

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3482
January 24, 1990R E S O L U T I O N

(RES. W-3482) SOUTHERN CALIFORNIA WATER COMPANY
(SCWC), ARDEN CORDOVA DISTRICT. ORDER AUTHORIZING
AN OFFSET RATE INCREASE PRODUCING \$223,973 OR
13.49% ADDITIONAL ANNUAL REVENUE.

By Advice Letter (A.L.) 810-W, filed November 20, 1989, SCWC 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 \$57,356 increase in purchased power costs, (2) a \$95,875 increase in rates to recover the cost of the Coloma treatment plant expansion and allocation of general office computer, and (3) a \$70,742 increase due to an undercollection in the purchased power balancing accounts. SCWC serves about 1,040 metered and 10,300 flat-rate customers in the Arden Cordova District in the Arden system and the Cordova system in the County of Sacramento.

The present rates became effective on January 1, 1990 pursuant to the provisions of Decision (D.) 87-12-043 in which the Commission found the rates of return on rate base of 11.06% for 1988, 11.07% for 1989, and 11.09% for 1990 reasonable, with a 12.50% return on equity. This offset increase will not result in a rate of return greater than last authorized.

In D.87-12-043 SCWC was authorized to file an advice letter to recover the costs of the Coloma treatment plant expansion and the Arden-Cordova District's share of a mainframe computer replacement in SCWC's general office. The cost of the plant investment was \$544,632 and the resulting annual increase in revenues is \$95,875. The plant expansion was completed on September 15, 1989 and the Water Utilities Branch (Branch) staff made a field investigation to inspect it on November 13, 1989.

The requested increase is caused by changes in expenses related both to water consumption and rate base additions which are fixed costs. D.86-05-064 established rate design criteria which calls for fewer rate blocks and service charges to recover up to 50% of fixed costs. The current rate design recovers about 28% of the fixed costs, and this district is in the process of filing a general rate case. During the processing of the rate case the rate design will be changed to conform with the policy guidelines. The Branch recommends that the increase be separated and that portion related to consumption be applied to the quantity rates and the remaining portion related to the rate base be added to the service charge rates. Under the Branch's recommendation, the rates for all quantities of water delivered would be increased by \$ 0.0095 per Ccf. (One Ccf is equal to one hundred cubic-feet.) The service charges would be increased by an amount which maintains the current rate ratios among the various meter sizes. The

rates for the flat rate customers would be raised by an amount which maintains the current relationship between flat rate and metered customers.

In addition, in accordance with the Commission's balancing account policy for water utilities, the Branch recommends that the undercollection in the purchased power balancing accounts be amortized over a 24-month period by adding a surcharge of \$0.0117 per Ccf for metered customers and \$0.45 and \$0.90 per month for flat rate customers with single unit and duplexes, respectively.

To ensure that purchased power is being used economically, the Branch reviewed the latest pump efficiency tests and found them satisfactory.

SCWC has given public notice of the request for increase by mailing an individual notice to each customer on January 2, 1990. Eleven letters were received from customers protesting the increase. In addition, two letters requesting an explanation of the balancing account were received. There were no complaints about service or water quality. The Branch responded to all of the letters.

Service is satisfactory. There are no Commission orders requiring system improvement, nor are there significant service problems requiring corrective action.

SCWC has a company-wide conservation and water use education program. For this district, SCWC distributed water conservation kits and disseminated information on efficient water use. SCWC sent a letter to the district's large water users informing them of the need for water conservation.

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.	\$ 4.79	\$ 5.92	23.40%
500	5.19	6.33	21.89
1,000	6.18	7.35	18.97
2,000	8.16	9.41	15.26
3,000	10.14	11.46	12.99
5,000	14.10	15.56	10.37
10,000	24.00	25.83	7.61
13,784 (avg.)	31.49	33.59	6.67
20,000	43.80	46.35	5.82

Flat Rate Service

Single unit	8.80	9.70	10.23
Duplex	17.60	19.40	10.23
Each Add. unit	8.80	9.70	10.23

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. SCWC is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.

IT IS ORDERED that Southern California Water Company is authorized, on the effective date herein, to make effective revised Schedules No. AC-1 and AC-2 attached to Advice Letter No. 810-W and to cancel the presently effective rate schedules 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 January 24, 1990. 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