

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Small Water Branch

RESOLUTION NO. W-3996*
October 9, 1996

RESOLUTION

(RES. W-3996), VALENCIA WATER COMPANY (VWC). ORDER AUTHORIZING AN OFFSET RATE INCREASE OF \$595,569 OR 6.8% AND A SIMULTANEOUS TWELVE (12) MONTH SURCHARGE PRODUCING AN ANNUAL INCREASE OF \$366,615 OR 4.2% FOR ONE (1) YEAR.

BY ADVICE LETTER NO. 73 FILED ON JULY 29, 1996.

SUMMARY

This resolution authorizes VWC to increase annual revenues by \$595,569 or 6.8% to recover costs in capital investments in water utility plant. The new facilities were authorized by VWC's last general rate case in Decision (D.) 94-12-020, dated December 7, 1994. This Resolution also authorizes VWC to recover the net undercollection in its Seco/East I-5, Larwin/Poe and Water Quality memorandum accounts of \$366,615 or 4.2% through a monthly surcharge for a period of one (1) year. These memorandum accounts were authorized in D.94-12-020. The increase in rates will not result in a rate of return greater than last authorized for VWC.

BACKGROUND

In accordance with Ordering Paragraphs Nos. 6 and 7 of D.94-12-020, VWC requests authority to increase its rates in order to offset an investment of \$3,128,941 for its Seco and East I-5 tanks constructed in 1995 and 1996. In addition, VWC requests authority to recover over a twelve-month period the net undercollection in its Larwin/Poe, Seco/East I-5 and Water Quality memorandum accounts.

VWC presently serves 16,985 customers in Valencia and portions of Newhall, Saugus, Castaic, and Stevenson Ranch. VWC's present rates became effective February 14, 1996, pursuant to Decision 96-02-003, dated February 7, 1996.

DISCUSSION

Seco/East I-5 Ratebase Offset

Pursuant to Ordering Paragraph No. 6 of D.94-12-020, VWC is authorized to file an advice letter seeking authorization to include in rate base plant additions for its Seco Tank, East I-5 Tank, and East I-5 Booster Station and to receive a corresponding rate adjustment for the additional rate base.

The total cost of the two tanks is \$3,128,941. The total annual revenue requirement to cover the capital related expenses for this additional ratebase is \$595,569. This additional revenue requirement is reflected in the Summary of earnings and rate schedules attached to this Resolution.

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Memorandum Accounts

VWC was authorized to maintain three memorandum accounts, in D.94-12-020, each of which is discussed below:

Seco/East I-5 Memorandum Account

The stipulation agreement attached to D.94-12-020 states:

"The Company will maintain a Seco/East I-5 Recovery Memorandum Account to accumulate all related expenses and costs including: 1) actual cost of facilities, including appropriate administrative and general costs, through design and construction; 2) return on ratebase of capital projects; 3) depreciation on capital projects; and 4) property tax on capital projects. The Seco/East I-5 Recovery Memorandum Account will remain open no later than the end of this rate case cycle, December 31, 1997."

The recoverable costs in the Seco/East I-5 memorandum account are set forth in the Stipulation Agreement as follows: 1) return on rate base from the time VWC starts investing in the project, 2) property taxes on the cumulative capital expended to date, and 3) depreciation recovery beginning when the project is completed and the plant placed in service.

The Seco tank and East I-5 tank are completed and have been placed in service. VWC expects the East I-5 booster station to be completed during 1997. Pursuant to D.94-12-020, the Seco/East I-5 memorandum account will remain open until the earlier of: 1) the East I-5 Booster Station is completed and placed in service, and VWC obtains recovery of the costs associated with the booster station through a separate advice letter filing, or 2) December 31, 1997.

Larwin/Poe Memorandum Account

In its last general rate case, VWC demonstrated the need to replace its Larwin tank which was destroyed by the Northridge Earthquake, and to repair its Poe tank which was damaged by the Northridge Earthquake. Authority to replace/repair these tanks was granted in D.94-12-020. The revenue requirement to offset the estimated cost of both tank projects was included in rates. To insure that final rates reflect actual costs of the projects, VWC was authorized to maintain a memorandum account as described in the D.94-12-020 Stipulation Agreement as follows:

"For replacement of the Larwin tank and repair of the Poe tank, the Company agrees to track all costs in a Larwin/Poe Memorandum Account. This Larwin/Poe Memorandum Account will function the same as the Seco/East I-5 Recovery Memorandum Account. Additionally, the Company will record the associated revenue generated by having these capital additions included in general rates as a reduction to the Larwin/Poe Memorandum Account, and therefore the Larwin and Poe tanks must be maintained in a separate memorandum account from the Seco and East I-5 tanks and booster."

The Larwin tank replacement and Poe tank repairs are completed and both tanks are in service.

The Larwin/Poe Memorandum Account will be closed at the end of the one-year surcharge period, and any remaining balance in the account at the end of the one-year period will be transferred to VWC's Water Quality Memorandum Account (discussed below).

Water Quality

The Stipulation Agreement attached to D.94-12-020 states,

"Staff agrees that the Company's estimated expenses of treating water during the test years are reasonable and foreseeable. However, due to the significant amounts involved, the Company will record these expenses in its Water Quality Memorandum Account which was established pursuant to Resolution W-3784. This

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memorandum account will be increased monthly based on the adopted water quality expense per customer and reduced by actual expenses. Finally, it will remain open no later than December 31, 1997.*

In accordance with D.94-12-020, this memorandum account will remain open through December 31, 1997, to continue tracking VWC's actual water quality costs. The Commission will review VWC's plan for clearing any remaining balance in the account at that time.

Memorandum Account Recovery

The estimated under collected balances in each of the above memorandum accounts at August 31, 1996, are as follows:

Seco/East I-5	(\$523,219)
Larwin/Poe	(10,671)
Water Quality	<u>167,275</u>
TOTAL OVER (UNDER) COLLECTION	<u>(\$366,615)</u>

The net undercollection balance of \$366,615 will be recovered through a one-year surcharge to general rates. The calculation of the memorandum account recovery surcharge was submitted as part of Advice Letter No. 73, and is incorporated in the rate schedules attached to this resolution.

The Branch recommends that VWC be authorized to assess a one-year surcharge to recover the net undercollection in its memorandum accounts, to include in ratebase the cost of its Seco and East I-5 tanks, and to increase its general rates to recover the capital related costs of the two tanks added to ratebase.

Presently, the average monthly bill for a 3/4-inch meter is \$28.86 for 22 Ccf of usage, and will increase to \$32.06. The surcharge effect is an additional \$1.19 a month for 12 months.

NOTICE AND PROTESTS

Notice of the proposed rate increase was given as part of A.94-04-033. There were no protests concerning the proposed plant additions.

FINDINGS AND CONCLUSIONS

The Commission finds, after investigation by the Branch, that the rate increases proposed by Valencia Water Company are just and reasonable to recover the net undercollection in its memorandum accounts through a one-year surcharge, and to include in ratebase the cost of its Seco and East I-5 tanks and to receive a corresponding general rate increase.

IT IS ORDERED that:

1. Valencia Water Company is authorized to incorporate the Summary of Earnings and rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate Schedules Nos. 1 (General Metered Service), 3-ML (Golf Course Metered Interruptible Off-Peak Service), and 4 (Private Fire Service). The effective date of the revised schedules in Appendix B shall be five days after the effective date of this resolution.

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2. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 9, 1996. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

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

APPENDIX A

Valencia Water Company

SUMMARY OF EARNINGS
 1996

<u>Item</u>	<u>Adopted per D.96-02-003</u>	<u>Changes</u>	<u>Revised Adopted</u>
<u>Revenues</u>			
Operating Revenues	\$ 8,695.4	\$ 595.6	\$ 9,291.0
Def. Rev. CIAC	253.1	-	253.1
Total Revenues	8,948.5	595.6	9,544.1
<u>Expenses</u>			
Purchased Water	1,152.9		1,152.9
Purchased Power	771.3		771.3
Payroll	700.8		700.8
Other O&M Expense	565.8		565.8
Other A&G Expense	505.8		505.8
Taxes Other Than Income	343.7	33.8	377.5
Depreciation	1,357.0	63.8	1,420.8
Miscellaneous Amortization	209.8		209.8
Subtotal Expenses	5,607.1	97.6	5,704.7
Uncollectibles	7.1	0.4	7.5
Local Franchise Tax	111.8	6.2	118.0
State Income Tax	97.0	45.7	142.7
Federal Income Tax	1,214.5	152.1	1,366.6
Total Operating Expenses	7,037.5	302.0	7,339.5
Net Operating Revenues	1,911.0	293.6	2,204.6
Rate Base	20,330.4	3,128.9	23,459.3
Rate of Return	9.40%		9.40%

(END OF APPENDIX A)

APPENDIX B
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Valencia Water Company

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service for which no special schedule is available.

TERRITORY

The service area of Valencia Water Company in the community of Valencia and vicinity, in Los Angeles County as defined in the preliminary statement.

RATES

Quantity Rates:

	Per Meter Per Month	Ratebase Surcharge	(N)
For all water delivered per 100 cu.ft.	\$ 0.865 (I)	\$ 0.026	(N)

Service Charge:

For 5/8 x 3/4-inch meter.....	\$ 8.00 (I)	\$ 0.42	(N)	
For 3/4-inch meter.....	11.85	0.63		
For 1-inch meter.....	23.00	1.05		
For 1-1/2-inch meter.....	42.00	2.10		
For 2-inch meter.....	54.00	3.36		
For 3-inch meter.....	101.00	6.31		
For 4-inch meter.....	142.00	10.51		
For 6-inch meter.....	215.00	21.02		
For 8-inch meter.....	347.00	33.64		
For 10-inch meter.....	400.00	48.35		
For 12-inch meter.....	517.00 (I)	69.37		
For 14-inch meter.....	703.00 (N)	94.60		(N)

The Service Charge is a readiness-to-serve which is applicable to all General Metered Service and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. Due to the undercollection in the balancing account, a surcharge of \$0.0394 per 100 cu.ft. of water used is to be applied to the quantity rates for 24 months from the effective date of Advice Letter No. 63.

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Valencia Water Company

Schedule No. 1
(continued)

GENERAL METERED SERVICE

SPECIAL CONDITIONS (continued)

2. The Ratebase Surcharge is to recover amounts authorized by the Commission in the utility's Seco/East I-5 Memorandum Account, Larwin/Poe Memorandum Account, and Water Quality Memorandum Account, and shall remain in effect for 12 months from the effective date of Advice Letter No. 73.
3. For construction water service under this schedule, an installation and removal charge of \$45.00 is required in advance of service.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(N)

(N)

(L)

(L)

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Valencia Water Company

Schedule No. 3-MI

GOLF COURSE METERED INTERRUPTIBLE OFF-PEAK SERVICE

APPLICABILITY

Applicable to irrigation water service furnished to private or publicly owned golf courses.

TERRITORY

The service area of Valencia Water Company in the community of Valencia and vicinity in Los Angeles County as defined in the preliminary statement.

RATES

Quantity Rates:

	<u>Per Meter Per Month</u>		<u>Ratebase Surcharge</u>	(N)
For all water delivered per 100 cu.ft.	\$ 0.480	(I)	\$ 0.014	(N)

Service Charge:

For 4-inch meter.....	142.00	(I)	10.51	(N)
For 6-inch meter.....	215.00		21.02	
For 8-inch meter.....	347.00		33.64	
For 10-inch meter.....	400.00	(I)	48.35	(N)

The Service Charge is a readiness-to-serve which is applicable to all General Metered Service and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. Due to the undercollection in the balancing account, a surcharge of \$0.0394 per 100 cu.ft. of water used is to be applied to the quantity rates for 24 months from the effective date of Advice Letter No. 63.

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Valencia Water Company

Schedule No. 3-ML
(continued)

GOLF COURSE METERED INTERRUPTIBLE OFF-PEAK SERVICE

SPECIAL CONDITIONS (continued)

2. The Ratebase Surcharge is to recover amounts authorized by the Commission in the utility's Seco/East I-5 Memorandum Account, Larwin/Poe Memorandum Account, and Water Quality Memorandum Account, and shall remain in effect for 12 months from the effective date of Advice Letter No. 73. (N)
(N)
3. The golf course metered interruptible off-peak service is subject to interruption of service whenever the utility determines that service to its other customers will be impaired. (L)
4. The off-peak period during which this schedule is applicable is between the hours of 9 p.m. and 7 a.m. of the following day, or during other hours as may be determined from day-to-day by the utility.
5. The minimum diameter for service shall be four inches and the maximum shall not be more than the diameter of the main to which the service is connected.
6. If a distribution main of adequate size to serve the golf course does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
7. The utility will supply water only at such pressure as may be available from time to time as a result of its normal operation of the system.
8. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (L)

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Valencia Water Company

Schedule No. 4

PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to all private fire service.

TERRITORY

The service area of Valencia Water Company in the community of Valencia and vicinity in Los Angeles County as defined in the preliminary statement.

RATES

	<u>Per Service Per Month</u>		<u>Ratebase Surcharge</u>	(N)
For 4-inch Service.....	\$ 42.00	(I)	\$ 3.15	(N)
For 6-inch meter.....	60.00		4.62	
For 8-inch meter.....	80.00		5.72	
For 10-inch meter.....	165.00		12.09	
For 12-inch meter.....	239.00	(I)	17.34	
For 14-inch meter.....	325.00	(N)	23.59	(N)

SPECIAL CONDITIONS

1. The Ratebase Surcharge is to recover amounts authorized by the Commission in the utility's Seco/East I-5 Memorandum Account, Larwin/Poe Memorandum Account, and Water Quality Memorandum Account, and shall remain in effect for 12 months from the effective date of Advice Letter No. 73. (N)
|
(II)
2. The private fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund. (L)
3. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
4. If a distribution main of adequate size to service a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund. (L)

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Valencia Water Company

Schedule No. 4
(continued)

PRIVATE FIRE SERVICE

SPECIAL CONDITIONS (continued)

5. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility. The utility may install the standard detector type meter approved by the Insurance Services Office for protection against theft, leakage, or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.
6. For water delivered for other than fire protection purposes, charges shall be made therefore under General Metered Service.
7. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
8. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(L)

(L)

(END OF APPENDIX B)