

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3460  
August 3, 1989R E S O L U T I O N(RES. W-3460) LUCCHESI WATER COMPANY, (LWC). ORDER  
AUTHORIZING A MEMORANDUM ACCOUNT FOR PURCHASED WATER.

By telephone on July 20, 1989, LWC informed the Water Utilities Branch (Branch) that all of its wells had gone dry and it was purchasing emergency water at higher rates from the City of Napa in order to fulfill its obligation to supply water to its customers. LWC provides service to about 57 metered customers in Napa County.

The present rates became effective October 1, 1977 pursuant to Resolution W-2254, dated September 27, 1977 in which the Commission last authorized a rate of return of 7.0 %.

LWC's source of water used to be from three wells. According to LWC, all three wells have experienced consistently lower water tables since the early 1960's. One of the wells was taken out of service a number of years ago due to low production; the second well was also found to be low-producing shortly after it was put in service; the third well was recently abandoned due to several pump replacements, low-production, and increasingly higher bacterial levels (poor quality water).

Due to the above mentioned well production problems, increasingly higher bacterial levels in the water pumped, and lack of additional utility-owned water sources, LWC is now purchasing water from the City of Napa (City) at a charge of \$1.41 per 1,000 gallons.

LWC is expected to purchase approximately 4.8 million gallons of water per year from the City costing \$6,768 per year. Because the well pumps will no longer be in use, the purchased power cost will be reduced by \$939 per year, which is the power costs that would have been necessary to operate the pumps. The net effect is an additional cost of \$5,829 per year. This is a tremendous increase for a small water utility whose total revenues for 1988 were only \$4,801.83.

LWC is currently negotiating with the City of Napa to sell the water system. The owner of LWC estimates that the City of Napa will acquire the system by the end of September 1989. He also

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indicated that the system was in need of repairs, and he was not in a position to operate a water system due to his advanced age.

LWC has informed the Branch that without the rate relief, it would not have sufficient funds to pay the City for the purchased water. If relief is not granted, the water may be shut off, thus resulting in complete outage for the entire system.

The Branch has arranged with the City to extend credit to LWC until rate relief can be secured from the Commission. At the same time, LWC has agreed to make partial payments to the City until an emergency offset rate increase is authorized by the Commission. The Branch plans to place the emergency rate relief request resolution before the Commission on its September 7, 1989 meeting. However, in the meantime, LWC is seeking Commission approval to establish a memorandum account for tracking the purchased water expenses.

Although this matter did not appear on the Commission's public agenda, a sufficient emergency exists in that the continuance of water service to customers is in question, which justifies our action today under the emergency authority set forth in Public Utilities Code Section 306 (b).

The Branch recommends that LWC be allowed to establish a memorandum account.

FINDINGS

1. LWC should establish a memorandum account to keep track of the expenses associated with purchased water.

IT IS ORDERED that:

1. Lucchesi Water Company is directed to establish a memorandum account for purchased water expenses.
2. This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 3, 1989. The following Commissioners approved it:

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners



VICTOR R. WEISSER  
Executive Director