

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION W-3931
August 11, 1995

R E S O L U T I O N

(RES. W-3931), CALIFORNIA-AMERICAN WATER COMPANY (CAL-AM), CORONADO DISTRICT. ORDER AUTHORIZING AN OFFSET RATE INCREASE PRODUCING \$579,093 OR 6.46% ADDITIONAL ANNUAL REVENUE.

BY ADVICE LETTER NO. 478, FILED ON JUNE 23, 1995.

SUMMARY

This Resolution authorizes Cal-Am to increase revenues by \$339,031 or 3.78% to offset changes in offsettable operating costs that have occurred since its present rates became effective and \$480,123 in additional charges to the balancing account. The 2-year balancing account surcharge will result in annual revenues of \$240,062 or 2.68% per year. The increase will not result in a rate of return greater than last authorized for Cal-Am.

BACKGROUND

Cal-Am requested authority under Section VI of General Order 96-A, and Section 454 of the Public Utilities Code to offset:

- (1) a \$336,711 increase in purchased water charges;
- (2) a \$798 related increase in uncollectibles, and
- (3) \$1,522 related increase in franchise taxes.

Cal-Am also wishes to change its operating expense balancing account surcharge from a three-year surcharge of \$0.0620 per Ccf to a two-year surcharge of \$0.0423 per Ccf effective with the approval of the change in rates due to the operating expense offset. The new balancing account balance is \$476,838 of which \$407,836 is the uncollected balance of Commission authorized revenue loss during the drought, and \$69,002 in other operating expense charges to the balancing account.

Cal-Am serves 239,573 customers in Coronado, Imperial Beach, and in portions of San Diego and vicinity, San Diego County.

The present rates became effective on January 1, 1995, pursuant to Decision 92-12-055 in which the Commission found the rate of return on rate base of 10.28% for 1995 reasonable, with an 11.50% return on equity.

NOTICE AND PROTESTS

Cal-Am has given public notice of the request for increase by publishing in the local newspaper on June 30, 1995. No correspondence or protests have been received in regards to this matter.

DISCUSSION

The reasons for the above expense changes are as follows:

- (1) Effective July 1, 1995, the City of San Diego will increase the purchased water charges for wholesale water from \$359.32 per acre-foot to \$382.40 per acre-foot, resulting in a 3.75% increase. This increase from the City of San Diego is due to increased wholesale charges from its supplier.
- (2) An increase in uncollectibles of \$798, due to the above increase.
- (3) An increase in franchise taxes of \$1,522 due to the increase in purchased water.

Since the requested offset increases cause changes in expenses directly related to water consumption, it is applied to the quantity rates. The rates for all quantities of water delivered would be increased by \$0.0597 per Ccf (one Ccf is equal to one hundred cubic feet).

The amortization of the operating expense balancing account includes:

Purchased Water	\$ (9,670)
Interest	4,252
Drought	407,836
Expenses	<u>74,420</u>
Total	476,838

The new balancing account surcharge is \$0.0423 per Ccf over a 24-month period.

Service is satisfactory. There are no Commission orders requiring system improvements nor significant service problems requiring corrective action.

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CAL-AM/AL 478/REP/HJL:jlj

FINDINGS

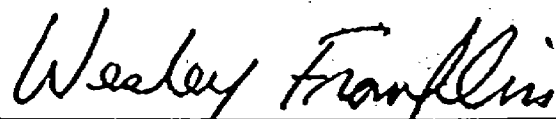
THE COMMISSION FINDS, after investigation by the Water Utilities Branch, that the rates hereby authorized are justified and the resulting rates and surcharges are just and reasonable.

The new adopted cost for purchased water charges is \$336,711. Uncollectible revenue costs are increased by \$798, and franchise taxes by \$1,522, due to the above increased costs. The new operating expense balancing account is \$480,123 undercollected includes uncollectibles and franchise taxes.

IT IS ORDERED that:

1. California-American Water Company is authorized, five days after the effective date herein, to make effective revised Schedule CO-1, General Metered Service, attached to Advice Letter 478, and to cancel corresponding presently effective rate schedules.
2. California-American Water Company is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 11, 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