

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3538
December 27, 1990

R E S O L U T I O N

(RES. W-3538), CALIFORNIA WATER SERVICE COMPANY
(CWS), SALINAS TARIFF AREA. ORDER AUTHORIZING AN
OFFSET RATE INCREASE PRODUCING \$84,906 OR 2.0%
ADDITIONAL ANNUAL REVENUE.

By Advice Letter 1145, filed November 6, 1990, CWS 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 \$84,652 increase in the water utility tax (2%), and (2) \$254 in related increases in uncollectibles and franchise requirements. CWS's Salinas tariff area serves about 18,523 metered customers in the City of Salinas, Monterey County.

The present rates became effective on January 1, 1988 pursuant to Decision 87-03-078, dated March 25, 1987, which authorized rates of return on rate base of 11.70% for 1987, 11.69% for 1988, and 11.70% for 1989, with a constant return on equity of 13%.

The City of Salinas by Ordinance No. 2112, dated October 30, 1990, imposed an increase in the water utility tax from 1.0% to 3.0% of gross annual revenues. Decision 87-03-078 adopted gross annual revenues for CWS for test year 1988 of \$4,232,600.

On May 30, 1989 the Commission issued D.89-05-063, in I.84-05-002, establishing policy in the treatment of taxes and fees imposed by local governments on regulated utilities. That decision allowed utilities to file advice letters to recoup assessments from customers in the locality levying the impost. That is the situation here.

The offset increase requested herein is for the purpose of recovering in rates, on a dollar-for-dollar basis, a change that has occurred since the present rates became effective. The requested increase would not result in a rate of return greater than last authorized. This water utility tax should be included in the balancing account after it becomes effective.

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

CWS has a variety of programs designed to promote water conservation including pamphlets, bill inserts, and water conservation kits. No other conservation measures should be ordered at this time.

The staff has reviewed the workpapers submitted by CWS and concurs with its calculations. The increase in rates should become effective January 1, 1991 when the tax also becomes effective.

CWS has given public notice of this increase request by publishing in the local newspaper on November 9, 1990. No customer protest or correspondence has been received.

The water utility tax change will increase CWS's revenue requirement for the Salinas tariff area by \$84,906 or 2.0%. D.89-05-063 states that the rate increase should be consumption-based. It also authorized the utility, at its discretion, to set forth the surcharge as a separate line item on the bill. CWS has chosen not to do that but to incorporate this tax into its rates. This resolution authorizes CWS to increase the Salinas tariff area rates by \$0.0168/Ccf (one Ccf is equal to one hundred cubic feet) to recover the cost of the water utility tax.

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>
3 Ccf	\$ 7.40	\$ 7.45	0.68
10	10.68	10.84	1.50
14 (Avg.)	12.55	12.78	1.83
20	15.35	15.69	2.21
30	20.03	20.53	2.50
40	24.70	25.37	2.71
50	29.38	30.22	2.86

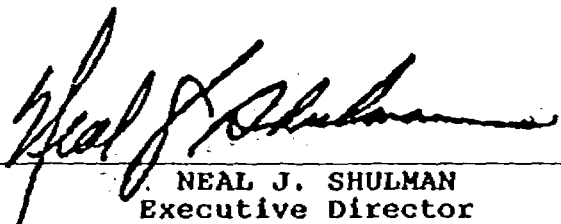
THE COMMISSION FINDS, after investigation by the Branch, that the rate increase hereby authorized is justified and the resulting rates are just and reasonable.

IT IS ORDERED that California Water Service Company is authorized to make effective revised Schedule No. SA-1 attached to Advice Letter No. 1145 and to cancel the presently effective rate schedule for water service. The effective date of the revised rate schedule shall be January 1, 1991.

This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 27, 1990. The following Commissioners approved it:

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



 NEAL J. SHULMAN
 Executive Director