

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION W-3938  
September 7, 1995

R E S O L U T I O N

(RES. W-3938), CALIFORNIA-AMERICAN WATER COMPANY (CAL-AM), BALDWIN HILLS (BH), DUARTE (D), AND SAN MARINO (SM), SERVICE AREAS, LOS ANGELES DISTRICT. ORDER AUTHORIZING OFFSET RATE CHANGES PRODUCING \$255,547 OR 7.70% ADDITIONAL ANNUAL REVENUE (BH), \$66,801 OR 1.65% ADDITIONAL ANNUAL REVENUE (D), AND \$192,575 OR 2.95% LESS ANNUAL REVENUE (SM).

BY ADVICE LETTER NO. 477, FILED ON JUNE 9, 1995.

SUMMARY

Baldwin Hills

This Resolution authorizes Cal-Am to increase revenues by \$141,656 or 4.27% to offset changes in offsettable operating costs that have occurred since its present rates became effective and to recover \$341,673 in additional charges to the balancing account. The three-year balancing account surcharge will result in annual revenues of \$113,891 or 3.43% per year. The increase will not result in a rate of return greater than last authorized for Cal-Am.

Duarte

This Resolution authorizes Cal-Am to decrease revenues by \$61,260 or 1.52% to offset changes in offsettable operating costs that have occurred since its present rates became effective and to recover \$128,061 in additional charges to the balancing account. The one-year balancing account surcharge will result in annual revenues of \$128,061 or 3.17%. The increase will not result in a rate of return greater than last authorized for Cal-Am.

San Marino

This Resolution authorizes Cal-Am to decrease revenues by \$118,948 or 1.82% to offset changes in offsettable operating costs that have occurred since its present rates became effective and to refund \$73,627 in additional credits to the balancing account. The one-year balancing account surcredit will result in an annual revenue reduction of \$73,627 or 1.13%. The decrease will not result in a rate of return greater than last authorized for Cal-Am.

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BACKGROUND

Baldwin Hills

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

- (1) a \$141,239 increase in purchased water charges; and
- (2) a \$417 related increase in uncollectibles.

Cal-Am also wishes to change its operating expense balancing account surcharge from a two-year surcharge of \$0.0940 per Ccf to a three-year surcharge of \$0.0767 per Ccf effective with the approval of the change in rates due to the operating expense offset (one Ccf is equal to one hundred cubic feet). The new balancing account balance is \$340,667 of which \$220,086 is the uncollected balance of Commission authorized revenue loss during the drought, and \$120,581 other operating expense charges to the balancing account.

Cal-Am serves 6,126 customers in Baldwin Hills and vicinity, Los Angeles County.

The present rates became effective on January 1, 1995, pursuant to Decision 94-11-004 in which the Commission found the rate of return on rate base of 9.05% for 1995 reasonable, with an 10.45% return on equity.

Duarte

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

- (1) a \$60,119 decrease in purchased water charges;
- (2) a \$241 related decrease in uncollectibles, and
- (3) an \$899 related decrease in franchise taxes.

Cal-Am also wishes to change its operating expense balancing account surcharge from a two-year surcredit of \$0.0354 per Ccf to a one-year surcharge of \$0.0483 per Ccf effective with the approval of the change in rates due to the operating expense offset. The new balancing account balance is \$125,676 of which \$49,226 is the undercollected balance of Commission authorized revenue loss during the drought, and \$76,450 is other operating expense charges to the balancing account.

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Cal-Am serves 6,939 customers in Duarte and vicinity, Los Angeles County.

The present rates became effective on January 1, 1995, pursuant to Decision 94-11-004 in which the Commission found the rate of return on rate base of 9.05% for 1995 reasonable, with an 10.45% return on equity.

San Marino

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

- (1) a \$117,730 net decrease in purchased power and purchased water charges.
- (2) a \$186 related decrease in uncollectibles, and
- (3) a \$1,033 related decrease in franchise taxes.

Cal-Am also wishes to change its operating expense balancing account surcharge from a three-year surcredit of \$0.0441 per Ccf to a one-year surcredit of \$0.0140 per Ccf effective with the approval of the change in rates due to the operating expense offset. The new balancing account overcollection is \$72,873 of which \$130,766 is the overcollected balance of Commission authorized revenue loss during the drought, and \$57,893 is other operating expense charges to the balancing account.

Cal-Am serves 13,744 customers in San Marino and vicinity, Los Angeles County.

The present rates became effective on January 1, 1995, pursuant to Decision 94-11-004 in which the Commission found the rate of return on rate base of 9.05% for 1995 reasonable, with an 10.45% return on equity.

NOTICE AND PROTESTS

Cal-Am has given public notice of the request for decrease by publishing in the local newspaper on June 15, 1995. No correspondence or protests have been received in regard to these three service areas rate requests.

DISCUSSION

Baldwin Hills

The reasons for the above expense changes are as follows:

- (1) Effective July 1, 1995, the West Basin Municipal Water District will increase the purchased water costs from \$434 per acre-foot to \$501 per acre-foot and increase the meter capacity charge from \$10 per cubic-foot per second per month to \$70 per cubic-foot per second per month. This increase is due to increased costs of wholesale non-treated water from the Metropolitan Water District (MWD).
- (2) Effective July 1, 1995, the Water Replenishment District of Southern California will increase the replenishment costs from \$152 per acre-foot to \$162 per acre-foot. This increase is used to replenish the groundwater supply and enhance the groundwater quality.
- (3) Due to the above increases, uncollectibles must be increased by \$417.

Since the requested offset increases cause changes in expenses directly related to water consumption, they are applied to the quantity rates. The rate for all quantities of water delivered would be increased by \$0.0954 per Ccf.

The amortization of the operating expense balancing account includes:

Purchased Power	\$ 692
Purchased Water	(61,453)
Interest	(6,507)
Drought	(220,086)
Expenses	<u>(53,313)</u>
Total Undercollection	\$(340,667)

The new balancing account surcharge is \$0.0767 per Ccf over a 36-month period.

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

Duarte

The reasons for the above expense changes are as follows:

- (1) Effective July 1, 1995, the West Basin Municipal Water District will increase the purchased water costs from \$235.10 per acre-foot to \$242.45 per acre-foot, increase the administrative costs from \$7.10 to \$9.15 per acre-foot, and increase the operating safe yield from 200,000 acre-feet to 220,000 acre-feet per year. Increasing the safe yield will reduce the amount of water on which Cal-Am will have to pay these charges, reducing overall water costs.
- (2) A decrease in uncollectibles of \$241, due to the above changes.
- (3) A decrease in franchise taxes of \$899 due to the above charges.

Since the requested offset increases cause changes in expenses directly related to water consumption, they are applied to the quantity rates. The rate for all quantities of water delivered would be decreased by \$0.0231 per Ccf (one Ccf is equal to one hundred cubic feet).

The amortization of the operating expense balancing account includes:

Purchased Power	\$ 1,930
Purchased Water	(88,636)
Interest	(1,411)
Drought	(49,226)
Expenses	<u>(11,667)</u>
Total Undercollection	\$(125,676)

The new balancing account surcharge is \$0.0483 per Ccf over a 12-month period.

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

San Marino

The reasons for the above expense changes are as follows:

- (1) Effective July 1, 1995, the Main San Gabriel Basin Watermaster will increase replenishment costs from \$235.10 per acre-foot to \$242.45 per acre-foot, increase the administrative costs from \$7.10 to \$9.15 per acre-foot, and increase the operating safe yield from 200,000 acre-feet to 220,000 acre-feet per year. Increasing the safe yield will reduce the amount of water on which Cal-Am will have to pay these charges, reducing overall water costs.
- (2) Effective July 1, 1995, the Metropolitan Water District will increase the cost of wholesale water from \$412 per acre-foot to \$426 per acre-foot. Also, MWD will impose a meter capacity charge of \$50 per cubic-foot per second per month.
- (3) Effective July 1, 1995, the Raymond Basin Management Board will decrease the annual charge from \$9,840 to \$8,844.
- (4) Due to the above changes, uncollectibles must be decreased by \$186 and Franchise Taxes must be decreased by \$1,033.

Since the requested offset decreases cause changes in expenses directly related to water consumption, they are applied to the quantity rates. The rate for all quantities of water delivered would be decreased by \$0.0226 per Ccf.

The amortization of the operating expense balancing account includes:

Purchased Power	\$ 7,005
Purchased Water	(285,495)
Interest	2,930
Drought	130,766
Expenses	<u>217,667</u>
Total Undercollection	\$ 72,873

The new balancing account surcredit is \$0.0140 per Ccf over a 12-month period.

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

Adopted Operating Safe Yield

On May 3, 1995, Watermaster held a hearing on the preliminary determination of Operating Safe Yield which was submitted to Watermaster on April 5, 1995, in accordance with Section 43 (a) of the Amended Judgment. After a review by its Engineer and comments received by those at the hearing, and in consideration of possible increases in storage of imported water in the future, Watermaster elected to raise the operating safe yield above the 200,000 required by the current guidelines and established the Operating Safe Yield for the Main San Gabriel Basin at 220,000 acre-feet for fiscal year 1995-96 and included a 30,000 acre-foot reduction to 190,000 acre-feet for the following four years as shown below.

<u>Fiscal Year</u>	<u>Operating Safe Yield (Acre-feet)</u>
1995-96	220,000
1996-97	190,000
1997-98	190,000
1998-99	190,000
1999-00	190,000

By raising the operating safe yield by 20,000 due to high rainfall, Cal-Am is able to reduce purchased water expense for Duarte and San Marino Service Areas for fiscal 1995-1996, even though replenishment and administrative costs are increased. Operating Safe Yield is the amount of water production from natural inflow which can be pumped without additional replenishing water assessments.

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.

1. The new adopted cost for purchased water charges in Baldwin Hills is \$141,239. Uncollectible revenue costs are increased by \$417, due to the above increased costs. The new operating expense balancing account is \$341,673 undercollected which includes uncollectibles.

Duarte

2. The new adopted cost decrease for purchased water charges in Duarte is \$60,119. Uncollectible revenue costs are decreased by \$241, and franchise taxes by \$899, due to the above decreased

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costs. The new operating expense balancing account balance is \$128,061 undercollected which includes uncollectibles and franchise taxes.

San Marino

3. The new adopted cost decrease for purchased water charges in San Marino is \$117,730. Uncollectible revenue costs are increased by \$186, and franchise taxes by \$1,033, due to the above decreased costs. The new operating expense balancing account balance is \$73,627 overcollected which 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 LA-1, General Metered Service, and LA-3M, Measured Irrigation Service (D), attached to Advice Letter 477, 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 September 7, 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