

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3474
November 22, 1989

RESOLUTION

(RES. W-3474) SAN JOSE WATER CO.; CALIFORNIA WATER SERVICE CO. (BEAR GULCH, LOS ALTOS, SALINAS, SOUTH SAN FRANCISCO, SAN CARLOS, SAN MATEO, AND STOCKTON DISTRICTS); MOUNT CHARLIE WATER WORKS, INC.; IDYLWILD WATER SYSTEM; BIG BASIN WATER COMPANY, INC.; BIG BASIN SANITATION COMPANY; ALCO WATER SERVICE; NORMCO WATER CO.; TORO WATER SERVICE, INC.; CITIZENS UTILITIES COMPANY OF CALIFORNIA - FELTON DISTRICT; MAR VISTA WATER COMPANY, INC.
ORDER AUTHORIZING THE ESTABLISHMENT OF A MEMORANDUM ACCOUNT TO RECORD EXPENSES INCURRED AS A RESULT OF THE OCTOBER 17, 1989 EARTHQUAKE.

Following the major earthquake which struck Northern California on October 17, 1989, the Water Utilities Branch (Branch) contacted water utilities in the affected areas to ascertain the extent of any damage to the utility's facilities and time required for repairs.

The Branch compiled the preliminary information about earthquake damage and then followed up with field investigations to the affected utilities. Many of the utilities sustained damage ranging from minor damage to leaks and service outages to extensive damage.

Expenses have been and will continue to be incurred by these utilities for repair of the damaged facilities. The total extent of the damages and related costs are unknown. There may be other damages which will not become apparent until the utilities return to normal operations or which may occur as a result of the continuing aftershocks. Because of the immediate need by utilities to effect repairs, they have incurred costs for materials, supplies and payroll including overtime.

Some utilities, notably San Jose Water Company (SJW) and California Water Service Company (CWS), have requested the establishment of a memorandum account to record the costs associated with the damage due to the earthquake. Due to the extent of the damage and number of affected utilities it is appropriate for the Commission to consider the establishment of memoranda accounts in a generic manner and avoid the necessity for each utility to file independently and at differing times. Accordingly the Commission staff contacted affected utilities and asked if they wanted authority to establish a memorandum account to record earthquake-related expenses. The utilities listed in the title of this resolution (the affected utilities) have requested authority to establish a memorandum account.

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SJW and CWS requested that they be allowed to collect all of the money expended in repairs since the earthquake. However, this resolution can only authorize utilities to record those expenses that occur after its effective date. To allow utilities to collect expenses incurred from the time of the earthquake until the effective date of this resolution would constitute retroactive ratemaking.

The recording of these expenses into the memorandum account does not constitute a prejudgment of the appropriateness of recovery of any expense included in the memorandum account. The purpose of authorizing this memorandum account is to insure that affected utilities are not precluded from recovering these extraordinary expenses incurred as a result of the earthquake.

The balance in the memorandum account may be recovered in rates, after Commission review of the recorded balance. In a future proceeding or general rate case, the staff will review the expenses and balance in the account and make a recommendation to the Commission about the amount in each account to be included in rates.

Because rates are not affected by the creation of a memorandum account and parties will have an opportunity to review these costs in the future, it is appropriate to authorize the establishment of a memorandum account to record expenses associated with the earthquake.

This matter did not appear on the Commission's public agenda, however the earthquake created an unforeseen emergency which meets the criteria of Commission Rule 81.5 and Public Utilities Code Section 306(b). Because the affected utilities are already incurring expenses to recover from the earthquake, this resolution should be effective immediately.

FINDINGS:

1. A major earthquake struck Northern California on October 17, 1989.
2. Many utilities have incurred and will continue to incur significant costs related to repairs of damaged utility facilities.
3. SJW and CWS have requested the establishment of a memorandum account to record expenses associated with the earthquake of October 17, 1989.
4. Other affected utilities should also be allowed to establish memoranda accounts to record expenses associated with the earthquake of October 17, 1989.

IT IS ORDERED that:

1. Affected water utilities are authorized to establish a memorandum account to record the expenses related to the earthquake of October 17, 1989 that occur after the effective date of this Resolution. These utilities shall send a letter notifying the Water Utilities Branch if they establish a memorandum account. These expenses shall be reviewed by the staff in a future rate proceeding and if found reasonable will be allowed to be recovered in rates.
2. No expenses incurred prior to the effective date of this resolution shall be recorded in the memorandum account.
3. This resolution is effective today.

I hereby certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on November 22, 1989. The following commissioners approved it:

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

Wesley Franklin

WESLEY FRANKLIN
Acting Executive Director