

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3641
May 8, 1992R E S O L U T I O N

(RES. W-3641), ORDER AUTHORIZING WATER UTILITIES TO ESTABLISH MEMORANDUM ACCOUNTS FOR RECORDING CHARGES BY THE DEPARTMENT OF HEALTH SERVICES RESULTING FROM AB 2158, AND AUTHORITY TO FILE ADVICE LETTERS FOR THE RECOVERY OF SUCH CHARGES.

BACKGROUND

By enacting Chapter 1182, Statutes of 1990 (AB 2158) the Legislature added Section 4020 and 4020.5 to the Health and Safety Code (Code). In so doing it shifted the major portion of the Department of Health Services' Office of Drinking Water (ODW) operating costs from the State General Fund to the water utilities subject to the jurisdiction of ODW. The legislation also authorized these cost to be passed on to those utilities' customers. Section 454 of the Public Utilities Code requires that any charges to the customers of regulated water utilities must be first authorized by the Commission.

DISCUSSION

Section 4020 concerns water systems serving fewer than 200 service connections, defined as small water systems, and becomes operative on July 1, 1992. It remains in effect until January 1, 1997 unless a statute is enacted before then either repealing or extending that date. Section 4020.5 pertains to water systems serving more than 200 service connections, large water systems, and became effective on July 1, 1991. Similarly it is effective until January 1, 1997 unless repealed or extended before that time.

Both sections require that ODW develop operating cost fees on the basis of the actual costs to that office of carrying out the activities connected with the issuance of permits, conducting inspections and surveillance, taking enforcement actions, and the costs of administering any contracts with local health officers.

The large water systems have been informed that they will be receiving billings for the July 1, 1991 - July 1, 1992 period prior to June 30, 1992, and that unless paid within 60 days penalties will be incurred.

Since these billings will constitute operating costs that have not been factored into Commission regulated utilities authorized rates for service, the Water Utility Branch (Branch) believes it appropriate that action be taken by the Commission to protect these utilities from the adverse consequences of such unanticipated expense. Since the utilities will be unable to show what these expenses are until actual billings are received, the matter of retroactive rate-making becomes an issue. Additionally, there is no Commission authorized procedure for passing such cost on to ratepayers.

Given these circumstances, the Branch believes it appropriate to authorize any utility that was not allowed coverage of such costs in its last general rate proceeding to establish a memorandum account in which to record payment of ODW fees resulting from the referenced provisions of the Code. The Branch also believes it appropriate to allow such utilities to subsequently request rate recovery of the payments recorded in the memorandum account by advice letter under the provisions of General Order No. 96-A. Utilities opening such a memorandum account should be authorized to hold open it until the utility's next general rate proceeding. At that time future costs to the utility for this purpose should be reasonably known based on recorded information. If this proves not to be the case, as part of that rate proceeding the utility may be authorized to continue the memorandum account.

NOTICE AND PROTEST

Public notice is not required at this time. When a utility seeks recovery of expenses recorded in the memorandum account, public notification will be required as prescribed in the advice letter procedures of General Order No. 96-A.

FINDINGS

The Commission finds that:

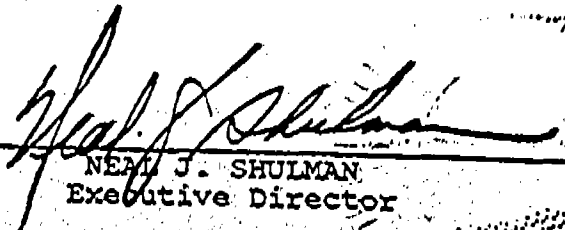
1. Utilities regulated by the Commission and subject to the provisions of Code Sections 4020 and 4020.5 should be authorized to establish a memorandum account in which to record payments of ODW fees as required under those provisions of the Code.
2. Subsequent to the recording such payments in a memorandum account utilities may file an advice letter under the provisions of General Order No. 96-A requesting recovery of the amount in the account.

Resolution W-3641
Dept of Health/REP/mem

IT IS ORDERED that:

1. Each water utility regulated by the Commission and subject to the provisions of Health and Safety Code Sections 4020 and 4020.5 is authorized to establish a memorandum account in which to record payment of Department of Health Services Office of Drinking Water fees resulting from those code sections.
2. Each water utility having recorded payment of fees as authorized above, is authorized to file an advice letter as prescribed by General Order 96-A requesting recovery of those costs.
3. The memorandum account as authorized above may remain open until the utility's next general rate proceeding.
4. This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 8, 1992. The following Commissioners approved it:


NEAL J. SHULMAN
Executive Director

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