

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3463
September 7, 1989

R E S O L U T I O N

(RES. W-3463) LUCHESI WATER COMPANY, (LWC). ORDER
AUTHORIZING AN OFFSET RATE INCREASE PRODUCING \$5,829
OR 132.1% ADDITIONAL ANNUAL REVENUE.

By Advice Letter No. 16, filed August 8, 1989, LWC 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 \$7,785 increase in purchased water costs, and (2) a \$1,956 decrease in purchased power costs. LWC provides service to about 57 metered customers in Baur Tract, and vicinity, 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%. This offset increase will not result in a rate of return greater than last authorized.

LWC's source of water was three wells. According to LWC, all three wells have experienced consistently lowered 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; and the third well was recently abandoned due to several pump replacements, low-production, and increasing bacterial levels (poor quality).

Due to the above mentioned well production problems, LWC is now purchasing water from the City of Napa (City) at a rate of \$1.41 per 1,000 gallons. LWC is expected to purchase approximately 4.8 million gallons of water per year from City costing \$7,785 per year. Because the well pumps will no longer be in use, the purchased power cost is expected to be reduced by \$1,956 per year, which is the power cost that would have been necessary to operate the abandoned well pumps. The net effect is an additional cost of \$5,829 per year.

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 1989. He also indicated that the system was in need of repairs, and he was not in a position to operate the water system due to his advanced age.

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

relief is not granted, the water may be turned off, resulting in complete outage for the entire system.

Since the increase is caused primarily by change in the cost of purchased water which is directly related to water consumption, it is applied to the quantity block. No rate changes are proposed for service charge because these charges are related to availability rather than the use of water.

LWC has given public notice of this increase request by distributing notices to all customers on August 8, 1989. No customer protests or correspondence have been received.

Service is satisfactory. There are no Commission orders requiring system improvements, nor are there significant service problems requiring corrective action except as mentioned above.

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

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

<u>Monthly Usage</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
0 gallons	\$ 2.40	\$ 2.40	0%
1,000	2.55	4.20	64
4,000	3.00	9.60	220
7,000 (Average)	6.45	15.00	132
10,000	9.90	20.40	106
15,000	16.80	29.40	75
20,000	22.55	38.40	70

In February, 1982 the Commission adopted a policy of capping small water company rate increases at 100% per year. The revenues deferred by capping are made up, with interest, through rates approved for the subsequent year. Rates are lowered to their final level in the third year when all deferred revenues and interest have been recovered. A rate increase greater than 100% in the first year is permitted when necessary to eliminate a negative rate of return or out-of-pocket losses.

The Branch's proposal deviates from this capping policy by recommending the full increase be granted now. The Branch believes that imposing two rate increases and then a decrease would result in substantial out-of-pocket expenses for LWC and would not ultimately be in the best interest of the customers, especially since the continuance of service is in question. Also, due to the pending negotiations between LWC and City, it would be in the best interest to all parties concerned if the offset rate increase was to occur in one step.

After investigation by the Water Utilities Branch, the Commission finds that the requested rate increase hereby authorized is justified, and that the resulting rates are reasonable. LWC is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.

IT IS ORDERED that Luochesi Water Company is authorized, on the effective date herein, to make effective revised Schedule No. 1 attached to Advice Letter No. 16 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 September 7, 1989. The following Commissioners approved it:

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

Wesley Franklin
WESLEY FRANKLIN
Acting Executive Director