

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION W-3560
MAY 8, 1991

RESOLUTION

(RESOLUTION W-3560) ARROWHEAD MANOR WATER COMPANY, INC. (AMWC).
ORDER AUTHORIZING AN OFFSET INCREASE PRODUCING ADDITIONAL
REVENUE OF \$8,170 OR 7.2%.

BY ADVICE LETTER 31, FILED JANUARY 17, 1991

SUMMARY

This Resolution grants an increase in annual gross revenue of \$8,170 or 7.2% for test year 1991 in order to maintain an 11.0% rate of return on rate base.

BACKGROUND

AMWC by Advice Letter 31, filed January 17, 1991, requested authority under Section VI of General Order (GO) 96-A and Section 454 of the Public Utilities Code to increase rates for water service to offset: (1) a \$900 or 4.5% increase in purchased water cost from Crestline Lake Arrowhead Water Agency (CLAWA), (2) a \$2,980 surcharge for amortization of an undercollection in the purchased water balancing account, and (3) a \$4,290 or 3.8% increase in the operating revenue due to the plant additions. AMWC serves 168 metered customers and 421 flat rate customers within and adjacent to Cedar Glen, a mountain resort area located approximately one mile southeast of Lake Arrowhead, San Bernardino County.

The present rates became effective April 11, 1990 pursuant to Resolution No. W-3488. The last general rate increase was authorized by Decision 84-09-097 in which the Commission found a rate of return on rate base of 11.0% reasonable for test year 1984.

DISCUSSION

The offset increase requested herein is for the purpose of recovering in rates, on a dollar-for-dollar basis, changes in expenses and rate base that have occurred since the present rates became effective. This rate increase will not result in a return greater than that previously authorized.

The reasons for the above cost changes are as follows: (1) a \$900 increase in purchased water cost due to CLAWA's increase from the adopted \$665 per acre foot in 1990 to \$695 per acre foot in 1991, (2) a \$2,980 increase due to amortization of an undercollection (\$8,940 amortized over three years) in the purchased water balancing

account, and (3) \$4,290 in additional annual revenue requirement due to the capitalization of \$13,060 of water mains--with corresponding increases of \$2,610 depreciation, \$50 franchise, \$190 ad valorem taxes, \$300 taxes on income, and \$1,140 net operating revenue.

The total offset revenue increase is prorated by the numbers of customers for metered and flat rate services which are approximately 30% and 70%, respectively.

The portion of revenue increase applicable to metered service is recovered through the quantity rate. The quantity rate will increase by \$0.20 per Ccf (one Ccf equals 100 cubic feet).

The residential flat rates are increased by the prorated average system increase. The annual increases for a single-family residential unit and each additional unit will be \$8.60 and \$5.80, respectively.

The balancing account undercollection will be recovered through a \$0.12 per Ccf quantity rate increase for metered service and a \$5.00 per year increase for residential flat rate service for a three-year period beginning on the effective date of Advice Letter 31.

AMWC requested accelerated depreciation for amortizing the \$13,060 depreciable plant additions. The utility explains its situation as one of extreme financial hardship with a critical need to defray the emergency expenditure incurred last winter due to pipeline breakages. The Branch concurred by amortizing the main installation over a 5-year period; the accelerated depreciation applied to this item will be normalized in the next general rate proceeding.

Service is generally satisfactory. There is an outstanding Commission order which requires renovation of a 15 HP booster pump at Station F. AMWC responded that the booster is no longer in use because its design characteristics no longer match the water system after major improvements were made at that station. The owner of the utility stated that the 15 HP booster pump will be replaced.

To promote water conservation, AMWC has requested its customers to reduce their water consumption by 20%. AMWC makes water conservation pamphlets available to its customers, and also plans to order water conservation kits for its customers.

The rate impact on the average customer who uses 44 Ccf per year is an increase from \$200.80 to \$214.88 (7.0%). Flat rate service will increase from \$187.80 per year to \$201.40 (7.2%). These amounts do not include the surcharge for the repayment of the California Safe Drinking Water Bond Act authorized by Decision No. 92178.

NOTICE

A notice of the proposed rate increase request was published in a local newspaper on March 21, 1991.

PROTESTS

No letters of protests have been received from the customers.

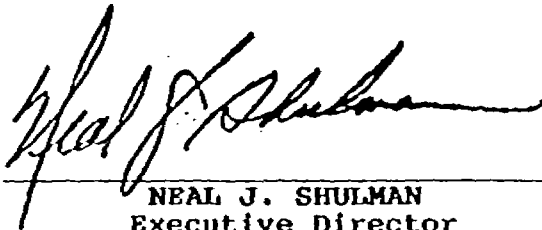
FINDINGS

1. 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. AMWC is directed to maintain its balancing account as required by Public Utilities Code 792.5.
2. Arrowhead Manor Water Company, Inc. is authorized, to make effective five days after the effective date herein, revised Schedule No. 1A, Annual Metered Service and revised Schedule 2RA, Annual Residential Flat Rate Service, attached to Advice Letter 31, and to cancel the presently effective Schedules Nos. 1A and 2RA.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 8, 1991. The following Commissioners approved it:


NEAL J. SHULMAN
Executive Director

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSIER
NORMAN D. SHUMWAY
Commissioners