

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Small Water Branch

RESOLUTION W-4001
September 4, 1996

R E S O L U T I O N

(RES. W-4001) CITIZENS UTILITIES COMPANY OF CALIFORNIA,
(CITIZENS), SACRAMENTO DISTRICT. ORDER AUTHORIZING THE
ESTABLISHMENT OF A MEMORANDUM ACCOUNT FOR START UP COSTS
RELATED TO SURFACE WATER PROCUREMENT FROM PLACER COUNTY
WATER AGENCY (PCWA).

BY ADVICE LETTER 310, FILED JUNE 14, 1996.

SUMMARY

Citizens requests authority to establish a memorandum account for tracking costs related to its participation in Placer County Water Agency (PCWA) surface water supply project.

Citizens is requesting that the Commission approve recording into the memorandum account Citizens' revenue requirement associated with PCWA changing its Place of Use Permit for American River surface water. Citizens will request rate recovery of the amounts recorded in the memorandum account in 1) a separate application specifically designed for that purpose; or 2) another rate-setting proceeding.

Due to steadily declining aquifers in its Sacramento service area, Citizens is investigating surface water as long term supply of water in the future. Currently, PCWA is looking to sell surface water to Northridge Water District, from which Citizens will be able to purchase future water. In order to sell surface water, however, PCWA must file an application for Amended Place of Use with the State Water Resource Control Board, Division of Water Rights. This involves performing an Environmental Impact Report along with other studies that will amount to substantial expenses. In order to gain access to future surface water, Citizens must share a portion of these upfront costs. At this time, Citizens cannot precisely determine the magnitude of these costs, and thus it is unable to accurately forecast the complete impact.

The Water Utilities Branch (Branch) has investigated this request and agrees that these costs could not be anticipated, are potentially unavoidable, are outside the utility's control and may be significant. Branch recommends approval of the request.

This resolution would authorize Citizens to record those expenses that occur after its effective date in a memorandum account. To allow Citizens to collect expenses that it incurred from the time of procuring rights for surface water until the effective date of this resolution would constitute retroactive ratemaking.

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 the affected utilities is not precluded from recovering these extraordinary expenses incurred as a result of the surface water procurement.

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 about the amount to be included in rates.

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, no formal notice is required.

FINDINGS

1. Citizens is investigating a long term supply of water in the future.
2. PCWA is planning to sell surface water to the Northridge Water District from which Citizens will be able to purchase future surface water.
3. PCWA is required to do a Environmental Impact Report along with other studies, and Citizens must share a portion of these upfront costs.
4. Citizens has requested the establishment of a memorandum account to record expenses associated with the start up costs for surface water procurement.

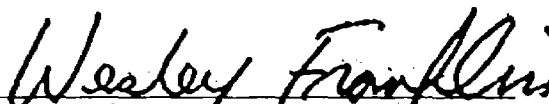
IT IS ORDERED that:

1. Citizens Utilities is authorized to establish a memorandum account to record the expenses associated with the start up costs for surface water procurement from Placer County Water Agency.
2. No expense incurred prior to the effective date of this resolution shall be recorded in the memorandum account.

September 4, 1996

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 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.