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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3525  
October 12, 1990

R E S O L U T I O N

(RES. W-3525), CALIFORNIA-AMERICAN WATER COMPANY (CAL-AM),  
MONTEREY DISTRICT. ORDER AUTHORIZING A SURCHARGE RATE  
INCREASE PRODUCING \$2,550,367 OR 16.5% ADDITIONAL ANNUAL  
REVENUE.

By Advice Letter (AL) 355, filed August 22, 1990, Cal-Am requests authority to impose surcharges producing \$2,550,367 in additional revenue over a 12-month period. The surcharges would recover accrued revenue losses due to reduced sales and related changes in water production costs recorded in Cal-Am's water rationing memorandum account through August 8, 1990, as authorized by Decision (D.)90-08-055. Cal-Am serves about 35,070 metered customers in the cities of Monterey, Pacific Grove, Carmel-By-the-Sea, Del Rey Oaks, Sand City and portions of Seaside and in unincorporated areas known as Carmel Valley, Carmel Highlands, Pebble Beach, and Robles Del Rio, all within Monterey County.

The Monterey area has been especially hard hit by the effects of California's ongoing drought. As the largest water purveyor in the area, Cal-Am is subject to the jurisdiction of the Monterey Peninsula Water Management District which has broad statutory authority under the California Water Code, Appendix Section 118, to manage water supplies in the Monterey Peninsula area, including authority to establish water conservation and rationing within its boundaries.

On September 8, 1988 the District declared a water supply emergency and adopted a four-phase water rationing plan affecting water distribution systems within its jurisdiction. Effective January 1, 1989, the District enacted Phase III water rationing rules requiring a 20% reduction in overall use. On February 24, 1989, the Commission issued Resolution W-3431 allowing Cal-Am to revise its tariff rules to accommodate the District's rationing plan. Under rationing, the District, not Cal-Am, imposes penalties on end users for excess use.

On April 10, 1989, Cal-Am filed Application (A.)89-04-014 seeking authorization to increase its rates for water service to offset the loss of revenues caused by the District's mandatory rationing rules. The Commission issued an interim order, D.89-06-053, authorizing Cal-Am to establish a memorandum account to record the revenue effects of lost sales due to rationing, less the associated water production costs. The effective date of the decision was June 21, 1989.

Cal-Am's A.89-04-014 was subsequently consolidated with similar applications filed by other water utilities and the Commission's Order Instituting Investigation 89-03-005 into measures to mitigate the effects of the drought. On August 8, 1990, the Commission issued an interim opinion, D.90-08-055, which established a method to calculate the revenue loss reduced by savings in production costs, and authorized Cal-Am to file to recover that amount amortized over a 12-month period. Any over- or undercollection at the time the surcharge is terminated is to be shifted into the utility's regular expense balancing account. For Cal-Am, the amount to be recovered is from the period June 21, 1989, through August 8, 1990. The decision authorized utilities' memorandum accounts to remain open to track revenue losses due to reduced sales and related changes in water production costs after August 8, 1990, but deferred consideration of rate increases for those amounts pending filing and Commission approval of comprehensive water management plans.

As required by D.90-08-055, Cal-Am's AL 355 proposes the increase be in the form of surcharges on quantity rates. To maintain the current relationship between the blocks, the surcharge for the low usage block would be \$0.3973 per Ccf (one Ccf is equal to one hundred cubic feet.), the surcharge for the high usage block would be \$0.4966 per Ccf, and the surcharge for street sprinkling service would be \$0.4612 per Ccf.

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.	\$11.74	\$12.93	10.2%
1,000	21.83	26.00	19.2
1,600 (avg.)	31.64	38.79	22.6
2,000	38.18	47.32	23.9
3,000	54.53	68.64	25.9
4,000	70.88	89.95	26.9
5,000	87.23	111.27	27.6

Cal-Am sent individual notices of this increase request to each customer on August 31, 1990. The Branch has received one protest from the City Manager of the City of Seaside, and over two hundred additional protest letters from members of the public, many of those generated by a letter to the editor published in the local newspaper urging readers to write to the Commission. One letter was received in favor of the rate increase.

The majority of the public's letters objected to paying additional for water because they conserved, with some asking for hearings or public meetings in the Monterey area. The City of

Seaside letter pointed out that the Monterey Peninsula Water Management District recently increased its water surcharge to 8.125% on customers' bills, and that increase, coupled with Cal-Am's, will impose a hardship on customers. The City Manager's letter also implied that consideration should be given to dedicating at least a portion of the increase to solving the Monterey area's long-standing water supply problem.

To all members of the public who wrote, the Branch sent a response letter thanking them for their comments and explaining the purpose and impact of the proposed increase. In D.90-08-055 the Commission thoroughly examined the issue of whether Cal-Am should be authorized to recover its rationing-induced losses for the period in question, leaving open only the specific amount and rates to be addressed in this advice letter filing. None of the protests received took issue with those remaining items as presented by Cal-Am in AL 355.

The Water Utilities Branch has examined Cal-Am's filing and workpapers and agrees that the proposed surcharges are correct and consistent with the requirements of D.90-08-055.

THE COMMISSION FINDS, after investigation by the Branch, that the rate increase hereby authorized is justified and the resulting rates are just and reasonable.

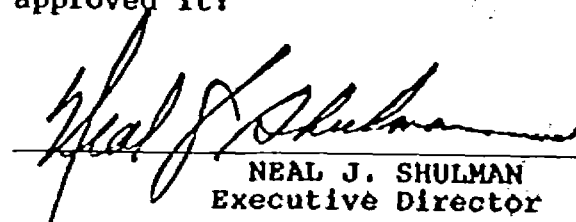
IT IS ORDERED that:

1. California-American Water Company is authorized to make effective revised Schedules MO-1 and MO-7 attached to Advice Letter 355 and to cancel the presently effective rate schedules for water service.
2. California-American Water Company shall file an advice letter to terminate the surcharge in less than twelve months should the amount collected equal or exceed the \$2,550,367 balance in the memorandum account as of August 8, 1990.
3. At the end of the twelve month period, California-American Water Company shall transfer any remaining over- or undercollection of the \$2,550,367 increase authorized herein to its regular expense balancing account.

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. CHAMMAN  
PATRICIA M. ECKERT  
Commissioners

  
NEAL J. SHULMAN  
Executive Director