

WATER/ABJ:lj*

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Advisory Branch

RESOLUTION W-4167
October 7, 1999

RESOLUTION

(RES. W-4167), ARROWHEAD MANOR WATER COMPANY, INC. (AMWC). ORDER AUTHORIZING AN INTERIM RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUES OF \$91,342 OR 57.5% IN 1999.

SUMMARY

By Draft Advice Letter, filed on September 20, 1999, AMWC request a rate increase of \$92,737 or 59.9%. This resolution grants an interim increase in gross annual revenues of \$91,342 for test year 1999. This increase will provide AMWC with sufficient monies to pay for costs of purchasing water from the Crestline Arrowhead Water Agency (CLAWA). This increase is granted subject to refund pending results of the general rate increase request recently filed by AMWC and currently being processed by the Water Division's Water Advisory Branch (Branch). The increase in this Resolution will result in a rate of return no greater than last authorized for AMWC.

BACKGROUND

AMWC requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$92,737 or 59.9% in 1999. AMWC estimates that it will serve approximately 211 metered customers and approximately 352 flat rate customers in 1999. AMWC provides service to Lakebrook Park and Arrowhead Manor, unincorporated subdivisions located approximately one mile southeast of Lake Arrowhead in the Cedar Glen vicinity, San Bernardino County.

The present rates became effective on August 10, 1999, pursuant to Advice Letter No. 38 in which AMWC requested and was granted a 1.5% net increase to offset the 1998 CPI increase and to correct an improperly imposed CPI increase authorized in Res. W-3826, dated February 16, 1994. The last general rate increase became effective March 21, 1994, pursuant to Res. W-3826, which authorized a general rate increase of \$28,763 or 22% and a rate of return of 11.30%.

In its last general rate case for test year 1994 (Res. W-3826), AMWC was authorized to recover, through rates, \$33,685 for purchasing water from CLAWA. Since that time, due to increases in water consumption, the actual cost of purchased water has increased significantly. In 1998, AMWC's recorded purchased water cost was \$77,056. Based on recorded purchased water during the first six months of 1999, the cost of purchased water for all of 1999 is projected to be \$126,422. Because many of AMWC's customers are flat rate, and because much of the water is lost through leaks, AMWC's revenues cannot cover these increased costs. The increase requested by AMWC is to recover in rates the difference between projected purchased water costs in 1999, and purchased water costs allowed in the last general rate increase.

DISCUSSION

The Branch has reviewed AMWC's request and believes that the increase in purchased water costs the utility has experienced over the last 3 to 4 years is a serious threat to the utility's ability to "make ends meet" and stay in business. The Branch, therefore, recommends an increase of \$91,342 or 57.5% which differs from the request of AMWC by taking into account Consumer Price Index increases authorized in 1994 and 1999. The Branch further recommends that the increase authorized, herein, be subject to refund pending the final result of the Branch's investigation currently being conducted into AMWC's recent general rate increase request. Branch will work with the utility to identify and correct leak problems during the general rate case.

NOTICE

Public Notice of the request was given by publishing a notice in the Mountain News, a local newspaper of general circulation, on September 16, 1999. No response letters protesting the increase have been received.

AMWC's filed tariffs currently contain Schedules No. 1A, Annual Metered Service, and No. 2RA, Annual Residential Flat Rate Service. At the Branch's recommended rates shown in Appendix A, the quarterly bill for a 5/8 x 3/4-inch metered customer using 15 Ccf per quarter (one Ccf equals 100 cubic feet) will increase from \$75.87 to \$94.17. The quarterly bill for a flat rate residential customer will increase from \$62.30 to \$114.79.

FINDINGS

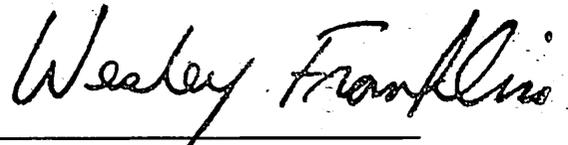
1. The interim rates recommended by the Branch (Appendix A) are reasonable and should be adopted.
2. The rate increase authorized herein should be subject to refund pending the completion of the Branch's investigation of AMWC's recently filed general rate increase request.

IT IS ORDERED that:

1. Arrowhead Manor Water Company, Inc. is authorized to file an advice letter adopting the revised schedules 1A, Annual Metered Service, and 2RA, Annual Residential Flat Rate Service, attached to this resolution as Appendix A, and to concurrently cancel its presently effective rate schedules. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of filing.
2. The rate increase authorized herein is subject to refund pending final resolution of Arrowhead Manor Water Company, Inc.'s recent general rate increase request. During the interim period, AMWC is ordered to begin a program of water leak repair utilizing 30% of the increased revenues. The company is ordered to report to its customers and to the Director of the Water Division, with each subsequent quarterly billing, any leak stoppage accomplished during the previous quarter with specific location of the leak and estimated gallons of water saved.

3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on October 7, 1999. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President

HENRY M. DUQUE

JOSIAH L. NEEPER

JOEL Z. HYATT

CARL W. WOOD

Commissioners

APPENDIX A
Sheet 1

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished.

TERRITORY

The unincorporated community of Cedar Glen and vicinity, located one mile southeast of Lake Arrowhead, San Bernardino County.

RATES

		<u>First Tier*</u>	<u>Second Tier**</u>	
Quantity Rate:				
All water, per 100 cu.ft.		\$3.96 (I)	\$ 4.03 (I)	
Service Charge:				
		<u>Per Service Connection Per Year</u>		
		<u>Service Charge</u>	<u>SDWBA Surcharge</u>	
		<u>First Tier*</u>	<u>Second Tier**</u>	<u>Direct Benefit Non-Benefit</u>
For 5/8 x 3/4-inch meter	\$ 139.06	\$ 142.62	\$123.00	\$ 65.00
For 3/4-inch meter	208.08	213.41	184.00	97.00
For 1-inch meter	347.13	356.02	307.00	162.00
For 1-1/2-inch meter	695.28	713.09	614.00	325.00
For 2-inch meter	1,124.44	1,140.94	982.00	520.00

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

* First Tier rates are applicable for one and one-half years, starting (C)
 August 10, 1999, the effective date of Advice Letter No. 38. (C)

** Second Tier rates will become effective thereafter.

(continued)

APPENDIX A
Sheet 2

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated community of Cedar Glen and vicinity, located one mile southeast of Lake Arrowhead, San Bernardino County.

RATES

	<u>Per Service Connection Per Year</u>			
	<u>Service Charge</u>		<u>SDWBA Surcharge</u>	
	<u>First Tier*</u>	<u>Second Tier**</u>	<u>Direct Benefit</u>	<u>Non-Benefit</u>
For a single-family residential unit, including premises.....	\$459.14 (I)	\$465.53 (I)	\$123.00	\$65.00
For each additional single-family residential unit on the same premises and served from the same service connection	\$305.78 (I)	\$310.03 (I)	\$ 79.00	\$43.00

* First Tier rates are applicable for one and one-half years, starting (C)
August 10, 1999, the effective date of Advice Letter No. 38. (C)

** Second Tier rates will become effective thereafter.

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