

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3521  
September 25, 1990

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

(RES. W-3521) ARDEN WATER COMPANY (AWC). ORDER  
AUTHORIZING AN OFFSET RATE INCREASE PRODUCING  
47,700 OR 17.1% ADDITIONAL ANNUAL REVENUE

By Advice Letter (A.L.) 40, filed August 3, 1990, AWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates by \$47,700 to provide a return on \$226,425 in construction and other related costs of two new storage tanks, totaling 630,000 gallons. AWC serves 1,056 metered customers in the Wofford Heights area near Lake Isabella, Kern County.

The present rates became effective on January 1, 1990 pursuant to Resolution W-3432, dated February 24, 1989 which authorized a general rate increase of \$60,200 or 28.9% in 1989 and step increases in 1990 and 1991.

According to the Department of Health Services (DHS), AWC's water presently meets state quality standards. During the last two years, however, there have been a number of service outages, water samples that failed to meet health standards, and periods when iron and manganese concentrations were excessive. Because of these recurring outages and supply problems, DHS imposed a new connection moratorium on AWC on August 4, 1987, and on June 22, 1988 issued a citation stating the need for short term and long term improvements in AWC's supply and storage facilities. On September 2, 1988 DHS issued a follow-up compliance letter which directed AWC to deepen two existing wells, drill at least two new wells to produce no less than 175 gallons per minute, and install a minimum of 805,000 gallons of additional storage. A minimum of 100 gallons per minute of source capacity and 250,000 gallons of storage capacity are to be installed by May 31, 1989.

To provide the facilities required to satisfy the DHS citation and compliance letter, AWC estimated that it would need to make plant additions of approximately \$600,000 over the next three years. Most of the DHS-required additions were not included in the original draft advice letter increase request, so a second notice to AWC's customers was sent

on November 22, 1988, informing them of what was needed and that future offset rate increases might be required to fund the improvements. No letters of protest were received.

Resolution W-3432 authorized AWC to file advice letters to recover the reasonable costs of facilities required to comply with the Department of Health Services' water supply and storage requirements as expressed in its compliance letter of September 2, 1988. The advice letter filings were limited to one filing per year during calendar years 1989, 1990 and 1991, and were to recover only the costs of those improvements that were completed and in service at the time of filing. This is the first advice letter being filed for offsets per that resolution.

The present metered rate tariff consists of a service charge determined by the size of the meter plus a single quantity rate for all water delivered. By Decision No. 86-05-064, the Commission adopted a policy calling for recovery of up to 50% of a water utility's fixed costs through service charges. Since the cost of the improvements is an increase in rate base and represents a fixed cost not related to water consumption, AWC applied the rate increase to the service charge. With this increase, AWC's recovery of its fixed costs through service charges will be more than 50%, or approximately 63%. The Water Utilities Branch (Branch) recommends that the service charges filed by AWC be authorized at this time but when AWC files for its 1991 offset increase, it restore the relationship of service-charge revenue to fixed costs specified by Commission policy.

On December 5, 1988 the Branch conducted an informal public meeting attended by 27 customers. Most customers were not pleased with the prospect of having to pay higher rates, but appeared to appreciate the need for the improvements. A notice of this proposed offset rate increase was sent on August 3, 1990. One letter has been received objecting to the increase on the basis of it being a hardship on those on a fixed income. The Branch replied to this customer explaining the need for the increase.

A field inspection by the Branch indicates that AWC's overall service to customers is satisfactory and there are no significant service problems requiring corrective action. There also are no Commission orders requiring system improvement.

AWC has a conservation and water use education program and has distributed water conservation kits to its customers. The water levels in AWC's wells have remained fairly constant during the current drought. The Branch, therefore, does not recommend any additional conservation measures at this time.

The following table shows typical bills for residential customers at various levels of use at present and proposed rates:

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

<u>Monthly Use</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
0 cu.ft.	\$ 8.70	\$12.41	43%
300	12.42	16.13	30
500	14.90	18.61	25
1,000 (Average)	21.10	24.81	18
1,500	27.30	31.01	14
2,500	39.70	43.41	9
5,000	70.70	74.41	5

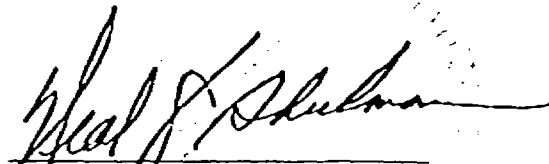
The above rates do not include the SDWA Surcharge shown separately on customer bills.

After investigation by the Branch, the Commission finds that the requested rate increase is justified, and the resulting rates are reasonable. AWC is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.

IT IS ORDERED that Arden Water Company is authorized, on the effective date herein, to make effective revised Schedule No. 1, Metered Service, attached to Advice Letter No. 40 and to cancel the presently effective rate schedule for water service.

This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on September 25, 1990. The following Commissioners approved it:

  
NEAL J. SHULMAN  
Executive Director