

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3377
November 25, 1987

R E S O L U T I O N

(W-3377) AZUSA VALLEY WATER COMPANY (AVWC).
ORDER AUTHORIZING AN OFFSET RATE INCREASE
PRODUCING \$142,200 OR 5.98% ADDITIONAL
ANNUAL REVENUE.

By Advice Letter (A.L.) 41, filed October 9, 1987, AVWC 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 \$140,000 increase to recover the cost of purchasing additional water from the Metropolitan Water District of Southern California (MWD) and (2) \$2,200 in related increases in uncollectibles and franchise requirements. AVWC serves about 14,200 metered customers in the cities of Azusa, Covina and vicinity, Los Angeles County.

The present rates became effective on February 3, 1987 pursuant to Decision (D.) 87-01-060 in which the Commission found the rates of return on rate base of 12.14% for 1987, 12.16% for 1988, and 12.16% for 1989 reasonable, with a 13.00% return on equity. This offset increase will not result in a rate of return greater than last authorized.

In normal times, AVWC relies primarily on San Gabriel River water (surface source) and groundwater in the Main San Gabriel Basin. Due to below normal rain and snowfall, AVWC has been forced to reduce its reliance on surface water by 12%. Currently, AVWC does not have adequate well capacity to pump more groundwater to offset the loss of surface water production. As a result, AVWC purchased additional water from MWD. The additional water purchased was 2,312 acre-feet as compared with the 1,250 acre-feet authorized in D.87-01-060. (One acre-foot is equal to the amount of water covering an area of one acre to a depth of one foot.)

AVWC is well aware of its water supply problems and is currently constructing a high production well which is scheduled to be in service in December 1987. This well will cut reliance on future MWD purchases. The Water Utilities Branch (Branch) believes that the purchase of MWD water to keep service at normal levels until more supplies could be developed and the addition of the new well are prudent actions on the part of AVWC, and demonstrate that the utility is working in the best interests of its ratepayers under circumstances (weather) over which it has no control. The Branch also notes that until rain and snowfall return to normal, AVWC will have to continue to reduce its reliance on its major source of supply, the San Gabriel River which in normal times accounts for over 66% of its water supply.

Since the requested increase is caused by purchases of water directly related to water consumption, the 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 \$0.031 per Ccf. (One Ccf is equal to one-hundred cubic-feet.)

AVWC has given public notice of the request for increase by mailing a notice to individual customers on October 15, 1987. No customer protests or correspondence have been received.

As mentioned previously, the Branch believes that AVWC has taken appropriate steps to maintain adequate service in the face of weather related water supply shortages. There are no Commission orders requiring system improvement. With the exception of the water supply problems mentioned herein, there are no other significant service problems requiring corrective action.

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

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

<u>Monthly Usage</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
300 cu.ft.	\$ 4.05	\$ 4.14	2.22%
1,000	6.95	7.26	4.46
2,000	11.10	11.72	5.58
3,000	15.25	16.18	6.10
4,000	19.40	20.64	6.39
5,000	23.55	25.10	6.58

Pursuant to D.87-01-060, AVWC is authorized to file for a step rate increase to be effective no earlier than January 1, 1988. In order to minimize the number of rate increases, the Branch recommends that AVWC be authorized to make effective the revised rates it proposes in A.L. 41 at the same time its 1988 step rate increase is made effective.

Pursuant to Public Utilities Code Section 792.5, AVWC is directed to maintain its purchased water balancing account.

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

IT IS ORDERED that Azusa Valley Water Company is authorized, to make effective revised Schedule No. 1 attached to Advice Letter No. 41 and to cancel the presently effective rate schedule for water service at the time its 1988 step rate increase 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