

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION NO. W-3506  
August 8, 1990

## R E S O L U T I O N

(RES. W-3506) FRUITRIDGE VISTA WATER COMPANY (FWW).  
ORDER AUTHORIZING THE ESTABLISHMENT OF A BALANCING  
ACCOUNT TO RECORD EXPENSES INCURRED FOR WATER  
TESTING.

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By letter dated May 22, 1990, FWW requested authority to establish a memorandum account to record expenses incurred for water testing. FWW serves approximately 4,500 customers in a 2-1/2 square mile area adjacent to the southern limits of the City of Sacramento, Sacramento County.

The present rates became effective November 3, 1989 pursuant to Resolution W-3470, which authorized a purchased power offset rate increase of \$42,665, or 5.9%. The last general rate increase became effective February 22, 1988, pursuant to Decision 88-02-010 which authorized an increase of \$92,600, or 15.98% for 1987, \$24,400 or 3.63% for 1988, and \$21,200 or 3.04% for 1989. The rates of return on rate base of 10.5% for 1987, 1988, and 1989 were found to be reasonable.

Recent changes in water quality standards brought about by the 1986 amendments to the Federal Safe Drinking Water Act of 1974 have led to increased water testing expenses. As a result of these regulations, the State Department of Health Services (DHS) is requiring water utilities to perform expensive tests for 83 additional contaminants for which new Maximum Contaminant Levels (MCLs) have been established. The testing cost of these contaminants is in addition to \$2,170 allowed in D.88-02-010 for normal bacteriological tests.

Since the costs associated with additional testing requirements are beyond the control of water utilities, the Commission normally authorizes offset rate relief for water testing expense increases. The Water Utilities Branch (Branch) recommends that FWW be authorized to establish and maintain a balancing account instead of the memorandum account requested by FWW. A balancing account will enable FWW to record the cost of laboratory tests and show the reasonableness of amounts exceeding the \$2,170 which was included in establishing the present rates. FWW would then expect to be able to recover this excess expense, which is beyond its control, in a future rate proceeding or by an offset advice letter filing.

This resolution would authorize FWW to record in a balancing account the expenses associated with extra water testing expense incurred after the effective date of this resolution only. To allow FWW to collect expenses that it incurred prior to the effective date of this resolution would constitute retroactive ratemaking.

The recording of these expenses in a balancing account does not constitute a prejudgment of the appropriateness of recovery of any specific expenses included in the balancing account. The purpose of authorizing this balancing account is to insure that FWV is not precluded from recovering extraordinary expenses incurred for extra water testing.

Branch considers the utility's water conservation program to be adequate.

Pursuant to Public Utilities Code Section 792.5, FWV should be authorized to establish and maintain a balancing account for water testing expenses.

FINDINGS

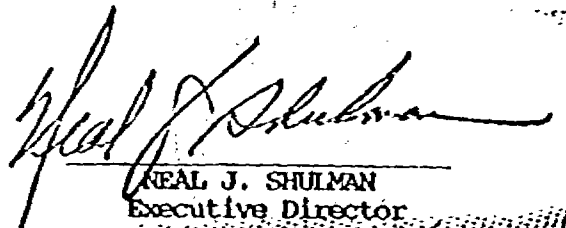
1. FWV is required by DHS to perform water quality tests for 83 additional contaminants.
2. FWV's present rates were set using an amount of \$2,170 for water testing expense.
3. FWV should be allowed to establish and maintain a balancing account to record expenses and costs incurred for water testing, and to recover, in the future, the reasonable level of such expenses in excess of those already included in its water rates.

IT IS ORDERED that:

1. Fruitridge Vista Water Company is authorized to establish and maintain a balancing account to record the expenses related to water testing required by the California Department of Health Services.
2. No expenses incurred prior to the effective date of this resolution shall be recorded in the balancing 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 August 8, 1990. The following commissioners approved it:

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

  
NEAL J. SHULMAN  
Executive Director