

Decision 06-11-051 November 30, 2006

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Valencia Water Company (U-342-W), a Corporation, For Authority to Implement a Low-Income Ratepayer Assistance Program in Compliance with Decision No. 03-05-030 in Application No. 02-05-013.

Application 05-10-028
(Filed October 24, 2005)
(Amended November 28, 2005)

**OPINION AUTHORIZING VALENCIA WATER COMPANY
TO IMPLEMENT A LOW-INCOME RATEPAYER ASSISTANCE PROGRAM**

1. Summary

Valencia Water Company (Valencia) is authorized to implement a system-wide Low-Income Ratepayer Assistance (LIRA) program, along with its related tariff schedule. This proceeding is closed.

2. Background

Pub. Util. Code § 739.8¹ states that:

- (a) Access to an adequate supply of healthful water is a basic necessity of human life, and shall be made available to all residents of California at an affordable cost.
- (b) The commission shall consider and may implement programs to provide rate relief for low-income ratepayers.

¹ All statutory references are to the Public Utilities Code unless otherwise stated.

- (c) The commission shall consider and may implement programs to assist low-income ratepayers in order to provide appropriate incentives and capabilities to achieve water conservation goals.
- (d) In establishing the feasibility of rate relief and conservation incentives for low-income ratepayers, the commission may take into account variations in water needs caused by geography, climate and the ability of communities to support these programs.

We have authorized other water utilities to develop LIRA programs. (*See, e.g.,* Decision (D.) 05-05-015, authorizing a low-income assistance program for San Gabriel Valley Water Company (San Gabriel), and D.06-10-034, adopting a California Alternative Rates for Water program for Park Water Company (Park).) The issues raised in those proceedings will serve as guidelines for discussion in this proceeding.

Valencia initially requested authority to implement a LIRA program in Application (A.) 02-05-013. In D.03-05-030, we denied that request and instead directed Valencia to file a new application for LIRA authorization, in consultation with the Commission's Division of Ratepayer Advocates (DRA),² by November 4, 2003. The new application was to include information on costs, conservation effects, and ratemaking impacts. Valencia ultimately filed the subject application.

3. Procedural Issues

Valencia filed the subject application on October 24, 2005 (several filing extensions were granted by the Commission's Executive Director). After

² Pursuant to Senate Bill 608, the Commission's Office of Ratepayer Advocates became the Division of Ratepayer Advocates, effective January 1, 2006.

consultation with DRA, Valencia amended its application on November 28, 2005 to modify two program elements. The application, as amended, is unopposed.

4. Low-Income Discount Proposal

Under the LIRA program, Valencia will discount the monthly service charge by 50% for all eligible residential customers. All Valencia residential customers receive metered service. The discount applies to income-eligible customers with meters of 1" or less. The average customer water bill is about \$29/month, with program discounts expected to range from \$3-5 per month.

This subsidy will be funded by a monthly surcharge of \$0.04 on the service charge of non-eligible customers. The discounts and surcharges will be included in Valencia's "Schedule No. LIRA" tariff. Valencia will establish a memorandum account to monitor the implementation and administrative costs of the program.

4.1 Assessment of Need and Eligibility Criteria

Valencia serves approximately 25,000 customers in the community of Valencia and surrounding areas in Los Angeles County. Because of the relatively high income level of its customers, Valencia expects a LIRA program participation rate of 1%, with about \$14,000 in assistance provided annually.

To be eligible for program assistance, customers must meet the same income levels and other requirements as for the California Alternative Rates for Energy (CARE) program for electric and gas service in the same service areas.³ Valencia's customers who meet CARE income levels but do not participate in a CARE program also will be eligible for the LIRA program.

³ CARE eligible customers are generally those with income levels at or below 200% of the federal poverty level (D.05-10-044).

Valencia will not offer LIRA assistance to master-metered customers as it has no means of ensuring that the proper credits would reach those customers. The LIRA program adopted here does not apply to sub-metered customers.

4.2 Notice and Eligibility Renewal

Valencia provided notice of the application to a local newspaper within 10 days of filing, and mailed notice to all customers within 45 days of filing. Upon Commission approval of the LIRA program, Valencia will mail a program description along with application forms to all customers. Similar to the CARE program, qualifying customers will be required to re-qualify every two years.

4.3 Valencia Tariff

Valencia is authorized to file, by Advice Letter, its "Schedule No. LIRA" tariff reflecting the discounts and surcharges of the LIRA program described above. The Advice Letter shall be filed within 30 days of the date of this order.

4.4 Accounting and Reporting Practices

Valencia requests approval to implement a memorandum account to track the program. The memorandum account will include LIRA credits, surcharge revenues, incremental costs, franchise fees, uncollectible accounts, and monthly interest and will be described in Valencia's Preliminary Statement in its tariffs. Valencia will assess the effectiveness of its LIRA program in its future General Rate Cases.

5. Discussion

The structure of Valencia's proposed discount program for low-income customers is consistent with other previously authorized low-income programs (San Gabriel and Park), and with § 739.8. The surcharge here is relatively small (pennies a month). Valencia adequately addressed the concerns discussed in

D.03-05-030, to the extent it was able. Valencia's proposed LIRA program is consistent with our Water Action Plan,⁴ and overall we find it reasonable.

6. Comments on Proposed Decision

Valencia's application, as amended, is uncontested and this decision grants the relief requested. Accordingly, as provided by Rule 14.6(c)(2) of our Rules of Practice and Procedure (Rules), we waive the otherwise applicable 30-day comment period for this decision.

7. Categorization and Need for Hearings in This Proceeding

In Resolution ALJ 176-3161, dated October 27, 2005, we preliminarily determined this to be a ratesetting proceeding, with no hearings required. Upon review of the record, we find that this proceeding was properly categorized as ratesetting, and that hearings are unnecessary. No parties object to this categorization, and no parties have requested a hearing be held.

8. Assignment of Proceeding

John A. Bohn is the assigned Commissioner, and Kenneth Koss is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Valencia's LIRA program is consistent with the low-income programs of other water companies found to satisfy the directives in § 739.8.
2. The proposed program discounts and related surcharges are reasonable and do not conflict with the policies outlined in our Water Action Plan.
3. The subject application, as amended, is unopposed and this decision grants the relief requested.

⁴ The Water Action Plan, issued in December 2005, outlines our water policy directives.

Conclusions of Law

1. The Commission should authorize Valencia's proposed LIRA program.
2. The Commission should authorize the LIRA discounts of 50% from the monthly service charge for qualified low-income customers, as described herein.
3. The LIRA program should be funded by monthly surcharges of \$0.04 on the bills of non-qualifying customers.
4. Valencia's Schedule No. LIRA tariff, reflecting the LIRA discounts and surcharges, should be authorized.
5. A public hearing is unnecessary.
6. Pursuant to Rule 14.6(c)(2), the 30-day comment period may be waived.
7. This proceeding should be closed.
8. Today's decision should be effective immediately.

O R D E R

IT IS ORDERED that:

1. Valencia Water Company (Valencia) is authorized to implement its Low-Income Ratepayer Assistance (LIRA) program.
2. Valencia is directed to file in accordance with General Order 96-A, or its successor, an advice letter with tariff schedules, implementing the monthly subsidy amount of a 50% discount from the service charge to qualified customers, and the monthly surcharge of \$0.04 to fund the program assessed on non-qualifying customers and modifying its Preliminary Statement to describe its LIRA memorandum account. The advice letter filing for LIRA rates shall be made within 30 days of the date of this order.
3. The advice letter shall be reviewed by the Commission's Water Division for conformity with this decision. The Water Division shall reject the advice

letter if it finds the proposed increase does not comply with this decision or other Commission requirements.

4. Valencia is authorized to implement a memorandum account to record the initial and ongoing expenses of the low-income assistance program. This memorandum account will be audited for reasonableness at the next general rate case proceeding.

5. A public hearing is unnecessary.
6. The 30-day comment period is waived
7. Application 05-10-028 is closed.

This order is effective today.

Dated November 30, 2006, at San Francisco, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners