 27.7%
ADDITIONAL ANNUAL REVENUE.

By Advice Letter (A.L.) 754-W, filed January 9, 1987, SoCal requests authority pursuant to Ordering Paragraph 4 of Decision (D.) 86-10-025 (Application (A.) 85-09-051, filed September 24, 1987) to increase rates when the construction of the Miramar Treatment Plant is completed and it is placed in service. On February 20, 1987, this plant was officially placed in service. A.L. 754-W requests authority to increase rates by \$1,087,800 or 27.7% over present rates. There are approximately 9,500 metered customers in the cities of Claremont, Montclair, Pomona, Upland and adjacent territory in Los Angeles and San Bernardino Counties.

The last general rate increase became effective on October 1, 1986 pursuant to D.86-10-025 in which the Commission found the rates of return on rate base of 11.16% for 1986, 11.22% for 1987, and 11.30% for 1988 reasonable, with a 13.50% return on equity. This offset increase will not result in a rate of return greater than last authorized.

On January 21, 1981, the Commission rendered D.92605 (A.59594, filed January 21, 1981) which authorized SoCal to increase its rates for water service in the Pomona Valley District. As discussed in that decision, an issue raised during the proceedings was concern of the League of Women Voters (League) "...about the possibility of SoCal becoming a participant in a contemplated capital improvement project [Miramar Treatment Plant] to provide more water for the Pomona Valley Municipal Water District [PV]... which might involve financial commitments affecting the District's [SoCal's] rate payers". SoCal responded by agreeing "...to make either a long-term commitment or a financial commitment to PV the subject of an application to permit a separate evaluation of these issues".

On September 28, 1984, SoCal filed A.84-09-076 (as amended October 11, 1984) to seek authority to enter into contracts with the Three Valleys Municipal Water District (TVMWD) to lease capacity in the Miramar Plant for water supply in its Pomona Valley District. TVMWD is the successor to the Pomona Valley

Municipal Water District. The Commission rendered D.84-10-061 on October 17, 1984 granting SoCal authority to execute the agreements sought in A.84-09-076. In arriving at this decision, the Commission found that the treatment plant is required to provide adequate, safe, and healthy drinking water to SoCal's customers. It should also be noted that D.84-10-061 referred to correspondence from the League indicating support for A.84-09-076.

SoCal filed A.85-09-051 for a general rate increase. Part of the reason for the request was the participation of SoCal with TVM&D and other agencies in the construction of the Miramar Plant. As part of the evaluation of A.85-09-051, the Water Utilities Branch (Branch), made a field investigation and conducted an informal public meeting on November 5, 1985. SoCal mailed a notice of the meeting to all its customers and included in that notice comments regarding the impact of the then under construction treatment plant.

The Commission held formal hearings in January and February 1986 on A.85-09-051. There was no opposition to the need for the treatment plant, the method of financing the plant (through bonds arranged by TVM&D), or the recommendation by the Branch that authorization to increase rates be contingent on the plant being placed in service. D.86-10-025 resulted from A.85-09-051.

An increase caused by the addition of 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, SoCal's existing rate schedules conform to the Commission's rate design policy for water utilities established in D.86-05-064 which calls for fewer rate blocks, the elimination of lifeline, and service charges which recover up to 50% of fixed costs. Since the current recovery from service charges is already approximately 50%, the Branch's recommended rate design spreads the revenue increase between the quantity and service charges so that this 50% recovery is maintained.

Subsequent to filing A.L. 754-W, SoCal mailed a notice to its customers on January 21, 1987 describing the requested increase in rates due to including the Miramar Treatment Plant in rate base. As a result of these notices, as of February 25, 1987, the Branch has received 205 letters protesting the 27.7% increase. These letters did not address service. After its investigation, the Branch concludes that service is satisfactory. In addition, there are no Commission orders requiring system improvements.

The Branch recognizes that the increase requested by SoCal is significant and appreciates the concern expressed in the letters. However, the Commission in three separate proceedings, which resulted in D.92605, D.85-10-061, and D.86-10-025, has given SoCal the authority to go ahead with its participation in the Miramar Treatment Plant. With this in mind, the Branch drafted a letter of reply to the customers who wrote to the Commission about this increase. It explains the Commission's action and will be mailed after this resolution is signed. The draft letter is attached as Appendix A.

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

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

Schedule PV-1 - Main Service Area

Monthly Usage	Present Rates	Proposed Rates	Percent Increase
300 cu.ft.	\$ 6.90	\$ 9.42	36.5%
1,000	12.26	16.10	31.3
2,000	19.92	25.65	28.7
3,000	27.58	35.20	27.6
4,000	35.24	44.75	27.0
5,000	42.90	54.30	26.6

Schedule PVC-1 - Area north of Thompson Creek and Padua Hills

Monthly Usage	Present Rates	Proposed Rates	Percent Increase
300 cu.ft.	\$ 7.29	\$ 9.79	34.3%
1,000	13.56	17.34	27.9
2,000	22.52	28.13	24.9
3,000	31.48	38.92	23.6
4,000	40.44	49.71	22.9
5,000	49.40	60.50	22.5

After investigation by the Branch, the Commission finds that the requested rate increase to compensate SoCal for its share of the construction cost of the Miramar Treatment Plant is reasonable and to the extent provided by the following resolution is justified.

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 Southern California Water Company is authorized, on the effective date herein, to make effective revised Schedule Nos. PV-1, PVC-1, PVH-3M, PVP-3M and PV-7ML attached to Advice Letter No. 754-W and 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 March 25, 1987. The following Commissioners approved it:

Commissioner John B. Ohanian,
present but not participating.

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



VICTOR R. WEISSER
Executive Director

APPENDIX A

TO CUSTOMERS WHO HAVE WRITTEN TO THE COMMISSION REGARDING THE REQUEST FOR A RATE INCREASE BY SOUTHERN CALIFORNIA WATER COMPANY IN ITS POMONA VALLEY DISTRICT.

Dear Customer:

On January 21, 1987, Southern California Water Company (SoCal) notified its customers by mail that it was requesting authority from the Public Utilities Commission to raise its rates for water service in its Pomona Valley District by an average of 27.7% or \$1,087,800 in 1987. Customers were invited to write to the Commission if they had comments on SoCal's proposed increase. The Commission subsequently received 205 letters protesting the magnitude of the proposed increase.

After considering all the facts, the Commission has authorized an increase in gross annual revenues of \$1,087,800 for 1987. For the typical customer using 2,000 cubic feet per month this will mean an increase in the monthly bill from \$19.92 to \$25.65 in 1987. Your increase will vary depending on your water usage. To help you understand the Commission decision in this matter some background is needed.

On January 21, 1981, the Commission rendered Decision (D.) 92605 in Application (A.) 59594, filed April 9, 1980, which authorized SoCal to increase its rates for water service in the Pomona Valley District. As discussed in the decision, an issue raised during the proceedings was concern of the League of Women Voters "...about the possibility of SoCal becoming a participant in a contemplated capital improvement project to provide more water for the Pomona Valley Municipal Water District (PV)... which might involve financial commitments affecting the District's rate payers". SoCal responded by agreeing "...to make either a long-term commitment or a financial commitment to PV the subject of an application to permit a separate evaluation of these issues".

On September 28, 1984, SoCal filed A.84-09-076 to seek authority to enter into contracts with Three Valleys Municipal Water District (Three Valleys) to lease capacity at the Miramar Treatment Plant for water supply in its Pomona Valley District. The Commission rendered D.84-10-061 on October 17, 1984 granting SoCal authority to execute the agreements sought in A.84-09-076.

In September of 1985 SoCal filed A.85-09-051 for a general rate increase. Part of the reason for the request was the participation by SoCal with Three Valleys and other agencies in the construction of the Miramar Treatment Plant. As part of the evaluation of the application, Commission staff made a field investigation and conducted an informal public meeting on November 5, 1985. SoCal mailed a notice of the meeting to all its customers and included in that notice comments regarding the impact on rates of the then under construction

treatment plant.

The Commission held formal hearings in January and February 1986 on A.85-09-051. There was no opposition to the need for the treatment plant, the method of financing the plant (through bonds arranged by Three Valleys), or the recommendation by the staff that authorization to increase rates be contingent on completion of the plant. There were no objections to this treatment of the capital cost at either the public meeting or at the formal hearings.

The Commission in Ordering Paragraph 4 of D.86-10-025 in A.85-09-051 stated:

"Southern California Water Company is authorized to file an advice letter with appropriate work papers [documentation] requesting a rate increase when the construction of the Miramar Treatment Plant is completed and is placed in service. The requested rate increase shall be reviewed and approved by the Commission prior to becoming effective."

Based on the review of its staff and its prior decisions in this matter, the Commission granted the utility its request.

In establishing rates, the Commission's role is twofold. Rates must be kept as low as possible and, at the same time, be sufficient to cover operating expenses and provide a fair return on the utility's investment in its water system. You may be assured that the utility's request was thoroughly reviewed and evaluated by the Commission before this increase was granted.

We appreciate that you took the time to provide your opinions on the proposed rate increase. If you have any additional questions, please contact Don McCrea of our staff at (415) 557-0560.

Very truly yours,

WESLEY FRANKLIN, Chief
Water Utilities Branch