

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3626  
December 18, 1991

R E S O L U T I O N

(RES. W-3626), CALIFORNIA AMERICAN WATER COMPANY (CAL-AM), CORONADO DISTRICT. ORDER AUTHORIZING AN OFFSET RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUES OF \$579,400 OR 7.6%.

BACKGROUND

By Advice Letter 383, filed October 23, 1991, Cal-Am requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service to offset: (1) a \$507,909 increase in purchased water expense from the City of San Diego, (2) a \$6,181 increase in postage expense, (3) a \$63,692 increase due to an undercollection in the balancing accounts, and (4) \$1,573 in related increases in uncollectibles and franchise requirements. Cal-Am serves about 19,800 metered customers in Coronado, Imperial Beach and portions of San Diego in San Diego County.

The present rates became effective on January 1, 1991, pursuant to Decision (D.) 90-03-034 in which a rate of return of 10.71% was found reasonable for test year 1991.

DISCUSSION

The offset increase requested herein is for the purpose of recovering in rates, on a dollar-for-dollar basis, changes in expenses that have occurred since the present rates became effective. This rate increase would result in a rate of return greater than that previously authorized. Normally, under the Water Utilities Branch (Branch) policy, the increase would be adjusted by a surcredit to reduce the rate of return to the authorized rate of return. The surcredit would be based on the balancing account undercollection.

Cal-Am has agreed to forgo the step rate increase for attrition year 1992 if it is allowed the increase for the balancing account. Cal-Am claims that this will reduce the number of rate changes and ultimately benefit the ratepayers. The Branch agrees with Cal-Am's conclusion.

The reasons for the above cost changes are as follows: (1) a \$507,900 increase in purchased water due to the city of San Diego's increase in the cost of purchased water from the adopted \$265.35 per acre-foot (A.F.) to a cost of \$301.96 per A.F., (2) a \$6,200 increase in postage expenses, (3) an undercollection of \$63,700 in the purchased water and TRA-86 balancing account, and (4) a \$1,600 increase in uncollectibles.

The increase in quantity rates is \$0.0887 per Ccf.

In addition, the Branch recommends, in accordance with the Commission's balancing account policy for water utilities, that the undercollection in the

balancing account be amortized over a 12-month period by adding a surcharge of \$0.011 per Ccf to the quantity rates.

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

To promote water conservation, Cal-Am has requested through bill inserts that its customers reduce their water consumption. Cal-Am also makes water conservation kits available to its customers. No other water conservation measures are required at this time.

At the proposed rates, the typical residential customer's bill will increase from \$19.71 to \$21.10 per month or 7.1% for an average use of 1,400 cubic feet.

#### PROTESTS

Cal-Am published a notice of this increase request in a local newspaper of general circulation on November 19, 1991. No protests have been received.

#### FINDINGS

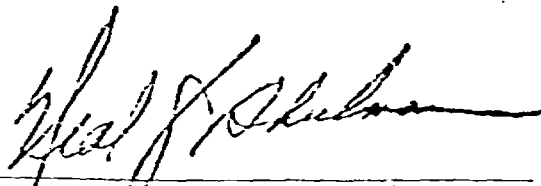
THE COMMISSION FINDS, after investigation by the Branch, that the rate increase hereby authorized is justified, and the resulting rate is just and reasonable.

IT IS ORDERED that:

1. California-American Water Company is authorized, five days after the effective date herein, to make effective revised Schedule No. CC-1, General Metered Service, attached to Advice Letter No. 383 and to cancel the presently effective Schedule No. CC-1.
2. California-American Water Company shall not file for a step rate increase for attrition year 1992.
3. California-American Water Company is directed to maintain its balancing account as required by the Public Utilities Code Section 792.5.
4. This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 18, 1991. The following Commissioners approved it:

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

  
NEAL J. SALMON  
Executive Director