

WATER/ABJ/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Advisory Branch

RESOLUTION NO. W-4158
July 8, 1999

RESOLUTION

**(RES. W-4158), AGATE BAY WATER COMPANY (ABWC).
ORDER AUTHORIZING AN OFFSET RATE INCREASE
PRODUCING AN ADDITIONAL ANNUAL REVENUE OF
\$51,707 OR 36.62%.**

SUMMARY

By Advice Letter No. 22, filed May 10, 1999, ABWC seeks to increase rates to recover costs in capital investment in water utility plant. This resolution grants an increase in gross annual revenue of \$51,707 or 36.62% to recover costs associated with improvement of the utility's existing treatment and filtration system. This facility improvement was authorized in ABWC's latest general rate case per Res. W-3677, dated September 2, 1992. The increase will result in a rate of return of 11.96% which is higher than the rate of return of 11.85% last authorized in Res. W-3677. This is due to ABWC being authorized to earn a return of 12.50% on the capital investment in this resolution. 12.50% is the midpoint of the rate of return range for Class C Water Utilities currently recommended by the Water Division's Audit and Enforcement Branch. ABWC also seeks authority to assess a one-time surcharge of \$2.38 per customer to recover Department of Health Services (DHS) fees for the 1998-1999 fiscal year. This resolution grants that request.

BACKGROUND

ABWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates in order to offset \$295,000 for capital improvements. ABWC also requests authority to assess a one-time surcharge of \$2.38 per customer to recover DHS fees pursuant to Res. W-4013, dated December 20, 1996. ABWC presently serves approximately 561 flat rate customers in Agate Bay and vicinity, on the north shore of Lake Tahoe, Placer County.

The present rates became effective September 17, 1998, pursuant to Res. W-4115, which authorized an offset rate increase of \$15,130 or 12.09%.

DISCUSSION

Prior to its last general rate case, filed by draft advice letter on February 27, 1992, ABWC was required by the Department of Health Services (DHS) to improve its existing lake treatment plant. Res. W-3677 authorized ABWC to file an advice letter rate increase to offset costs associated with the improvement of the existing filtration plant once the facilities were in place and in operation. ABWC submitted Advice Letter 21-A, filed July 21, 1998, requesting to recover \$69,098 in costs (primarily pipe installation) associated with Phase I of the improvement of the existing treatment and filtration facility as mandated by DHS. Res. W-4115, dated September 17, 1998, approved the request by authorizing a rate increase of \$15,130 or 12.09%. ABWC has submitted this advice letter requesting to recover \$295,000 in costs associated with Phase II and the completion of the improvement of the existing treatment and filtration facility as mandated by DHS. In addition, ABWC also requested authority to offset the billing of \$1,366.20 by DHS for the services from July 1, 1998 through June 30, 1999.

ABWC requests permission to increase rates by \$51,707 or 36.87%, and to assess a one-time surcharge of \$2.38 per customer.

The Water Advisory Branch (Branch) has inspected and verified that the treatment plant improvements have been completed. It has also reviewed ABWC's records and finds the cost of \$295,000 associated with the treatment plant to be reasonable. In view of this, the Branch recommends that ABWC be authorized to increase its rates by \$51,707 or 36.62% to recover the costs associated with treatment plant improvements as described above. The Branch also recommends that ABWC be authorized to assess each customer a one-time \$2.38 surcharge to recover DHS fees for the 1998-1999 fiscal year. The annual bill for customers of ABWC, all of whom are on the flat rate schedule, will rise 36.62%, from \$250.16 to \$341.77. Although there are metered rates in ABWC's tariff, all customers are presently on the Annual Flat Schedule.

The Branch is in receipt of a letter from DHS approving the installation.

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

NOTICE AND PROTESTS

ABWC published a notice of this proposed increase in a local newspaper on May 13, 1999. There were no protest letters.

FINDINGS

THE COMMISSION finds, after investigation by the Branch, that:

1. The rate increase proposed by ABWC is just and reasonable to recover the costs associated with treatment and filtration plant improvements.
2. The one-time surcharge to recover DHS' fees is just and reasonable.

IT IS ORDERED that:

1. Agate Bay Water Company is authorized to incorporate the Summary of Earnings and rate schedules attached to Advice Letter No. 22 and concurrently cancel its presently effective rate schedules No. 1, General Metered Service, No. 2AL, Limited Flat Rate Service, and No. 4, Private Fire Protection Service. The effective date of this advice letter shall be five days after the date of this resolution.
2. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on July 8, 1999. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

RICHARD A BILAS
President

HENRY M. DUQUE

JOSIAH L. NEPPER

JOEL Z. HYATT

CARL W. Wood

Commissioners