

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3376
November 25, 1987

R E S O L U T I O N

(W-3376) SOUTHERN CALIFORNIA WATER COMPANY (SCWC),
BAY DISTRICT. ORDER AUTHORIZING AN OFFSET RATE
INCREASE PRODUCING \$197,215 OR 25.8% ADDITIONAL
ANNUAL REVENUE.

By Advice Letter (A.L.) No. 760-W, filed September 25, 1987, SCWC requests authority under Section VI of General Order 96-A, and Section 454 of the Public Utilities Code to increase rates in its Bay District to offset: (1) a \$773 increase in purchased power costs, (2) a \$183,150 increase in purchased water costs, and (3) a \$13,292 increase to amortize the undercollections in the purchased water and purchased power balancing accounts. SCWC serves about 3,900 metered customers in its Bay District, which is located within portions of the city of Pittsburg and vicinity, Contra Costa County.

The present rates became effective on April 22, 1987 pursuant to Decision (D.) 87-04-069 in which the Commission found the rates of return on rate base of 11.09% for 1987, 11.12% for 1988, and 11.06% for 1989 reasonable, with a 12.75% return on equity.

SCWC purchases its power from the Pacific Gas and Electric Company and its water from the Contra Costa Water District (CCWD). The offset increase requested herein is for the purpose of recovering in rates, on a dollar-for-dollar basis, increases in these water-supply-related items that have occurred since SCWC's present rates have been in effect. This offset is relatively large (25.8%) and results mostly from a 230% increase in CCWD's purchased water rates. (CCWD's increased rates are related to a well-publicized major system improvement plan.)

Service is satisfactory. With the exception of new water treatment facilities authorized in D.87-04-069 and placed into service in June 1987, there are no Commission orders requiring system improvement, nor are there significant service problems requiring corrective action.

While there is no formal Commission policy or rule on the type of notice to be used in offset filings for water utilities, it has been a long standing practice to require a water utility to mail individual customer notices when the increase request is greater than 10%, and for requests of 10% or less to allow the utility the option of mailing individual customer notices and/or publishing a notice in the local newspaper. In keeping with this practice, SCWC has given public notice of the request for increase by mailing a notice to individual customers on October 16, 1987. Three letters protesting the magnitude of the increase and the quality of water were received. The Branch has sent letters to these customers explaining that the offset increase is to recover, on a dollar-for-dollar basis, with no profit for SCWC, increased water

supply costs over which the utility has no control. The Branch's letter also explained that new water treatment facilities were placed into service in June 1987 and that water quality has been improved. It is the Branch's view that the relative lack of protest to this large offset request is due to most customers already being aware from the massive publicity campaigns in the local newspapers and public hearings that CCWD's rates were being raised dramatically.

Since the requested increase is caused by changes in expenses directly related to water consumption, the Water Utilities Branch (Branch) recommends that it be applied to the quantity rates. Under the Branch's recommendation, the rates for all quantities of water delivered would be increased by \$0.2248 per Ccf. (One Ccf is equal to one-hundred cubic-feet.) In addition, the Branch recommends, in accordance with the Commission's balancing account policy for water utilities, that the undercollections in SCWC's purchased power and water balancing accounts be amortized over a 12-month period by adding a surcharge of \$0.0162 per Ccf.

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

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

<u>Monthly Usage</u>	<u>Present Rates</u>	<u>Branch Recommended Rates</u>	<u>Percent Increase</u>
300 cu.ft.	\$ 5.76	\$ 6.43	11.6%
1,000	10.56	12.81	21.3
2,000	17.42	21.91	25.8
3,000	24.28	31.02	27.8
4,000	31.14	40.13	28.9
5,000	38.00	49.24	29.6

Pursuant to D.87-04-069, SCWC is authorized to file for a step rate decrease to be effective no earlier than January 1, 1988. In order to minimize the number of rate fluctuations, the Branch recommends that SCWC be authorized to make effective the revised rates proposed in A.L. 760-W at the same time its 1988 step rate decrease is made effective.

Pursuant to Public Utilities Code Section 792.5, SCWC is directed to maintain its water supply balancing accounts.

THE COMMISSION FINDS, after investigation by the Branch, that the rates hereby authorized are justified.

IT IS ORDERED that Southern California Water Company is authorized, to make effective revised Schedule No. BY-1 attached to Advice Letter No. 760-W and to cancel the presently effective rate schedule for water service at the time its 1988 step rate decrease is made effective.

This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on November 25, 1987. The following Commissioners approved it:

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



VICTOR R. WEISSER
Executive Director