

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

CA-22

Commission Advisory & Compliance Division  
Water Utilities Branch

RESOLUTION NO. W-3527  
November 9, 1990

R E S O L U T I O N

(RES. W-3527) CALIFORNIA-AMERICAN WATER COMPANY,  
(CAL-AM), RANCHO DEL MONTE AREA OF THE MONTEREY  
DISTRICT. ORDER AUTHORIZING AN OFFSET RATE INCREASE  
AND A SURCHARGE PRODUCING \$60,944 OR 63.9% ADDITIONAL  
ANNUAL REVENUE

By Advice Letter No. 357 filed September 6, 1990, Cal-Am requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates to offset a \$36,320 increase due to \$314,596 in plant improvements associated with the completion of Phase 1 and Phase 2 water system improvements approved by the Commission in Decision (D.) 89-04-045 dated April 12, 1990. Cal-Am serves about 439 customers in its Rancho del Monte service area, Monterey County.

In addition, Cal-Am requests authority to impose a surcharge providing \$24,624 in additional revenue over a 12-month period to recover 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 D.90-08-055.

The present rates in the Rancho del Monte area became effective on October 25, 1989 pursuant to D.89-04-045. For the remaining large portion of the Monterey district serving about 35,000 customers, the present rates became effective October 12, 1990 pursuant to Resolution No. W-3525 which authorized a surcharge for reduced sales.

D.89-04-045 authorized Cal-Am to acquire the Rancho del Monte service area from Water West Corporation. At that time, unaccounted for water loss in Rancho del Monte was running at 16.5% of total production. Finding of Fact 12 in D.90-04-045 noted that Cal-Am proposed to make system improvements in two phases to reduce water losses to 8% by 1990 as required by the Monterey Peninsula Water Management District.

Advice Letter 357 was filed pursuant to Ordering Paragraph 5 of D.89-04-045 which states:

"5. After the additions to plant set forth in Finding of Fact 12 are made, Cal-Am is authorized to file by advice letter proposed rate increases to offset the increases made to rate base; provided, however, that the rates proposed in the advice letter filings shall not exceed the rates in effect for Cal-Am's Monterey District at the time of filing."

The Water Utilities Branch's (Branch) review of records of expenditures and a field inspection of the plant additions installed indicate that Cal-Am has complied with all the requirements of Ordering Paragraph 5 of D.89-04-045 by

completing phases 1 and 2 of water system improvements at a cost of approximately \$314,600 and the water losses have dropped to about 8%. Cal-Am's investment of \$314,600 in plant additions would support a maximum rate increase of approximately \$53,075, which is higher than the requested increase of \$36,320. Therefore, the Branch recommends that the requested rate increase be authorized.

Recently, Resolution W-3525, dated October 12, 1990 authorized Cal-Am to institute a surcharge of \$2,550,367 or 16.5% for its 35,000 Monterey district customers. The customers in the Rancho del Monte service area were notified of the surcharge increase, thus the Branch concurs with Cal-Am that this surcharge should also apply to the customers of Rancho del Monte.

There is no need to continue a separate rate schedule for the Rancho del Monte service area as the proposed rates for this area would now be the same as those of the remainder of Cal-Am's Monterey District. The Branch concurs with Cal-Am's proposal to cancel Schedule No. 1-A for the Rancho del Monte area.

Cal-Am also proposes to cancel Schedule No. TR-1 entitled Tax Reform Act of 1988 Refund Surcredit. This surcredit, established by D.88-01-061, was for the purpose of refunding overcollections of federal and California state income taxes resulting from changes introduced by the Tax Reform Act of 1986. It was applied to all bills rendered after December 31, 1988 and was to be terminated when the next general rate increase adjustment became effective for a particular district. Since Cal-Am has subsequently received general rate increase adjustments for all of its districts, the Branch concurs with Cal-Am's proposal that there is no need to continue this rate schedule in Cal-Am's tariffs.

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

Cal-Am notified its customers of the proposed increase by mailing notices to each customer in the Rancho del Monte area on August 31, 1990, for the offset rate increase and the revenue loss surcharge. No protests or other customer correspondence were received.

By Resolution W-3431, dated February 24, 1989, Cal-Am was authorized to implement the Monterey Peninsula Water Management District's water rationing plan. This plan is quite restrictive. No additional water conservation measures should be ordered at this time.

The table below shows typical bills for residential customers in the Rancho del Monte area at various usage levels at present and at 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>Increase Amount</u>	<u>Increase Percentage</u>
0 cu.ft.	\$ 5.95	\$ 8.10	\$ 2.15	36.1%
300	9.07	13.91	4.84	53.3%
800	16.02	23.58	7.56	47.2%
1,000 (Average)	18.80	28.29	9.49	50.5%
2,000	32.70	51.80	19.10	58.4%
3,000	46.60	75.32	28.72	61.6%
5,000	74.40	122.35	47.95	64.4%

At the proposed rates, the monthly bill for the average metered customer using the system average of 1,000 cubic feet will increase from \$18.80 to \$28.29 per month or 50.5%.

THE COMMISSION FINDS, after investigation by the Branch, that the rates hereby authorized are justified.

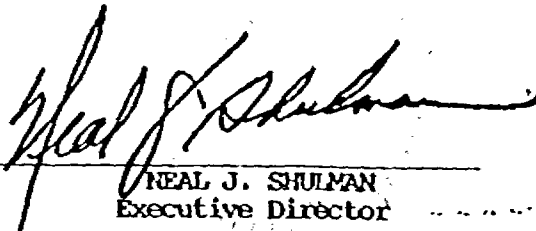
IT IS ORDERED that California-American Water Company is authorized, on the effective date herein, to make effective revised Schedules Nos. MD-1, MD-4, MD-4-H, MD-7, and the Table of Contents attached to Advice Letter No. 357 and to cancel the presently effective rates schedules Nos. MD-1A, MD-4A, MD-4A-H, MD-5A, and TRA-1.

This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on November 9, 1990. The following commissioners approved it:

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

Commissioner Stanley W. Hulett,  
being necessarily absent, did  
not participate.

  
NEAL J. SHULMAN  
Executive Director