

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3497
May 22, 1990R E S O L U T I O N

(RES. W-3497) SANTA PAULA WATER WORKS, LTD. (SPWW).
ORDER AUTHORIZING THE ESTABLISHMENT OF A MEMORANDUM
ACCOUNT TO RECORD EXPENSES INCURRED FOR TREATMENT OF
CONTAMINATED WELLS TO DECREASE LEVELS OF MANGANESE.

By letter dated April 25, 1990, SPWW requested authority to establish a memorandum account to record expenses incurred for water treatment. Certain wells exceed current maximum contaminant levels for manganese, a water pollutant. SPWW serves about 6,619 customers, as of December 31, 1989, in the City of Santa Paula and vicinity, Ventura County.

Subsequent to the issuance of its last General Rate Case Decision, and possibly as a result of low ground water levels due to the drought, SPWW experienced levels of manganese which exceeded the California Department of Health Services (DHS) maximum contaminant level (MCL) standards in three of its wells. (The MCL for manganese has not changed.) To address the problem, SPWW began in July 1989 to treat the water from these wells with a sequestering agent, a chemical called AquaMag. DHS inspection in September 1989 noted a decrease in the level of manganese but warned SPWW that if the MCL is exceeded, SPWW would be required to provide facilities for manganese removal by filtration. The use of AquaMag is necessary to avoid the costly filtration facilities.

This resolution authorizes SPWW to record in a memorandum account the expenses associated with the AquaMag water treatment incurred after the effective date of this resolution. To allow SPWW to collect expenses that it incurred prior to the effective date of this resolution would constitute retroactive ratemaking.

The estimated costs of the AquaMag water treatment is \$54,700 annually. Once these costs have been verified, SPWW proposes to file an application for the recovery of the AquaMag water treatment. The Water Utilities Branch agrees that SPWW should file such an application.

Authorization to record 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 SPWW is not precluded from recovering extraordinary expenses incurred for the AquaMag water treatment.

Because rates are unaffected by the creation of a memorandum account and parties will receive notice and have an opportunity to review the recorded items, if and when SPWW later files an application to include these expenses in future rates, public notice is not required.

FINDINGS:

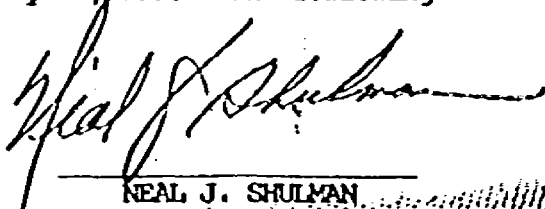
1. SPWW states that water produced from three of its groundwater wells failed to meet DHS standards for maximum allowable contaminant levels of manganese.
2. In order to meet its obligation to provide uninterrupted water service, SPWW has commenced the treatment of water from the three wells with a sequestering agent called AquaMag.
3. SPWW has requested the establishment of a memorandum account to record expenses and costs incurred associated with the AquaMag treatment of manganese contaminated wells.
4. The estimated expense for the AquaMag treatment on an annual basis is currently \$54,700.

IT IS ORDERED that:

1. Santa Paula Water Works, Ltd. 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 manganese 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. Santa Paula Water Works, Ltd. shall notify the Water Utilities Branch by letter when it establishes such a memorandum account.
3. Authorization to record water treatment expenses in a memorandum account shall not constitute a finding that the expenses are reasonable for the purpose of setting future rates. Santa Paula Water Works, Ltd. shall file an application if it wishes to recover those expenses in rates.
4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 22, 1990. The following commissioners approved it:

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


NEAL J. SHULMAN
Executive Director

Commissioner Frederick R. Duda,
being necessarily absent, did
not participate.