

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3494
May 4, 1990

R E S O L U T I O N

(RES. W-3494) DEL ESTE WATER COMPANY (DEW). ORDER
AUTHORIZING THE ESTABLISHMENT OF A MEMORANDUM
ACCOUNT TO RECORD EXPENSES INCURRED FOR TREATMENT OF
CONTAMINATED WELLS TO REMOVE DIBROMOCHLOROPROPANE.

By letter dated March 22, 1990, DEW requested authority to establish a memorandum account to record expenses incurred for water treatment. Certain wells exceed current maximum contaminant levels for dibromochloropropane (DBCP), a water pollutant. DEW serves approximately 18,000 customers in the cities of Modesto, Waterford, and Turlock, and unincorporated areas of Stanislaus County including Empire, Salida, Grayson, and Hickman.

On July 28, 1989, the State Department of Health Services (DHS) lowered the permitted maximum contaminant level of DBCP in drinking water from 1.0 parts per billion (ppb) to 0.2 ppb. DBCP is a soil fumigant that was used widely as a pesticide for control of plant worms until it was banned in 1979. It is known to have caused sterility in male workers involved in its manufacture. DBCP was also found to, possibly, cause cancer in humans.

DEW's only available source of supply is from its wells furnishing groundwater. DEW does not have adequate mains or storage for blending good quality water with contaminated water within its system.

In January 1990, DEW tested water from all of its wells and found that seven of its 23 wells, in independently operated water systems east, south and west of Modesto, did not meet the new standards. DEW also anticipates an eighth well will test positive for DBCP before the treatment facilities are installed. In order for DEW to continue to provide adequate service, it proposes to install activated carbon treatment on eight wells. However, DEW has reached the limits of its ability to borrow further money to install these plants. The only other alternative which DEW proposes to pursue is to have a third party install the water treatment facilities at eight of its contaminated well sites and lease them for approximately \$31,000 per month (\$372,000 per year). DEW will experience additional expenses of approximately \$85,000 per year for activated carbon utilized by the water treatment units. In addition, DEW will expend capital funds for engineering and embedded facilities to support the treatment units.

DEW plans to add more treatment facilities at other well sites, whenever the maximum DBCP level exceed 0.2 ppb. DHS has made carbon treatment a requirement for approving an amended permit to pump water from contaminated wells.

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This resolution would authorize DEW to record in a memorandum account the expenses associated with DBCP treatment facilities incurred after the effective date of this resolution. To allow DEW to collect expenses that it incurred prior to the effective date of this resolution would constitute retroactive ratemaking.

Once these costs have been ascertained, DEW proposes to file an application for the recovery of lease expense, and the amortization of the carbon and engineering costs over the appropriate time periods. The Branch concurs and recommends DEW be ordered to file such an application.

The recording of these expenses in a memorandum account does not constitute a prejudgment of the appropriateness of recovery of any expenses included in the memorandum account. The purpose of authorizing this memorandum account is to insure that DEW is not precluded from recovering extraordinary expenses incurred for DBCP treatment.

Because rates are unaffected by the creation of a memorandum account and parties will have an opportunity to review the recorded items in the future, it is appropriate to authorize the establishment of a memorandum account to record expenses associated with the necessary treatment of DBCP.

FINDINGS:

1. Water produced from DEW's seven groundwater wells failed to meet DHS standards for maximum allowable contaminant levels for DBCP.
2. In order to meet its obligation to provide uninterrupted water service, DEW proposes to install activated carbon treatment facilities for treatment of DBCP at well sites where DBCP contaminants exceed the maximum allowable level permitted by DHS.
3. DEW has requested the establishment of a memorandum account to record expenses and costs incurred for DBCP treatment of contaminated wells.
4. The estimated expense of leasing activated carbon treatment units is \$372,000 per year. Additional expense will incur for purchase of activated carbon.
5. DEW proposes to file an application for the recovery of lease expense and the amortization of carbon and engineering costs. DEW should be so ordered.

IT IS ORDERED that:

1. Del Este Water Company is authorized to establish a memorandum account to record the expenses related to treatment of water from groundwater wells that exceed the maximum levels of Dibromochloropropane as determined by the California Department of Health Services standards. The expenses to be included in this account are only those that are incurred after the effective date of this resolution.
2. Del Este Water Company shall notify the Water Utilities Branch by letter when it establishes such a memorandum account.

3. Del Este Water Company shall file an application for the recovery of lease expense, and the amortization of the carbon and engineering costs once these costs have been ascertained, but in no event later than six months after it begins recording such costs in the memorandum account authorized herein.

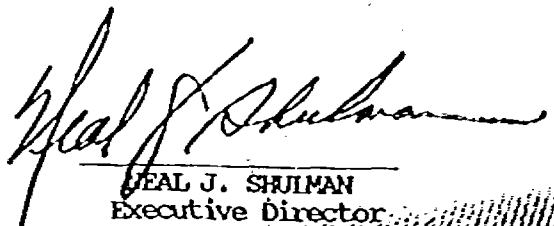
4. The expenses shall be reviewed by the staff in the proceeding ordered in Ordering Paragraph 3, and to the extent found reasonable by the Commission, may be allowed to be recovered in rates.

5. No expenses incurred prior to the effective date of this resolution shall be recorded in the memorandum account.

6. This resolution is effective today.

I hereby certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 4, 1990. The following commissioners approved it:

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


NEAL J. SHULMAN
Executive Director