

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3992
July 3, 1996

R E S O L U T I O N

(RES. W-3992), CALIFORNIA-AMERICAN WATER COMPANY (CAL-AM),
MONTEREY DISTRICT; ORDER AUTHORIZING AN OFFSET RATE
INCREASE PRODUCING ADDITIONAL REVENUE OF \$668,242, OR 3.33%.

BY ADVICE LETTER NO. 484, FILED ON NOVEMBER 6, 1995 and
SUPPLEMENTED ON MAY 29, 1996.

SUMMARY

This Resolution authorizes Cal-Am to increase gross annual revenues by \$668,242 or 3.33% to offset the balancing account undercollection. The increase will not result in a rate of return greater than last authorized for Cal-Am.

BACKGROUND

By Advice Letter 484, filed November 6, 1995, Cal-Am 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 Monterey District to offset a \$668,242 undercollection in its balancing accounts. Cal-Am serves approximately 38,000 metered customers in its Monterey District, which includes the incorporated cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, a portion of Seaside, and certain unincorporated areas in the County of Monterey.

The present rates became effective on January 1, 1996, pursuant to Decision 93-10-038 in which the Commission found the rates of return on rate base of 9.42% for 1994, 9.30% for 1995, and 9.24 for 1996 reasonable, with a 10.65% return on equity.

NOTICE AND PROTESTS

Cal-Am has given public notice of the request for increase by publishing in the Monterey County Herald, a local newspaper, on January 8, 1996. No protest or correspondence has been received.

DISCUSSION

The offset increase requested herein is for the purpose of recovering the undercollection of \$668,242 in the balancing accounts. This amount is comprised of normal unrecovered expenses in the balancing accounts, credit for overcollection of the Canada surcharge and expenses related to the drought memorandum account.

D. 90-10-036 directed Cal-Am to establish and maintain a balancing account to record the authorized expenses incurred and surcharges collected related to the Canada study project analyzing the need for a long term solution to the water shortage problems besetting the Monterey Peninsula. Cal-Am showed an overcollection of \$43,242 as of December 31, 1994.

In accordance with D. 90-08-055, the Water Utilities Branch (Branch) completed an audit of Monterey District's drought memorandum account, including extraordinary conservation expenses. For the year 1993, Branch found the Monterey District memorandum account undercollected by \$653,363. This amount was transferred to the balancing accounts in December 1994. As a result, as of December 31, 1994, Cal-Am's balance in the balancing accounts was an undercollection of \$1,424,335. Resolution W-3830 dated February 16, 1994, had authorized Cal-Am to collect a surcharge of \$0.1125 per Ccf to amortize the undercollection in the balancing accounts over a two-year period. The surcharge expired on February 21, 1996.

As of April 30, 1996, the Monterey District's balancing accounts showed an undercollection of \$665,284. The uncollectibles and franchise tax adjustments for this undercollected amount are \$1,188 and \$1,770 for a total undercollection of \$668,242. This is about 3.33% of the authorized gross annual revenues for 1996. Since this is more than 2% and less than 5% of the authorized revenues, the balancing account procedures allow this amount to be amortized over a period of one year. Therefore, a surcharge of \$0.1086 per Ccf will be added to the quantity rates for a period of one year from the effective date of this resolution.

For the average customer who uses about eight Ccf of water per month, there will be a monthly bill increase of \$0.87.

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.

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CAL-AM Water Company/AL 484/SEK/RUT/MXK/jrb

IT IS ORDERED that:

1. California-American Water Company is authorized, five days after the effective date herein, to make effective revised Schedule No. MD-1, General Metered Service, as attached to Advice Letter No. 484 and to cancel the presently effective schedule.
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 certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 3, 1996. The following Commissioners approved it:

Wesley Franklin

WESLEY M. Franklin
Executive Director

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