

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3371
Date: October 16, 1987

R E S O L U T I O N

(RES. W-3371), SUBURBAN WATER SYSTEM (SWS), WHITTIER DISTRICT. ORDER AUTHORIZING AN OFFSET RATE INCREASE PRODUCING \$402,880 OR 8.0% ADDITIONAL ANNUAL REVENUE.

By Advice Letter (A.L.) No. 181, filed September 16, 1987, SWS requests authority under Section VI of General Order 96-A, and Section 454 of the Public Utilities Code to increase rates by \$402,880 or 8.0% to recover the costs of plant investment associated with the first phase of the Bartolo Transmission Line Rehabilitation Project approved by the Commission in Decision (D.) 87-05-026, dated May 13, 1987. The Bartolo Line is a 7-mile transmission main extending from SWS's well field at the Whittier Narrows Dam through the City of Whittier, to the distribution system and storage reservoir on Whittier Boulevard. SWS serves about 17,050 metered customers in the city of Whittier and vicinity, Los Angeles and Orange Counties.

The present rates became effective on November 5, 1986 pursuant to Resolution W-3343 which authorized an offset rate increase. The last general rate increase became effective on June 6, 1984 pursuant to D.84-06-095 in which the Commission found the rates of return on rate base of 12.64% for 1984, 12.78% for 1985, and 12.81% for 1986 reasonable, with a 14.25% return on equity. This offset increase will not result in a rate of return greater than last authorized.

A. L. 181 was filed pursuant to Ordering Paragraphs 2 and 3 of D.87-05-026 which state:

"2. Suburban [SWS] is authorized to recover the costs associated with the company's investment in the Bartolo transmission line project through increased rates by means of a rate base offset advice letter filing each year, commencing upon completion of the first year's increment of the project and ending upon completion of the entire project. Such offset filing would be separate from and independent of any general rate increase applications which might be filed for the Whittier District by Suburban during this period.

3. Suburban shall file annual advice letters requesting rate increases with supporting work papers listing the itemized capital costs and expenses disbursed, showing calculations on revenue requirements, and containing a proposed rate design that complies with the Commission's rate design policy as specified in Decision 86-05-064 dated May 28, 1986. Such filing shall be made in May of each year, based on the actual expenditures on the project during the winter

construction period of November through March immediately preceding."

Order 3 above states that the filing should be made in May of each year and assumes that the project will be worked on immediately preceding the winter construction period from November through March. SWS filed A. L. 181 in August for three reasons: 1) the initial construction phase for the project was planned to be the winter period of 1986-87, with an advice letter filing in May 1987 but had to be postponed because D.87-05-026 was not rendered until May 1987, 2) to minimize the construction costs by avoiding expensive rebidding that would be required if the initial phase of the project were rescheduled to the winter of 1987-88, and 3) to keep overall project costs as low as possible by avoiding a delay at the start which would be reflected in each succeeding phase due to future inflationary pressures. Given the health issues involved in this important project, the Water Utilities Branch (Branch) believes that SWS's decision to go forward is reasonable and in the best long-run interests of the ratepayers.

The Bartolo Line is 80 years old and for most of its 7-mile length it operates under gravity flow. The rehabilitation of the Bartolo Line is necessary to bring it into conformance with the minimum pressure requirement of the California Department of Health Services. The minimum pressure requirement of 5 pounds per square inch is set forth in Title 22 of the California Administrative Code pertaining to Environmental Health. (The Commission's General Order 103, Rules Governing Water Service, does not address this problem because it does not deal with the pressure in transmission mains, rather it deals with the pressure at the customer's service connection.) Pressurization is necessary to prevent extraneous material from entering and contaminating the potable water carried in the line.

By A. L. 181, SWS is seeking recovery of the costs for the initial phase of the rehabilitation, which consists of the installation of approximately 7,056 feet of 30-inch water main commencing at the intersection of Whittier Boulevard and Gunn Road in the City of Whittier and running west along Second Street and terminating near the intersection of College and Russell Streets. SWS's investment in this phase of the project is \$1,535,685. The associated costs to be recovered in rates is \$402,880 which represents an 8.0% increase in annual revenues. The Branch has reviewed the record of expenditures and performed a field inspection of the project, and believes that SWS's request detailed in A. L. 181 is reasonable. Also, the Branch is pleased to report that according to SWS, the major earthquake on October 1, 1987, which caused significant damage to structures in Whittier and vicinity, caused no damage to the Bartolo Line.

With the exception of the health-related problems with the Bartolo Line, service is satisfactory. There are no other Commission orders requiring system improvement, nor are there other significant service problems requiring corrective action.

SWS has given public notice of the request for increase by publishing in the Whittier Daily News on September 22, 1987. No customer protests or correspondence have been received.

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, SWS'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 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.

Under the Branch's recommended rate design, general metered service rates would increase by \$0.043/Ccf for all quantity blocks. For the typical residential customer, the service charge would increase by \$0.82 per month.

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

Suburban Water Systems
Tariff Area No. 1

<u>General Metered Service (5/8 x 3/4-inch meters)</u>			
<u>Monthly Usage</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
300 cu.ft.	\$ 8.78	\$ 9.72	10.71
1,000	13.94	15.18	8.90
2,000	21.31	22.98	7.84
3,000	28.68	30.78	7.32
4,000	36.05	38.58	7.02
5,000	43.42	46.38	6.82

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.

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 Suburban Water Systems is authorized, on the effective date herein, to make effective revised Schedule No. WH-1 attached to Advice Letter No. 181 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 October 16, 1987. The following Commissioners approved it:

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



VICTOR R. WEISSER
Executive Director

Commissioner John B. Ohanian, being necessarily absent, did not participate.