

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3523
October 12, 1990

R E S O L U T I O N

(RES. W-3523), SAN GABRIEL VALLEY WATER COMPANY (SGV),
FONTANA WATER COMPANY DIVISION. ORDER AUTHORIZING AN
OFFSET RATE INCREASE PRODUCING \$1,155,200 OR 20.9%
ADDITIONAL ANNUAL REVENUE.

By Advice Letter 252, filed August 14, 1990, SGV requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates to offset: (1) a \$853,400 increase in purchased water costs, (2) a \$44,000 increase in purchased power costs, (3) a \$238,700 increase due to an undercollection in the purchased water balancing account, and (4) \$19,100 in related increases in uncollectibles and franchise requirements. SGV serves about 27,200 metered customers in portions of Fontana, Rancho Ocamonga, Rialto, and vicinity, San Bernardino County.

The present rates became effective on January 1, 1987 pursuant to Decision 85-06-031 in which the Commission found the rates of return on rate base of 11.57% for 1985, 11.69% for 1986, and 12.30% for 1987 reasonable, with a 14.25% return on equity.

SGV purchases power from Southern California Edison Company and the rates were increased effective February 1, 1990. The Water Utilities Branch (Branch) reviewed the pump efficiencies and found them to be satisfactory.

SGV purchases water from the Fontana Union Water Company. On November 15, 1989, Fontana Union increased its basic water rate from \$0.075 per Miners-Inch Hour (MIH) to \$0.155 per MIH (a 107% increase) for all water purchases except where the source was from Chino Basin wells. For water from Fontana Union's Chino Basin wells SGV pays a rate of \$0.364 per MIH. This rate includes the replenishment fee and other charges applicable only to water taken from the Chino Basin. The net effect estimated through September 30, 1990 will be an overall increase to Fontana Water Company of 217% in purchased water costs.

SGV did not accept these increases as being proper and in December 1989, SGV filed a formal complaint (C.89-12-035) with the Commission alleging that, for numerous reasons, Fontana Union is in fact a public utility subject to the Commission's jurisdiction and therefore its increase of water rates and other actions are unlawful. On March 28, 1990, Fontana Union filed a Chapter 11 petition in the Federal Bankruptcy Court, thus suspending further proceedings on the complaint matter.

On May 22, 1990 the Commission issued its Order Instituting Investigation No. 90-05-034 to investigate the public utility status of Fontana Union and to investigate the jeopardy to the water supply of Fontana Water Company.

Through the month of March, SGV continued to make payments for water purchased at the 7.5¢ per MWH rate in spite of being billed at the new higher rates. On April 6, 1990, Federal Bankruptcy Court Judge Mitchell Goldberg ordered SGV to pay Fontana Union \$210,000 as an advance payment for water purchased from Fontana Union during the month of April. On May 3, 1990, Judge Goldberg ordered SGV to pay Fontana Union \$231,139, \$217,739, and \$252,739 as advance payments for water purchased from Fontana Union during the months of May, June, and July, respectively. On July 19, 1990, Judge Goldberg ordered SGV to continue paying Fontana Union at a rate not exceeding 15.5¢ per MWH.

However, because SGV's increased purchased water cost expenses actually payable to Fontana Union under court order are for the time being to be paid at the rate of 15.5¢ per MWH for all water purchased, and because the current payment arrangement will be extended until the underlying disputes are resolved, SGV estimates the annualized amount of such court ordered payments to be \$1,653,385, an increase of \$853,431 over the adopted 1986 test year expense of \$799,954. While these amounts are less than the amounts currently charged by Fontana Union, they are also more than the original, undisputed amounts. Both Fontana Union and SGV are contesting the amounts charged and there is no indication of how the court will ultimately rule. For that reason, the Commission will order that the increase be granted, subject to refund, if the final decision of the court is in SGV's favor. The Commission also recognizes that if the final decision of the court is in Fontana Union's favor, there will have to be another increase in rates to enable SGV to pay the additional amounts. Additional protection is provided to both SGV and its ratepayers by the fact that purchased water costs are captured in SGV's balancing account as required by Public Utilities Code Section 792.5.

In addition, SGV's annual purchased power expense from Southern California Edison Company has increased by \$44,000 annually over the decision-adopted rates. Based on these increases in purchased water and purchased power expenses, SGV would require an increase of \$0.119 per Ccf in its general metered rates.

The offset increase requested herein is for the purpose of recovering in rates, on a dollar-for-dollar basis, increases in these items that have occurred since the present rates became effective. The requested increase would not result in a rate of return greater than last authorized for SGV.

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

SGV has a variety of programs designed to promote water conservation including monthly reminders in water bills, leak detection service, free customer conservation pamphlets, free water conservation kits and a variety of conservation literature for presentation to schools and public information meetings. No other conservation measures should be ordered at this time.

SGV has given public notice of the request for increase by mailing to each customer a notice of the proposed increase. In response to the notice, the Branch received seven letters complaining about the increase. Of these, two

also complained about low pressure. SGV has been asked to respond to these two complaints. A public meeting was held on the evening of August 30, 1990 in the city of Fontana. About 20 customers attended. There were no comments regarding poor service or quality of water. All of the comments and questions relating to rates or Fontana Union's relationship with SGV were answered by representatives of SGV and the staff.

Since the requested increase is caused primarily by changes in expenses directly related to water consumption, the Branch recommends that it be applied to the quantity rates. Under the Branch's recommendation, the rate for all water delivered would be increased by \$0.119 per Ccf (one Ccf is equal to one hundred cubic feet.) The surcharge for the undercollection in the purchase water balancing account will be \$0.020 per Ccf over 36 months.

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>
300 cu.ft.	\$ 7.38	\$ 7.79	5.71%
1,000	11.59	12.98	12.0
2,000	17.61	20.39	15.7
2,300 (avg.)	19.42	22.62	16.5
3,000	23.63	27.80	17.6
4,000	29.65	35.21	18.7
5,000	35.67	42.62	19.5

Pursuant to Public Utilities Code Section 792.5, SGV is directed to maintain its balancing accounts.

FINDINGS

1. SGV's purchased water costs have been increased by Fontana Union Water Company.
2. There is pending Fontana Union's Chapter 11 petition in the Federal Bankruptcy Court.
3. There are pending Complaint (C.) 89-12-035 and Order Instituting Investigation (I.) 90-05-034 concerning Fontana Union's public utility status.
4. The increased rates currently being charged to SGV by Fontana Union were ordered by the bankruptcy court.
5. Pending resolution of the aforementioned proceedings, the rate increase hereby authorized is justified and the resulting rates are just and reasonable.

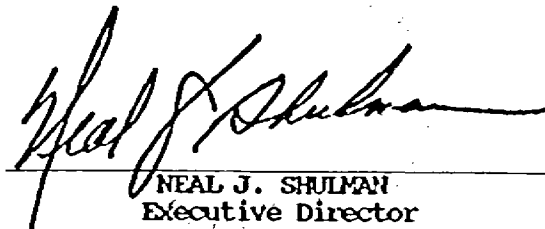
IT IS ORDERED THAT:

1. San Gabriel Valley Water Company is authorized to make effective revised Schedule No. FO-1 attached to Advice Letter No. 252 and to cancel the presently effective rate schedule for water service.
2. The rates authorized by this resolution are subject to refund pending final resolution of the proceedings concerning the bankruptcy and public utility status of Fontana Union Water Company.

This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 12, 1990. The following Commissioners approved it:

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


NEAL J. SHULMAN
Executive Director