

WATER/PTL/HJL: jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4495
September 23, 2004**

R E S O L U T I O N

**(RES. W-4495), CALIFORNIA WATER SERVICE COMPANY (CWSC),
LOS ALTOS-SUBURBAN DISTRICT. ORDER AUTHORIZING AN
OFFSET RATE INCREASE PRODUCING ADDITIONAL ANNUAL
REVENUES OF \$487,000 OR 3.5% FOR INCREASES IN THE COST
OF PURCHASED WATER AND PUMP TAX.**

SUMMARY

This Resolution authorizes CWSC to increase revenues in its Los Altos-Suburban District by \$487,000 or 3.5% to offset purchased water and pump tax (groundwater extraction charge) rate increase by the Santa Clara Valley Water District (SCVWD). By Advice Letter No. 1672, filed June 21, 2004, CWSC seeks revision of tariff schedule LS-1, General Metered Service, to provide for an increase in revenues. This increase is a result of increased costs for purchased water and pump taxes that became effective July 1, 2004. The offset rate increase will not result in a rate of return greater than last authorized for CWSC.

BACKGROUND

CWSC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset: (1) a \$324,900 increase in purchased water costs, (2) a \$155,300 increase in pump tax, (3) a \$6,500 increase in local franchise tax, and (4) \$300 in related increases in uncollectibles.

CWSC's Los Altos-Suburban District serves approximately 18,000-metered customers in the city of Los Altos and vicinity in the County of Santa Clara. The present rates for CWSC became effective January, 2004, by Decision (D.) 03-09-021, which authorized an attrition increase.

The last general rate increase was granted on September 4, 2003, which authorized a rate increase of \$295,700 or 2.28% in the year 2004 and a rate of return of 8.97%.

DISCUSSION

As shown in the workpapers to Advice Letter No. 1641, the authorized rate of return for CWSC's Los Altos-Suburban District for 2003 was 8.90%. The recorded rate of return for 2003 for this district was 4.80% and the recorded return adjusted for offset, memorandum account entries, and unusual items was 5.05%. As required by D.03-06-072, these offset revenues will be included in the earnings test calculation CSWC will file March 31, 2005 for calendar year 2004, and adjusted accordingly.

The reason for the above changes is as follows: SCVWD increased its wholesale purchased water rates effective July 1, 2004, from \$460/AF to \$495/AF. The impact of the SCVWD increase results in a \$324,900 annual increase in purchased water costs for CWSC. Additionally, SCVWD increased its groundwater rates (pump tax) from \$375/AF to \$405/AF. The pump tax rate adopted in the most recent rate case was \$330/AF so this new expense increase will make the total wholesale rate differential \$75/AF. The impact of the SCVWD increase on pump tax results in a \$155,300 annual increase in pump taxes for CWSC.

The increases in SCVWD's purchased water and pump tax costs are directly related to water consumption and therefore the associated rate increase for CWSC shall be applied to the quantity rates. In order to recover the higher costs, CWSC will increase its quantity charge by \$0.0803/Ccf (One Ccf is equal to one hundred cubic feet). The monthly bill for an average 5/8-inch metered residential customer utilizing 1,000 cubic feet of water per month would increase by \$1.84 from \$51.86 to \$53.70 or 3.5%.

Service by CWSC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. The decision for the most recent General Rate Case decision for this district was decided on September 4, 2003.

NOTICE AND PROTESTS

CWSC has given public notice of the request for an increase by publishing in a local newspaper of wide circulation in the Los Altos-Suburban District as evidenced by a Proof of Publication provided to the Water Branch by the utility. No protest letters were received concerning the proposed offset increase.

FINDINGS

1. Effective July 1, 2004, SCVWD increased its wholesale purchased water rates from \$460/AF to \$495/AF, and the pump tax rate from \$375/AF to \$405/AF.

2. CWSC's increase in rates will result in annual increases of \$324,900 in purchased water costs, \$155,300 in pump taxes, \$300 in uncollectibles, and \$6,500 in franchise tax for CWSC.
3. CWSC authority to increase its quantity charge by \$0.0803/Ccf to offset the \$487,000 in increased annual costs for purchased water, pump tax, and related increases to uncollectibles and franchise tax.
4. This is an uncontested matter subject to public notice and comment exclusion provided in Public Utilities Code Section 311(g)(3).
5. The Commission finds, after investigation by the Water Division, that the changes hereby requested by the utility are justified and, if authorized, the resulting rates will be just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. California Water Service Company is authorized, five days after the effective date herein, to make effective revised Schedule No. LS-1, General Metered Service attached to Advice Letter No. 1672, and to cancel the corresponding presently effective rate schedule.
2. California Water Service Company is directed to maintain its reserve account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 23, 2004; the following Commissioners approved it:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN

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SUSAN P. KENNEDY
Commissioners