

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3515
September 12, 1990R E S O L U T I O N

(Res W-3515) IDYLWILD WATER SYSTEM (IWS). ORDER
AUTHORIZING AN OFFSET RATE INCREASE PRODUCING
\$9,845 OR 60.3% ADDITIONAL ANNUAL REVENUE.

By Advice Letter No. 5, filed August 7, 1990, IWS requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates to offset a \$9,845, or 60.3%, annual revenue requirement increase due to plant additions of \$58,700 and associated expenses. IWS serves approximately 48 metered customers located about three miles south of Los Gatos along State Highway 17 in Santa Clara County.

The present rates became effective on May 2, 1989 pursuant to Resolution No. W-3437 dated April 12, 1989 which granted a general rate increase of \$5,507 or 50.9%, and authorized IWS to file advice letters to begin recovering the reasonable costs associated with the installation of additional storage tanks and transmission mains. Resolution W-3437 did not establish an authorized rate of return for IWS because the general rate increase filing only requested rates to cover operating expenses. This offset will not result in a rate of return on rate base (plant additions installed after Resolution W-3437) greater than the 11.0% normally authorized by the Commission for 100% equity financed water companies.

After due notice, IWS held an emergency public meeting adjacent to its service area on November 10, 1989 to discuss capital expenditures necessary to perform extensive repairs to the water system damaged by the severe earthquake of October 17, 1989. The meeting was attended by approximately 50 people including three members of the Water Utilities Branch (Branch). At the meeting, the owner of IWS announced that: (1) all storage tanks were knocked down by the earthquake; (2) distribution water mains were leaking; and (3) all the customers were without water from October 17, 1989 to at least the date of the meeting. Almost all the customers present indicated their willingness to pay an additional amount of up to \$20.00 per customer per month to compensate the utility for funds needed to restore water service. After the meeting, at Branch's request, IWS distributed ballots to its customers regarding the proposed increase. Of the ballots returned, approximately 80% supported the need for plant investment and the related rate increase.

The Branch has verified that I&S has replaced three water tanks with a combined storage capacity of 90,000 gallons and rebuilt its water mains at a total cost of \$58,700. The revenue increase requested by Advice Letter No. 5 is to compensate for return, depreciation and income taxes on the new plant as anticipated by the Commission in Resolution W-3437.

I&S provided public notice of this requested increase by mail to all customers on August 17, 1990. The Branch has received one protest objecting to the increase. This protest involves a questionable fire flow connection. The Branch is working with I&S to resolve this problem.

In rate base offsets, where the cause of the change in rates is not related to consumption, the rate increase is usually placed in the service charge portion of the tariff. Doing so in this case would result in a very large increase to the service charge, but the Branch recommends doing so nevertheless because of this small company's very great need for revenue stability independent of water usage.

At I&S's proposed rates, the monthly bill for a typical metered residential customer using the system average of 8,800 gallons per month would increase from \$28.38 to \$45.38.

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

I&S's source of water from a local creek and its recently installed storage tanks provide adequate water for its customers. As required by Resolution W-3437, I&S filed Rule 14.1, Water Conservation/Rationing Plan. The Branch does not recommend that additional conservation measures be ordered at this time.

The table below shows typical bills for residential customers at various usage levels at present and proposed rates:

Residential Metered Service (5/8 x 3/4-inch meters)

<u>Monthly Usage, Gallons</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
0	\$15.00	\$32.00	\$17.00	113.3%
1000	\$16.52	\$33.52	\$17.00	102.9%
5000	\$22.60	\$39.60	\$17.00	75.2%
8800 (avg)	\$28.38	\$45.38	\$17.00	59.9%
10000	\$30.20	\$47.20	\$17.00	56.3%
30000	\$60.60	\$77.60	\$17.00	28.1%
50000	\$91.00	\$108.00	\$17.00	18.7%

After investigation by the Branch, the Commission finds that the requested rate increase is justified, and that the resulting rates are reasonable.

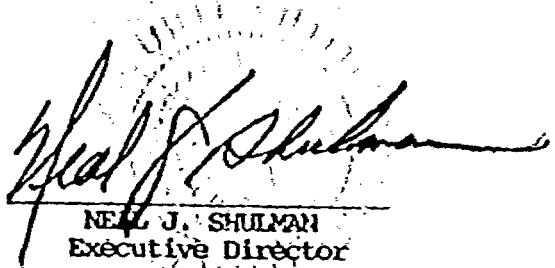
IT IS ORDERED that Idylwild Water System is authorized, on the effective date herein, to make effective revised Schedule No. 1 attached to Advice Letter No. 5 and to cancel the presently effective rate schedule for water service.

This resolution is effective today.

I hereby certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 12, 1990. The following commissioners approved it:

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

Commissioner John B. Ohanian,
being necessarily absent, did
not participate.



NEAL J. SHULMAN
Executive Director