

W-1

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3401  
June 17, 1988

RESOLUTION

(RES. W-3401), SUBURBAN WATER SYSTEMS (SWS), WHITTIER DISTRICT. ORDER AUTHORIZING AN OFFSET RATE INCREASE PRODUCING \$233,102 OR 4.3% ADDITIONAL ANNUAL REVENUE.

By Advice Letter (A.L.) No. 186, filed May 2, 1988, SWS requests authority under Section VI of General Order 96-A, and Section 454 of the Public Utilities Code to increase rates by \$233,102 or 4.3% to recover the costs of plant investment associated with the second 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 17,085 metered customers in the city of Whittier and vicinity, Los Angeles and Orange Counties.

The present rates became effective on October 16, 1987 pursuant to Resolution W-3371 which authorized an offset rate increase to recover costs associated with the first phase of the Bartolo Project. The last general rate increase for Whittier District became effective on June 6, 1984 pursuant to D.84-06-095 in which the Commission found 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. By D.87-01-059 effective January 28, 1987 for SWS's San Jose District, the Commission found a rate of return of 11.31% reasonable for SWS for 1987, 1988 and 1989 based on a 12.75% return on equity. This offset is based on the 11.31% rate of return most recently authorized for SWS and will not result in a rate of return greater than last authorized.

A. L. 186 was filed pursuant to Ordering Paragraphs 2 and 3 of D.87-05-026 which state:

"2. Suburban 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 during the preceding winter construction period from November through March. The calculations utilized in this filing are consistent with those used in the filing of Phase I which has already been approved.

The Bartolo Line is 80 years old and for most of its 7-mile length operates under gravity flow. 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 five 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 Including Minimum Standards for Design and Construction," does not address 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 potable water carried in the line.

By A.L. 186 SWS seeks recovery of the costs for the second phase of the rehabilitation. This second phase includes installation of 1,160 feet of 30-inch ductile iron pipe main replacement commencing from Beverly Boulevard and Palm Avenue, running southeasterly to Westmont Street and Monte Vista Avenue, and 1,400 feet of 30-inch ductile iron pipe running easterly on Russell Street from Painter Avenue to College Avenue. In addition, 4,280 feet of 28-inch polyethylene liner pipe was installed commencing from Westmont Street and Monte Vista Avenue, running southerly to Hoover Street and Camilla Avenue. The Water Branch has reviewed the record of expenditures of the project and performed a field inspection, and believes that SWS's request detailed in A.L. 186 is reasonable.

With the exception of the health-related problems with the Bartolo Line, service is satisfactory. There are no other Commission orders requiring system improvement, and no other significant service problems requiring corrective action.

SWS has a variety of programs designed to promote water conservation, including monthly reminders in water bills, a quarterly newsletter insert, free leak detection service, free customer conservation kits, a wide variety of conservation literature, community conservation presentations and an emergency conservation plan. It has ample backup supplies and expects to suffer no shortages even if the current drought should continue into next year.

SWS has given public notice of the request for increase by publishing in the Whittier Daily News on May 6, 1988. 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 already 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%, SWS's rate design spreads the revenue increase between the quantity and service charges so that this 50% recovery is maintained.

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

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.	\$ 9.72	\$10.27	5.66%
1,000	15.18	15.91	4.81
2,000	22.98	23.96	4.26
3,000	30.78	32.01	4.00
4,000	38.58	40.06	3.84
5,000	46.38	48.11	3.73

Under A. L. 186's rate design, general metered service rates would increase by \$0.025 per one hundred cubic feet for all quantity blocks. For the typical residential customer, the service charge would increase by \$0.47 per month.

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 requested rate increase is justified and the resulting rates hereby authorized are reasonable.

IT IS ORDERED that Suburban Water Systems is authorized, on the effective date herein, to make effective revised Schedule No. WH-1 attached to Advice Letter No. 186 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 June 17, 1988. 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