

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3982*
April 19, 1996

R E S O L U T I O N

(RES. W-3982), SOUTHERN CALIFORNIA WATER COMPANY (SCWC),
OJAI DISTRICT. ORDER AUTHORIZING AN OFFSET RATE INCREASE
OF \$191,131 OR 13.0%.

BY ADVICE LETTER 957-W, FILED MARCH 14, 1996.

SUMMARY

This Resolution authorizes SCWC to increase rates by \$191,131 or 13.0% to offset changes in operating costs that have occurred since its present rates became effective. The increase will not result in a rate of return greater than last authorized for SCWC.

BACKGROUND

SCWC requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service in its Ojai District to offset: (1) a \$48,053 increase in purchased water expense, (2) a \$52,677 increase in purchased power expense, (3) an \$87,152 increase due to an undercollection in the purchased power and purchased water balancing accounts, and (4) \$3,249 in related increases in uncollectibles and franchise requirements.

SCWC serves about 2,697 metered customers in its Ojai District, in Ojai and vicinity, Ventura County.

The present rates for the Ojai District became effective on January 1, 1993, pursuant to Decision 90-12-118. The Commission, in D.95-12-027 found the rates of return on rate base of 9.32% reasonable, with a 10.40% return on equity.

NOTICE AND PROTESTS

SCWC has given public notice of the request for increase by publishing a notice in the local newspaper on March 20, 1996.

The Commission's Division of Ratepayer Advocates (DRA) filed a protest to this offset increase, on the grounds that it fails to meet the requirements of the Commission's Water Utilities Branch (Branch) Standard Practice U-27-W (Standard Practice), Processing Balancing Account Offset Rate Increases, dated August 31, 1992. In an offset proceeding, the Standard Practice calls for use of adopted quantities from the last general rate increase authorized which should be no more than five years old. This requirement is necessary to

insure adopted quantities are not outdated. SCWC's last general rate increase authorization for its Ojai District was issued by D.90-12-118, which is now more than five years old. The Standard Practice states that after five years the utility no longer qualifies for an offset and must file a general rate case in order to update adopted quantities. In its protest, DRA also indicated that SCWC did not use adopted quantities from its Ojai District's last general rate case, which is called for in the Standard Practice. The Branch reviewed the protest and determined the following:

1. SCWC did in fact use the quantities adopted in D.90-12-118 to calculate the offset increases as required by the Standard Practice.
2. Although the adopted quantities for the Ojai District are over five years old, Branch believes that they have not fluctuated significantly.
3. The undercollection of the balancing account is approximately 17% of the Ojai District's current revenue and will continue to grow without an offset.
4. Waiting to grant the offset until SCWC files its next general rate case for its Ojai District (maybe two years from now) will result in a large offset increase with a significant rate shock to customers.

In view of the above review, Branch recommends that the protest be denied and this offset rate increase be granted. No other protests were received by the Branch.

DISCUSSION

The offset increase requested herein is for the purpose of recovering in rates on a dollar-for-dollar basis changes in items that have occurred since the present rates became effective. This rate increase will not result in a return greater than that previously authorized. Changes in purchased water and purchased power are shown in the following tables:

<u>Name of Agency</u>	<u>Adopted Rate</u>	<u>Present Rate</u>	<u>Effective Date</u>
<u>Purchased Water</u>			
Casitas Water Co.	\$0.658	\$ 0.805	1/1/96
Annual Service Charge	\$4,332	\$18,505	1/1/96
<u>Purchased Power</u>			
Electric: S.C.E.	\$0.0782/kWh	\$0.1125/kWh	1/1/95

Since the increase is caused by changes in expenses directly related to water consumption, it is applied to quantity blocks for meter customers. A dollar-for-dollar recovery of the increase in expenses as a result of the changes in rates for purchased water and purchased power would have resulted in an increase of \$0.140/Ccf in all quantity blocks. One Ccf is one hundred cubic feet.

The undercollection in the balancing account as of December 1995, is \$261,456. Because this is greater than 10% of current revenue, the increase is amortized over a 36-month period. The unit increase is \$0.121 per Ccf.

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

The average monthly bill for a 5/8 x 3/4-inch meter customer using 2,200 cubic feet of water will increase by \$5.73 or 15% from \$38.21 to \$43.94.

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. OJ-1, General Metered Service and Schedule No. OJ-7ML, Public Park Metered Service, as attached to Advice Letter No. 957-W and to cancel the presently effective schedules.

2. Southern California Water Company is directed to maintain its balancing account as required by Public Utilities Code Section 792.5 and in accordance with the Branch's established procedures entitled "Procedures for Maintaining Balancing Accounts for Water Utilities", dated June 23, 1983.

3. This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 19, 1996. The following Commissioners approved it:

Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

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

Commissioner Josiah L. Neeper,
being necessarily absent, did
not participate.