

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION W-3649  
June 3, 1992

R E S O L U T I O N

(RES. W-3649), SOUTHERN CALIFORNIA WATER COMPANY (SCWC),  
CLEARLAKE DISTRICT. ORDER AUTHORIZING AN OFFSET RATE  
INCREASE PRODUCING \$57,000 OR 5.63% ADDITIONAL ANNUAL  
REVENUE.

BACKGROUND

By Advice Letter 873-WA Supplement, filed May 11, 1992, SCWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates by \$57,000 to recover the remaining capital costs of a new water treatment plant. SCWC serves approximately 2,206 metered customers in its Clearlake District.

The present rates became effective on January 1, 1992, pursuant to the provisions of Decision No. (D.) 89-11-017, which granted a general rate increase. This offset increase will not result in a rate of return greater than last authorized.

DISCUSSION

The offset increase requested herein is for the purpose of recovering in rates the remaining 25% of projected capital costs for a new water treatment plant as authorized by D.89-11-017. This decision authorized \$956,000 (75%) of the total projected plant cost of \$1.275 million to be added to rate base during 1990 and 1991 test years (\$478,000 in each year), and authorized SCWC to file by advice letter for subsequent recovery of the remaining 25%, or \$319,000 upon completion of the project.

SCWC placed this plant in service in May, 1992. The total cost of the project is expected to be \$3.1 million. SCWC has requested rate treatment of the remaining costs in its next general rate case which it filed on May 12, 1992.

The requested increase is caused by a change in the rate base which is a fixed cost. The Commission rate design criteria allows utilities to recover up to 50% of its fixed costs from its service charges; however, SCWC currently recovers well over 50% of its fixed costs from its service charges in this district. The Commission has allowed this high recovery for this district because the service area in large part is considered a resort area and experiences extreme variations in water demands during long weekends. In view of this the water system in this District must be constructed to meet peak demands, thus resulting in a high fixed cost allocation to all customers.

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Since the recovery of fixed cost from service charges is already high, the Branch concurs with SCWC's proposal to apply this increase to quantity rates. The net increase in quantity rates is \$0.1723 per one hundred cubic feet (Ccf). This increase will result in a \$2.18 per month or a 5.46% increase for the average metered customer on a 5/8 x 3/4-inch meter. The average monthly bill will increase from \$39.84 to \$42.02 for an average use of 625 cubic feet.

To determine if purchased power is being used efficiently, the Branch reviewed the latest pump efficiency tests and found the results to be satisfactory.

The Clearlake system has had water quality problem, which resulted in a number of customer complaints. The Branch expects the new water treatment plant will provide satisfactory water quality.

There are no Commission orders requiring system improvements at this time.

To promote conservation, SCWC has requested its customers, through bill inserts and distribution of conservation material, to reduce their water consumption.

#### NOTICE AND PROTEST

SCWC has given public notice of the request for increase by publishing in a local newspaper on April 7, 1992. No customer protests or correspondence 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. Southern California Water Company is authorized, five days after the effective date herein, to make effective revised Schedule No. CL-1 attached to Advice Letter No. 873-WA Supplement, and to cancel the presently effective rate schedule for water service.
2. This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 3, 1992. The following Commissioners approved it:

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

  
NEAL J. SHULMAN  
Executive Director