

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3640
April 22, 1992

RESOLUTION

(RES. W-3640), REDWOOD WATER COMPANY, INC. (RWC).
ORDER AUTHORIZING AN OFFSET RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUES OF \$6,721 OR 23.31%.

BACKGROUND

By Advice Letter 14, filed February 7, 1992, RWC 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 \$10,010 increase in purchased water expense from the Russian River County Water District (RRCWD), (2) a \$3,414 decrease in purchased power expense, (3) a \$100 decrease in the cost of chlorination, (4) a \$570 decrease in water testing expenses, (5) a \$4,800 decrease in the maintenance contract work expense with Russian River Utility Company (RRUC), and (6) a \$5,595 increase due to an undercollection in the purchased water balancing account. RWC serves 163 flat rate customers in areas known as Summer Home Park and Highcroft and vicinity, located approximately four miles northwest of Forestville, Sonoma County.

The present rates became effective on February 13, 1991, pursuant to Resolution No. W-3540 which authorized a \$7,641 or 36.06% increase.

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 will not result in a return greater than that previously authorized.

On March 3, 1991, a major break occurred in the 2-1/2 inch steel water main from RWC's only source of water (a utility owned well) necessitating the emergency purchase of water from RRCWD. The cost to properly repair the break was estimated at approximately \$10,000. In addition, the existing well, which is shallow and located in the bed of the Russian River, has been recently considered "under the influence of surface water (Russian River)" according to the new Federal Surface Treatment regulations and will require the utility to either install an expensive water treatment facility or abandon it and drill a new well away from the influence of the Russian River. Either option will require a significant capital expenditure. For these reasons, RWC has opted to continue to purchase all of its water from RRCWD on a permanent basis. The Water Utilities Branch (Branch) concurs with this decision.

The reasons for the above cost changes are: (1) a \$10,010 increase in purchased water expenses to buy 6,513,00 gallons of water annually from RRCWD at a cost of \$.15 per 100 gallons with a service charge of \$240 per year, (2) a \$3,414 decrease in purchased power expenses because water no longer needs to be pumped in the system, (3) a \$100 decrease in chlorine expense because the water purchased is treated by RRCWD, (4) a \$570 decrease in water testing expenses because RRCWD will now be responsible for water testing, (5) a \$4,800 decrease in contract work expense due to a \$400 per month reduction in the maintenance contract with RRUC because well and pump maintenance work is no longer necessary, and (6) a \$5,595 increase in revenue due to an undercollection of RWC's purchased power balancing account.

The net increase in expenses due to RWC purchasing its water from RRCWD on a permanent basis is \$1,126 (total of items 1 through 5 above) and is applied to the utility's Tariff Schedule No. 2AR, Annual Residential Flat Rate Service. At the proposed rates, a residential customer's bill will increase from \$176.90 to \$183.80 per year or 3.90%.

In addition, the Branch recommends that RWC be authorized to assess a one-time surcharge of \$34.33 to each single-family residential unit to recover the \$5,595 undercollection in the purchased water balancing account. Although this recommendation does not conform with Commission balancing account policy which calls for recovery of undercollected balances exceeding 5% of gross annual revenue to be amortized over periods greater than one year, the Branch believes that the one-time surcharge is justified because of the tremendous financial burden the undercollection has caused the utility. Also, the Branch does not believe the amount of the surcharge is high enough to cause an excessive burden on customers. If, however, individual customers have difficulty in making the one-time payment, RWC indicated that they would be allowed to make arrangements with RWC to have payment made in installments over a period not to exceed six months from the date of this resolution.

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

RWC's conservation program consists of providing customers with conservation literature, posting reminders of water conservation throughout the service area and constantly patrolling the system looking for water wasters. No other water conservation measures are required at this time.

PROTESTS

RWC mailed a notice of this increase request to customers on February 24, 1992. No protests have been received.

FINDINGS

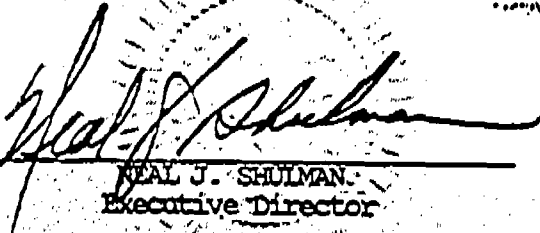
THE COMMISSION FINDS, after investigation by the Branch, that the rate increase hereby authorized is justified, and the resulting rate is just and reasonable.

IT IS ORDERED that Redwood Water Company, Inc. is authorized, five days after the effective date herein, to make effective revised Schedule No. 2AR, Annual Residential Flat Rate Service, attached to Advice Letter No. 14 and to cancel the presently effective Schedule No. 2AR.

Resolution No. W-3640
Redwood Wtr. Co., Inc./AL No. 14/SBJ/JSS:jlj

This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 22, 1992. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

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