

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities BranchRESOLUTION W-3519  
September 25, 1990

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

(RES. W-3519) GREAT OAKS WATER COMPANY (GOWC). ORDER  
AUTHORIZING A \$260,631 RATE SURCHARGE TO RECOVER  
REVENUES LOST DUE TO A MANDATORY RATIONING PROGRAM.

By Advice Letter No. 128 filed August 29, 1990, GOWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase water rates by implementing a water rate surcharge of \$0.146 per one-hundred-cubic-feet (Ccf) for a period of six months. This will allow GOWC to collect \$260,631 in additional revenue, which will yield the same net income as if the utility had achieved the level of sales adopted by the Commission and had not been subject to water rationing called for by the Santa Clara Valley Water District (SCVWD) during 1989. Authority to request such revenue recovery by advice letter was granted by the Commission in Decision (D.) 90-08-055, dated August 8, 1990 in Investigation (I.) 89-03-005. GOWC serves about 18,000 metered customers within the city of San Jose.

SCVWD is the water management agency for Santa Clara County's water supplies, including the Santa Teresa Aquifer from which GOWC pumps all of its water. In this capacity SCVWD receives, treats and distributes water from state and federal sources, manages the recharge of groundwater aquifers, and wholesales treated water to retail water purveyors within its jurisdiction.

As a result of drought conditions that began in 1987 SCVWD's Board of Directors, on March 20, 1989, declared that SCVWD water users would need to reduce water consumption by 25%. On March 8, 1989, GOWC filed Advice Letter No. 121 requesting authority to impose mandatory rationing on its customers. On the same date GOWC also filed Application (A.) 89-03-008 requesting a memorandum account to record the revenues lost due to drought-related consumption reduction. On April 26, 1989 the Commission by W-3444 authorized GOWC to establish mandatory rationing, and by D.89-04-075 authorized the establishment of a memorandum account to record the revenue lost less the avoided expense savings associated with that rationing. Rationing was ended by Resolution W-3473 on November 22, 1989.

D.89-04-075 also ordered that the determination of methodology for calculating revenue losses, terminating the account, adjusting the rates, and other issues raised in A.89-03-008 be consolidated with the Drought Investigation proceeding, I.89-03-005.

Because of GOWC's unique circumstance of having never filed for a general rate increase and consequently not having Commission adopted expenses for

ratemaking, in I.89-03-005 the Water Utilities Branch (Staff) and GOWC were ordered to jointly prepare a proposed worksheet for the calculation of lost revenues and avoided operating expenses resulting from mandatory reductions in water use. This worksheet was submitted by Staff as Exhibit 15 in that proceeding. Ordering Paragraph No. 3 in D.90-08-055 authorized GOWC to file advice letters to implement a water rate surcharge to recover revenue losses incurred due to mandatory rationing. The decision also provided that Staff's Exhibit 15 would be used for calculating GOWC's revenue losses.

GOWC lost \$155,750 in net operating income in 1989 as a result of rationing. In order to recoup this amount (after taxes) it needs \$260,631 in revenues. GOWC's unaudited 1989 figures show recorded net earnings of -\$46,899 for a -1.41% return on rate base. Reimbursing GOWC's lost revenues will produce net earnings of \$108,851 for a return of +3.27% on rate base.

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>
Up to 500 cu. ft	\$4.21	\$ 4.94	17.3%
1,000	9.13	10.59	16.0%
1,700 (average)	16.03	18.51	15.5%
2,000	18.98	21.90	15.4%
3,000	28.83	33.21	15.2%
4,000	37.58	43.42	15.5%
5,000	46.33	53.63	15.8%

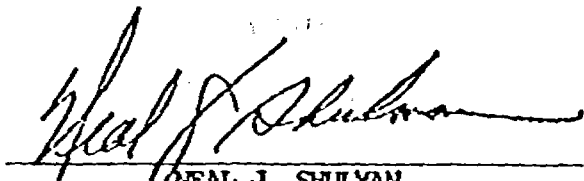
THE COMMISSION FINDS, after investigation by the Branch, that the six-month surcharge hereby authorized on water quantity rates is justified and the resulting rates are just and reasonable.

IT IS ORDERED that Great Oaks Water Company is authorized to make effective revised Schedule No. 1 attached to Advice Letter No. 128 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 25, 1990. The following Commissioners approved it:

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

  
 NEAL J. SHULYAN  
 Executive Director

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