

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Small Water Branch

RESOLUTION NO. W-4000*
September 4, 1996

R E S O L U T I O N

(RES. W-4000), ELK GROVE WATER WORKS (EGWW).
ORDER AUTHORIZING A MEMORANDUM ACCOUNT FOR
PURCHASED WATER.

BY LETTER FILED AUGUST 9, 1996.

SUMMARY

This resolution authorizes EGWW to establish a memorandum account to keep track of expenses associated with purchased water. The present rates will not be affected by this resolution.

BACKGROUND

EGWW requests authority to establish a memorandum account for purchased water. Located 14 miles south of the city of Sacramento, EGWW provides service to about 7,300 residential commercial customers. The service area consists of over 8,000 acres of which a section designated Zone 40 represents roughly two-thirds of the total area. New construction within Zone 40 will expand its services. In order to meet peak demand and fulfill fire flow requirements, EGWW has been forced to enter into a wholesale treated groundwater and/or surface water agreement with the Sacramento County Water Agency.

DISCUSSION

EGWW has entered into a wholesale treated groundwater and/or surface water agreement with Sacramento County Water Agency, whereby the Agency will provide potable water to EGWW for use within a portion of its service area, Zone 40. EGWW has never needed to purchase water before, relying on wells for its water supply. However, due to increasing demand and overdraft of groundwater supply, EGWW needs to purchase water during peak periods, May to October, in order to meet required pressures and fire flow rates.

EGWW claims that in the long term, the agreement will present a greater opportunity for conjunctive use of groundwater and surface water by EGWW than exists at present, a beneficial aspect of the project. For example, the area suffers from groundwater overdraft which this wholesale purchase agreement will prevent from occurring in future wet years. EGWW has already spent over \$40,000 in purchased water expenses to meet both pressure and fire flow requirements.

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This resolution would authorize EGW to record those purchased water expenses that occur after its effective date. To allow EGW to collect expenses that it incurred prior to such date would constitute retroactive ratemaking.

Branch has not done an independent investigation of this request, but a preliminary evaluation of the information supplied and discussion with the utility raises significant concern. The utility may not be in compliance with its Rule 15, Main Extension Rule, in this area and may be effectively shifting costs from developers to customers. Since Elk Grove has already incurred over \$40,000 in expenses, Branch chooses not to hold up this request, but is putting the utility on notice that it may be presently doing things which threaten eventual recoveries from this account.

The recording of these expenses into the memorandum account does not constitute a prejudgment of the appropriateness of recovery of any expense included in the memorandum account. The purpose of authorizing this memorandum account is to insure that EGW is not precluded from recovering additional purchased water expenses.

In a future proceeding or general rate case, the Commission will reach a decision regarding the utility's recovery in rates of the memorandum account balance. In that proceeding, the staff will review the expenses and balance in the account and make a recommendation to the Commission.

Because rates are not affected by the creation of a memorandum account and parties will have an opportunity to review these costs in the future, it is appropriate to authorize the establishment of a memorandum account to record expenses associated with purchased water.

FINDINGS

THE COMMISSION FINDS, after investigation by the Branch, that establishment of the purchased water memorandum account requested herein is justified for the purpose of tracking purchased water expenses for review by the Commission at EGW's next general rate case proceeding for recovery in rates, on a dollar-for-dollar basis. This request will not result in any change to rates at this time.

IT IS ORDERED that:

1. Elk Grove Water Works is authorized to establish a memorandum account for purchased water expenses.
2. No expenses incurred prior to the effective date of this resolution shall be recorded in the memorandum account.

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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 4, 1996. The following Commissioners approved it:

Wesley Franklin
WESLEY M. FRANKLIN
Executive Director

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

President P. Gregory Conlon,
being necessarily absent, did not
participate.