

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Small Water Branch

RESOLUTION W-4033^a
March 7, 1997

RESOLUTION

(RES. W-4033), RIO PLAZA WATER COMPANY, INC. (RPW). ORDER AUTHORIZING A RATE BASE OFFSET RATE INCREASE PRODUCING \$9,108 OR 7.8% ADDITIONAL REVENUE, AND A \$3.12 MONTHLY SURCHARGE FOR TWENTY-FOUR MONTHS FOR THE RECOVERY OF AN UNANTICIPATED EXPENSE MEMORANDUM ACCOUNT PRODUCING \$19,431 ADDITIONAL ANNUAL REVENUE FOR TWO YEARS.

BY ADVICE LETTER 27, FILED JANUARY 7, 1997.

SUMMARY

This Resolution authorizes RPW to increase rates by \$9,108 or 7.8% to offset rate base plant additions during 1995 and 1996, and a \$3.12 per month surcharge per customer for 24 months to recover \$38,838.16 contained in the unanticipated expense memorandum account. This Resolution also finds reasonable and approves a loan in the amount of \$50,100.

BACKGROUND

Commission Res. W-3829, dated November 22, 1994, authorized RPW to file for an advice letter rate base offset to recover costs for various system improvements. RPW has completed the improvements and requests recovery of costs in rates.

Pursuant to Commission Decision 92-03-093, dated March 31, 1992, RPW established an Unanticipated Expense Memorandum Account for costs to repair a collapsed well. The repair cost was \$38,838. RPW requests recovery of costs through a surcharge of \$3.12 per month for twenty-four months.

RPW has also requested approval of a loan in the amount of \$50,100 from Citizens State Bank of Santa Paula. This loan is to be paid off over five years. The proceeds of the loan are to be used to discharge its short-term indebtedness and to reimburse its treasury for capital expenditures.

The present rates of RPW became effective on July 1, 1996, pursuant to Res. W-3784, which authorized a cost-of-living rate increase of \$3,260 or 2.5%.

DISCUSSION

The Small Water Branch (Branch) has reviewed the costs of the system improvements authorized by Res. W-3892 and find them reasonable. A member of the Branch staff inspected the system to verify that improvements were made. Branch, therefore, recommends a rate base offset rate increase producing \$9,108 or 7.8% additional revenue.

The Branch has reviewed RPW's expenditures recorded in its Unanticipated Expense Memorandum Account. A member of the Branch staff inspected the RPW system to verify and assess the collapsed well repair. Branch verified the collapse of the well, that the repair work had been done, and that

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the total cost of \$38,838 was reasonable. Therefore, the Branch recommends the RPW be authorized to assess a 24-month surcharge of \$3.12 per month per customer.

The increase for recovery of the Unanticipated Expense Memorandum Account which RPW incurred in repairing the collapsed well, is on a dollar-for-dollar basis. For this reason, any collapsed well repair costs recorded in the utility plant account will require a corresponding dollar entry in the contribution-in-aid-of-construction account.

Neither the rate base offset increase nor the Unanticipated Expense Memorandum account surcharge will result in a rate of return greater than that previously authorized.

The Water Division's Accounting and Finance Branch has reviewed RPW's request for approval of the \$50,100 loan and finds it reasonable and necessary and therefore recommends its approval.

Service is satisfactory. There are no Commission orders requiring system improvement, nor are there significant service problems requiring corrective action.

RATE DESIGN

The commodity rate and the service charge in RPW's Schedule 1, General Metered Service, will be increased by 7.8% and each customer will pay a monthly surcharge of \$3.12 per month for a period of 24 months. The rate in RPW's Schedule 4, Private Fire Protection Service will be increased by 7.8%.

PROTESTS

A notice of the increase was run in the Ventura County Star, the local newspaper of general circulation on January 28, 1997, and no letters of protest were received by the Branch.

FINDINGS

THE COMMISSION FINDS that:

1. After investigation by the Branch that the rate increase and rate surcharge hereby authorized is justified and the resulting rates are just and reasonable.
2. After investigation by the Accounting and Finance Branch that the requested \$50,100 loan hereby authorized is justified and reasonable.

IT IS ORDERED that:

1. Rio Plaza Water Company is authorized to make effective the revised Schedules 1, General Metered Service, and 4, Private Fire Protection Service, attached to Advice Letter 27-W and to cancel the presently effective rate schedules. The effective date of the revised rate schedules shall be five days after the date herein.
2. Any collapsed well expenses that Rio Plaza Water Company records in its utility plant account requires a corresponding entry in its contribution-in-aid-of-construction account.

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3. Rio Plaza Water Company is authorized to obtain a \$50,100 loan.
4. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 7, 1997. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

P. GREGORY CONLON
President
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners