

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Small Water Branch

RESOLUTION NO. W-4007*
October 25, 1996

R E S O L U T I O N

(RES. W-4007), BIG HILL WATER COMPANY (BHC).
ORDER AUTHORIZING A RATE SURCHARGE FOR RECOVERY OF
UNANTICIPATED WATER TREATMENT EXPENSES PRODUCING AN
ANNUAL INCREASE OF \$12,952.27 OR 12.2% IN 1996.

BY SMALL WATER BRANCH OUTREACH PROGRAM.

SUMMARY

This Resolution authorizes BHC to implement a surcharge over five monthly billing periods to each customer's bill to recover unanticipated water treatment expenses. The monthly surcharge is shown in Appendix A, attached to this resolution.

BACKGROUND

BHC consists of two separate water systems with two water treatment plants, one at each system. Until last winter (1995-96), the California Department of Health Services (DHS) had been allowing BHC to operate its water treatment plants with a part-time certified Grade 2 water treatment plant operator working one day per week. During last winter, BHC had difficulty meeting turbidity standards, and it was necessary for DHS to issue numerous citations for failure of BHC to comply with Section 4017(c) of the California Health and Safety Code and Section 64653(c) (I) of Title 22, California Code of Regulations (CCR). In addition to the citations, DHS required BHC to hire a full-time certified Grade 2 water treatment plant operator.

BHC was unable to find a full-time Grade 2 water treatment plant operator. With the urging of DHS, the Tuolumne Utility District (TUD) agreed to provide a full-time certified Grade 2 water treatment plant operator for BHC at approximately \$150 per day. A contract was signed and TUD began providing the services on June 6, 1996.

The Small Water Branch of the Commission's Water Division (Branch) became aware of the contract between TUD and BHC in August, 1996. The Branch was also notified at that time that BHC was unable to pay, in full, the cost for services specified in the contract with revenues collected through currently authorized rates. The Branch immediately determined that the full-time certified Grade 2 water treatment plant operator required by DHS was necessary to protect the health and welfare of BHC's customers. In view of this, BHC was found to qualify to track in a memorandum account the unanticipated costs for the work described above pursuant to Commission Decision (D.)92-03-093, dated March 31, 1992. The Branch, through its outreach program, assisted the utility in establishing the unanticipated expense memorandum account and determining the surcharge necessary to recover the expected memorandum account undercollection balance as of November 30, 1996. BHC anticipates not having

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to utilize the services of TUD as of December 1, 1996 as two certified Grade 2 water treatment plant operators will become available to work for the utility at rates considerably lower than those being charged by TUD.

The cost of the services provided by the TUD between June 6, 1996 and November 30, 1996 will be \$24,952.27. BHC will be able to pay \$12,000 to cover these expenses with revenue generated from currently adopted rates. BHC has established an unanticipated cost memorandum account and requests recovery as authorized by D.92-03-093. BHC presently provides service to approximately 215 metered customers in a service area located a few miles north of Sonora and to approximately 66 metered customers in a service area located about one mile south of the town of Soulsbyville in Tuolumne County. BHC's last general rate increase was approved on March 13, 1996, by Resolution W-3975, which authorized an increase of \$40,499 or 61.7%.

DISCUSSION

The increase requested herein is for the purpose of recovering through a surcharge, on a dollar-for-dollar bases, expenses which BHC incurred in meeting health and safety standards mandated by DHS. In D.92-03-093, the Commission authorized Class C and D water companies to establish memorandum accounts for unanticipated expenses. The increase will not result in a rate of return greater than last authorized for BHC.

Branch has reviewed BHC's last general rate case filed in 1995 and believes that BHC could not have anticipated the expenses described above and, therefore, did not receive enough revenue for the recently incurred expenses described above. Branch also reviewed BHC's expenditures recorded in its unanticipated event memorandum account and found them reasonable.

The recommended surcharge is for five monthly billings of \$9.22 to be collected from the BHC's 281 customers. The surcharge rates are shown in Appendix A, item (7) under special conditions. Per Public Utilities Code 792.5, any surcharge collected in excess of the \$12,952.27 should be refunded to the customers. The memorandum account should be terminated either 1) when the balance becomes zero or 2) on March 31, 1997, whichever occurs first.

NOTICE AND PROTESTS

Notice of the rate increase was mailed to each customer on October 5, 1996. The Branch received five letters protesting the magnitude of the rate increase.

FINDINGS

The COMMISSION FINDS, after investigation by the Branch, that the rate surcharge hereby authorized is justified and the resulting rates are just and reasonable.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Big Hill Water Company to incorporate the revised schedules attached to this resolution as Appendix A, and concurrently to cancel its presently effective rate Schedules No. BH-1 (General Metered Service for Big Hill Division), and

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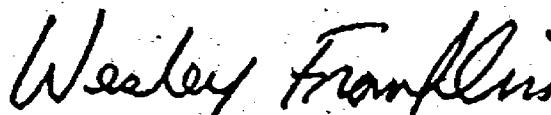
No. M3-1 (General Metered Service for Monté Grands Division). Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of its filing.

2. Big Hill Water Company shall terminate this surcharge either 1) when the memorandum account balance becomes zero or 2) on March 31, 1997, whichever occurs first.

3. Big Hill Water Company shall refund its customers any surcharge collected in excess of \$12,952.27.

4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on October 25, 1996. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

P. GREGORY CONLON
President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEPPER
Commissioners

Commissioner Daniel Wm. Fessler,
being necessarily absent,
did not participate.

APPENDIX A

Schedule No. BH-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Big Hill Division on Big Hill Road and vicinity, located approximately 5 miles east of Columbia, Tuolumne County.

RATES

Quantity Rate:

All water, per 100 cu. ft..... \$1.93

Service Charge:

	<u>Per Meter Per Month</u>	
	<u>Charge</u>	<u>SDWBA Surcharge</u>
For 5/8x3/4-inch meter.....	\$14.00	\$3.75
For 3/4-inch meter.....	21.00	5.63
For 1-inch meter.....	35.00	9.38
For 1-1/2-inch meter.....	70.00	18.75
For 2-inch meter.....	112.00	30.00

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 82-10-006.

(D)

2. As authorized by the California Public Utilities Commission in Resolution W-3961, in order to balance the purchased power account, all bills are subject to a \$0.36 per 100 cu.ft. surcharge for a period of 3 years.

(L)

(L)

(continued)

APPENDIX A
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Schedule No. BH-1
(continued)

GENERAL METERED SERVICE

3. A late charge will be imposed per Schedule No. LC. (L)
4. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company's option, be furnished on the account of the landlord or property owner. (L)
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(L)
5. As authorized by the California Public Utilities Commission, all bills for metered service are subject to a \$9.22 five-month surcharge. This charge offsets unanticipated costs incurred from June 6, 1996 through November 30, 1996. This surcharge is in addition to the water bill and other surcharges. (N)
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(N)
6. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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Schedule NO. M3-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Monte Grande Division on Monte Grande Road and vicinity, located approximately one mile south of Soulsbyville, Tuolumne County.

RATES

Quantity Rate:

All water, per 100 cu. ft..... \$1.93

Service Charge:

	Per Meter Per Month	
	Charge	SDWBA Surchage
For 5/8x3/4-inch meter.....	\$14.00	\$ 7.84
For 3/4-inch meter.....	21.00	11.76
For 1-inch meter.....	35.00	19.60
For 1-1/2-inch meter.....	70.00	39.20
For 2-inch meter.....	112.00	62.72

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 82-10-006.
2. As authorized by the California Public Utilities Commission in Resolution W-3961, in order to balance the purchased power account, all bills are subject to a \$0.36 per 100 cu.ft. surcharge for a period of 3 years.

(D)

(L)

(L)

(continued)

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Schedule No. M3-1
(continued)

GENERAL METERED SERVICE

3. A late charge will be imposed per Schedule No. LC. (L)
4. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company's option, be furnished on the account of the landlord or property owner. (L)
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(L)
5. As authorized by the California Public Utilities Commission, all bills for metered service are subject to a \$9.22 five-month surcharge. This charge offsets unanticipated costs incurred from June 6, 1996 through November 30, 1996. This surcharge is in addition to the water bill and other surcharges. (N)
|
(N)
6. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(END OF APPENDIX A)