

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3929
July 19, 1995

R E S O L U T I O N

(RES. W-3929), CALIFORNIA WATER SERVICE COMPANY (CWS), PALOS VERDES DISTRICT. ORDER AUTHORIZING AN OFFSET RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUES OF \$2,157,900 OR 12.9%.

BY ADVICE LETTER 1390, FILED JUNE 6, 1995.

BACKGROUND

CWS requests authority under Section VI of General Order 96-A to increase rates for water service for its Palos Verdes District to offset: (1) a \$141,800 increase in purchased power expense, (2) a \$1,754,600 increase in purchased water expense, (3) a \$6,200 increase in postage expense, (4) a decrease of \$5,700 in ad valorem taxes, (5) a \$16,600 increase in local franchise taxes, (6) a corresponding \$1,100 increase in uncollectibles, (7) a \$333,100 decrease due to earnings adjustment, and (8) a \$576,400 amortization of the balancing account. CWS serves about 23,000 metered customers in its Palos Verdes District.

The present rates for the Palos Verdes District became effective on June 3, 1994, pursuant to Decisions 92-12-015 and 93-08-033, which authorized the increases for Post-Retirement Benefits Other than Pension (PBOP).

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, including the decrease adjustment, will not result in a return greater than that previously authorized.

The reasons for the above expense changes, are as follows:

- (1) Purchased Power - Operating expenses adopted in Resolution W-3795 for the Palos Verdes District reflect Southern California Edison Company (SCE) power rates which became effective in 1993. Since that time SCE rates have increased, the most recent increase was effective January 1, 1995. The changes in power rates has resulted in an increase in purchased power expense of \$141,800.

- (2) Purchased Water - Operating expenses adopted in Resolution W-3795 reflect West Basin Municipal Water District (West Basin) water rates which became effective July 1, 1993. Since that time West Basin rates have increased, the most recent increase will become effective July 1, 1995, which will result in a \$1,754,600 increase for purchased water.
- (3) Postage - Effective January 1, 1995, the United States Postal Service increased postal rates. The weighted percentage increase for CWS' mail was 10.34 percent. The estimated postage expense increase for the Palos Verdes District is \$6,200.
- (4) Ad Valorem Taxes - adopted through Resolution W-3795 reflect the 1992-93 calculated composite effective tax rate. The 1994-95 tax rate has been established at 0.950 percent for this district resulting in a decrease of \$4,800 for the test year. Minor changes in General Office ad valorem taxes result in a \$900 decrease for the test year.
- (5) Local Taxes and Uncollectibles - Local taxes for the Palos Verdes District consist of both business license and local franchise taxes. The business license rate in this jurisdiction is not based on revenue. Accordingly, no change is reflected in this advice letter. The local franchise taxes are anticipated to increase \$16,600 due to the change in operating revenue. Uncollectibles will increase \$1,100 due to the change in operating revenue.
- (6) Pro Forma Test - In accordance with the Commission's advice letter offset procedures a pro forma rate of return adjustment is needed for the Palos Verdes District for 1993 and 1994 earnings. A downward adjustment of \$225,200 is calculated for 1993 earnings and a downward adjustment of \$77,900 is calculated for 1994 earnings. The adjustments for 1993 and 1994 total \$333,100.
- (7) Balancing Account - A review of Palos Verdes District's balancing accounts, associated with advice letter offset increases and decreases authorized since January 1, 1977, indicates that incremental increases in expenses exceed the incremental increase in revenues by \$1,152,700. Since the balancing account exceeds five percent of adopted revenue, CWS requests a two-year amortization. This is consistent with the Commission staff's procedures for balancing account amortization. The proposed surcharge will recover \$576,400 per year for two years.

The requested expense offset will result in an increase in the quantity rate of \$0.2139 per Ccf (One Ccf equals one hundred cubic feet) and a monthly surcharge of \$0.0779 per Ccf.

To ensure that purchased power is being used economically, the staff reviewed the latest pump efficiency tests for this district during the GRC (general rate case) proceedings and found the results to be satisfactory.

Service is satisfactory. 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 Palos Verdes District which include leak repair and main replacement programs, conservation brochures, bill inserts, water kit distributions, and conservation displays in the office.

At the proposed rates, the typical residential customer's bill will increase from \$52.68 to \$59.69 per month or 13.3% for an average use of 2,400 cubic feet.

NOTICE AND PROTESTS

CWS published a notice of this increase on June 12, 1995. The Branch received five protests.

FINDINGS

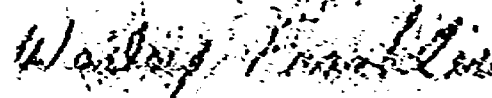
THE COMMISSION FINDS, after investigation by the Branch, that the rate increase hereby authorized is justified, and the resulting rate is just and reasonable.

IT IS ORDERED that:

1. California Water Service Company is authorized, five days after the effective date herein, to make effective revised Schedule PV-1, General Metered Service, attached to Advice Letter No. 1390 and to cancel the presently effective Schedule No. PV-1.
2. California Water Service is directed to maintain its balancing accounts for the Palos Verdes District as required by Public Utilities Code Section 792.5.

3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on July 19, 1995. The following Commissioners approved it:



WESLEY M. FRANKLIN
Acting Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
Commissioners