

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION  
Small Water Branch

RESOLUTION NO. W-4041  
June 11, 1997

RESOLUTION

(RES. W-4041), BIG HILL WATER COMPANY (BHWC),  
ORDER AUTHORIZING A RATE SURCHARGE FOR  
RECOVERY OF UNANTICIPATED WATER TREATMENT  
EXPENSES PRODUCING AN ANNUAL INCREASE OF  
\$24,696.57 OR 22.5% IN 1997.

BY SMALL WATER BRANCH OUTREACH PROGRAM.

SUMMARY

This Resolution authorizes BHWC to implement a surcharge over ten 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

BHWC consists of two separate water systems with two water treatment plants, one at each system. Until the winter 1995-96, the California Department of Health Service (DHS) had been allowing BHWC to operate its water treatment plants with a part-time certified Grade 2 water treatment plant operator working one day per week. During the winter of 1995-96, BHWC had difficulty meeting turbidity standards, and it was necessary for DHS to issue numerous citations for failure of BHWC to comply with Section 4017(c) of the California Health and Safety Code and Section 64653(c)(1) of Title 22, California Code of Regulations. In addition to the citations, DHS required BHWC to hire a full-time certified Grade 2 water treatment plant operator.

BHWC 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 BHWC at approximately \$150 per day. A contract was signed and TUD began providing the services on June 6, 1996.

The Small Water Branch (Branch) of the Commission's Water Division became aware of the contract between TUD and BHWC in August, 1996. The Branch was also notified at that time that BHWC 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 BHWC's customers. In view of this, BHWC qualified to track in a memorandum account the unanticipated costs for the work described above pursuant to Commission Decision (D.) 9203093, dated March 31, 1992. The Branch, through its outreach program, assisted the utility in establishing the unanticipated expenses memorandum account (memorandum account) and determining the surcharge necessary to recover the memorandum account undercollection balance as of November 30, 1996.

Commission Res. W-4007, dated October 25, 1996, authorized BHWC to implement a \$9.22 monthly surcharge for a period of five months to recover the undercollection balance of \$12,952.27 in the memorandum account as of November 30, 1996.

The cost of the services provided by the TUD between June 1996 and December 5, 1996, was expected to be \$24,952.27. This amount was to be offset by the \$12,952 collected by the surcharge and \$12,000 paid from current adopted rates. By December 5, 1996 (end of contract), however, the total cost for TUD services was \$32,494.24. The additional cost was due to unexpected work that was necessary to meet DHS requirements to protect the health and welfare of BHWC customers. These costs were, therefore, added to the memorandum account. On December 6, 1997, BHWC hired two Grade 2 water treatment plant operators who became available to operate the treatment plants on a full-time basis as required by DHS. BHWC had expected to be able to pay these Grade 2 operators from existing adopted revenues. However, because of the heavy rainstorms during the winter of 1996-97, BHWC experienced severe problems with turbidity at both treatment plants. To take care of these problems, BHWC expended funds for labor and materials which far exceeded treatment plant expenses authorized in the utility's last general rate case. Because the work was necessary in meeting DHS safe drinking water requirements to protect the health and welfare of BHWC customers, these unexpected costs were added to the memorandum account. As of March 30, 1997, the undercollection balance in the memorandum account was \$24,696.57.

In addition to the unanticipated costs described above, there have been changes in chemical treatment requirements, as directed by DHS. These changes have increased the cost of chemicals which will exceed the \$5,000 annual amount adopted in the last general rate case (Res. W-3975). The changes could possibly increase labor expenses to exceed authorized levels in Res. W-4007. The memorandum account should be held open to track chemical and labor expenses in excess of the amounts that were allowed annually in Res. W-3975. The status of the memorandum account should be reported to the Branch on April 30, 1998.

BHWC presently provides service to approximately 206 metered customers in a service area located a few miles north of Sonora and to approximately 61 metered customers in a service area located about one mile south of the town of Soulsbyville in Tuolumne County. BHWC's last general rate increase was approved on March 13, 1996, by Res. 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 BHWC 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 BHWC.

Branch has reviewed BHWC's last general rate case filed in 1995 and the surcharge authorized in Res. W-4007 to recover an undercollection in an unanticipated expenses memorandum account and believes that BHWC could not have anticipated the expenses and, therefore, did not receive enough revenue for the recently incurred expenses described above. Branch also reviewed BHWC's expenditures recorded in its unanticipated memorandum account and found them reasonable.

The recommended surcharge is for ten monthly billings of \$9.25 to be collected from the BHWC's 267 customers. The surcharge rates are shown in Appendix A, item (5) under special conditions. The Branch recommends that the memorandum account should remain open to track chemical and labor costs exceeding the currently adopted annual amounts. The status of the memorandum account should be reported to the Branch on April 30, 1998.

June 11, 1997

**NOTICE AND PROTESTS**

Notice of the rate increase was mailed to each customer on May 17, 1997. The Branch received sixteen letters protesting the rate increase.

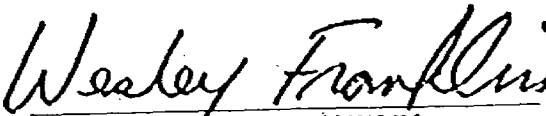
**FINDINGS**

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 BH-1 (General Metered Service for Big Hill Division), and MG-1 (General Metered Service for Monte Grande 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 keep the unanticipated expenses memorandum open to track chemical and labor expenses which exceed the respective annual amounts currently allowed in rates. The status of the unanticipated expenses memorandum account shall be reported to the Water Division's Small Water Branch on April 30, 1998.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 11, 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

APPENDIX A  
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Schedule No. MG-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. .... \$1.99

Service Charge:

		Per Meter Per Month	
		SDWBA	
		Charge	Surcharge
For	5/8x3/4-inch meter .....	\$14.50	\$7.84
For	3/4-inch meter .....	21.70	11.76
For	1-inch meter .....	36.15	19.60
For	1-1/2-inch meter .....	72.30	39.20
For	2-inch meter .....	115.70	62.72

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.
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.
3. A late charge will be imposed per Schedule No. LC.
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.
5. As authorized by the California Public Utilities Commission, all bills for metered service are subject to a \$9.25 ten-month surcharge. This charge offsets the costs of the extraordinary event of emergency labor costs incurred from June 6, 1996 through December 31, 1996. This surcharge is in addition to the water bill and other surcharges. (C)  
|  
(C)
6. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (L)

(END OF APPENDIX A)

**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..... \$1.99

**Service Charge:**

	Per Meter Per Month	
	<u>Charge</u>	<u>SDWBA Surcharge</u>
For ..... 5/8x3/4-inch meter	\$ 14.50	\$ 3.75
For ..... 3/4-inch meter	21.70	5.63
For ..... 1-inch meter	36.15	9.38
For ..... 1-1/2-inch meter	72.30	18.75
For ..... 2-inch meter	115.70	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.

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