

# Memorandum

Date : June 10, 1982  
(For June 15, 1982 Conference)

COMMISSIONERS

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From : Public Utilities Commission — San Francisco --

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File No.: 076

Subject: Conversion of Water Utility Advice Letter General Rate Increase Filings to Formal Applications and Rejection of Draft General Rate Increase Filings.

RECOMMENDATIONS: The following policy be established as a guideline to staff in water utility general rate proceedings:

1. Conversion of an advice letter to a formal application on an automatic basis will apply when one or more of the following conditions are present:
  - (a) A majority of the utility's customers register, by either letter or petition, a protest to the proposed rate increase and the quality of service rendered by the utility.
  - (b) If, after Hydraulic Branch or Revenue Requirements Division review and determination of the magnitude of the proposed rate increase to be recommended to the Commission, the utility is unwilling to accept the increase suggested by the staff.
2. Conversion of a draft advice letter general rate increase will be considered on a discretionary basis when one or more of the following conditions are present:
  - (a) When a significant number and percentage of the utility's customers (but less than a majority), or customers representing a large proportion of the use, by either letter, or petition, or appearance at the informal public meeting, protest the proposed rate increase and/or the quality of service rendered by the utility. Consideration will also be given to the number of customers who request a public hearing. ✓
  - (b) When the utility has significant outstanding compliance matters on improvements previously ordered by Commission decision or resolution.
  - (c) When there is a concurrent formal matter for the utility, involving service matters (either a formal complaint or an OII) and in which a public hearing is to be held.

- (d) When the annual amount of the requested increase in revenue exceeds 100%.
  - (e) When a public hearing is requested, or a substantial protest is received in writing from the mayor or a majority of the council, commission, or other legislative body of the city or county. ✓
3. A draft advice letter general rate increase request will be rejected when one of the following conditions are present:
- (a) If the projected annual operating revenues for any test year, including the requested increase, exceeds \$750,000.
  - (b) If the utility's draft advice letter and supporting data are so deficient that the staff cannot proceed with processing the request in an orderly and efficient manner.
  - (c) If the utility's filing would result in a rate increase under the WRLP more often than once every three years.
  - (d) If there is flagrant non-compliance with Commission orders. ✓

If staff rejects a draft advice letter, the utility has the right to file an application under General Order 96-A.

DISCUSSION: Section VI of General Order No. 96-A, as amended by Commission resolution No. 4701, August 8, 1978 provides that any utility or district may request authority for a general rate increase by an advice letter filing if the projected annual operating revenues, including the requested increase are no greater than \$750,000 excluding toll revenues for telephone utilities.

By Resolution No. M-4705, April 24, 1979, the Commission adopted a Regulatory Lag Plan for water utility companies on an experimental basis. This plan, known as the Water Regulatory Lag Plan (WRLP), sets forth in substantial detail the requirements levied upon the utility and the Commission staff in the processing of a general rate increase under the advice letter procedure.

Since the adoption of the WRLP, experience has shown that in some instances it has been necessary and/or expedient to convert an advice letter filing to a formal application. The primary purpose of this Standard Operating Procedure is to set forth the conditions under which such conversion will be accomplished. A secondary purpose is to identify the conditions under which a draft advice letter filing under the WRLP will be rejected.

Conversion of a general rate increase request by draft advice letter to a formal application may result from either automatic considerations or discretionary considerations.

IMPLEMENTATION: Upon approval of this policy by the Commission, and as the necessity arises, implementation would be as follows:

1. Under automatic provisions the Chief of the Hydraulic Branch or Assistant Director of the Revenue Requirements Division will, by memorandum explaining the basis therefore, request the Chief Administrative Law Judge to convert the filing to a formal application. A possible exception to the above automatic procedure is when a rate request is obviously excessive and the public entity or the consumer group would withdraw their objections if advised that the staff was going to recommend a smaller increase.
2. Under discretionary provisions the Chief of the Hydraulic Branch or Assistant Director of the Revenue Requirements Division will review the matter to determine which of the following actions is deemed most appropriate:
  - (a) Proceed with processing of the rate request without either a public hearing or a public meeting.
  - (b) A public meeting in the utility's service area as provided for in the WRLP.
  - (c) Recommend to the Chief Administrative Law Judge that the rate increase request be converted to a formal application and set for hearing.
3. When a rejection condition exists, the Chief of the Hydraulic Branch or Assistant Director of the Revenue Requirements Division will advise the utility by letter the basis of the rejection and provide an explanation of actions required of the utility before the request can be entertained for future consideration.

GJH:bh