

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3595
JULY 24, 1991

R E S O L U T I O N

(Res. W-3595), CALIFORNIA WATER SERVICE COMPANY
(CWS), LOS ALTOS DISTRICT. ORDER AUTHORIZING AN
OFFSET RATE INCREASE PRODUCING \$1,545,900 OR 19.1%
ADDITIONAL ANNUAL REVENUE.

BACKGROUND

By Advice Letter (A.L.) 1193, filed May 31, 1991, CWS requested authority under Section VI of General Order 96-A, and Section 454 of the Public Utilities Code to increase rates for water service for its Los Altos District to offset: (1) a \$55,100 increase in purchased power expense from Pacific Gas and Electric Company (PG&E), (2) a \$899,100 increase in purchased water costs, (3) a \$397,900 increase in ground water charges, (4) a \$7,100 increase in postage rates, (5) a \$1,000 decrease in ad valorem taxes, (6) a corresponding \$18,700 increase in uncollectibles and franchise tax requirements, and (7) a \$169,000 increase due to an undercollection in the balancing account. CWS serves about 17,340 metered customers in its Los Altos District.

The present rates became effective on January 1, 1990, pursuant to Decision 89-04-060 in which the Commission found the rates of return on rate base of 11.33% for 1989, 11.33% for 1990, and 11.33% for 1991 reasonable, with a 12.25% return on equity.

DISCUSSION

The offset increase requested herein is for the purpose of recovering in rates, on a dollar-for-dollar basis, the changes in expenses 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 expense changes are as follows: (1) a \$55,100 increase in purchased power expense to reflect an increase in the average cost of electric energy from \$0.11180 per kilowatt-hour (kwh) based on PG&E's January 1, 1990 rates to an average cost of \$0.12206 per kwh based on PG&E's January 1, 1991 rates, (2) a \$899,100 increase in purchased water expense to reflect an increase in purchased water from both Santa Clara Valley Water district of approximately \$87 per acre-foot (AF) and San Jose Water Company of \$0.301 per one hundred cubic feet (Ccf), (3) a \$397,900 increase in ground water charges to reflect an increase in pumping taxes of \$87 per AF, (4) a \$7,100 increase in postage expenses to reflect an average percentage increase for CWS's cost of mail of 16.5% due to the United

July 24, 1991

States Postal Service postal rates increase effective February 3, 1991, (5) a \$18,700 increase in uncollectibles and local franchise taxes as a result of the change in revenues.

The requested expense offset will result in an increase in quantity rates of \$0.2442 per Ccf (for first 3 Ccf and over 300 Ccf) and \$0.2443 per Ccf (for over 3 Ccf and less than 300 Ccf).

In addition, the Water Utilities Branch (Branch) recommends, in accordance with the Commission's balancing account policy for water utilities, that the undercollections in the Los Altos District's balancing accounts be amortized over a 12-month period by adding a surcharge of \$0.03 per Ccf.

To ensure that purchased power is being used economically, the Branch reviewed the latest pump efficiency tests for this district and found the results to be satisfactory.

Service is satisfactory. However, there were a number of complaints which dealt with leaks. CWS has instituted a conservation program that reduces leaks. There are no Commission orders requiring system improvement, nor are there significant service problems requiring corrective action.

To promote water conservation, CWS has established water conservation programs in the Los Altos District which includes leak repair and main replacement programs, conservation brochures, bill inserts, water kit distributions, paid conservation advertisements and conservation displays in its office.

At the proposed rates, the typical residential customer's bill will increase from \$26.03 to \$30.69 per month or 17.9% for an average use of 1,700 cubic feet.

PROTESTS

CWS mailed notices of this increase request to all its customers since the increase is over 10%. One protest has been received. Staff reviewed and responded to the protest.

FINDINGS

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

IT IS ORDERED that:

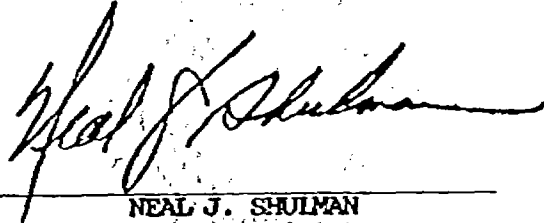
1. California Water Service Company is authorized, five days after the effective date herein, to make effective revised Schedule No. IS-1, General Metered Service, as attached to Advice Letter No. 1193 and to cancel the presently effective Schedule No. IS-1.
2. California Water Service Company is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.

July 24, 1991

3. This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 24, 1991. The following Commissioners approved it:

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



NEAL J. SHULMAN
Executive Director