

JOINT TECHNICAL WORKSHOP
OF THE
CPUC STAFF AND WATER INDUSTRY
LOS ANGELES, JUNE 21, 1983
SAN FRANCISCO, JUNE 23, 1983

SUBJECT
"PROCEDURES FOR MAINTAINING
BALANCING ACCOUNTS FOR WATER UTILITIES"

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CONTENTS

Introduction

Attachments:

- 1 - Balancing Account Procedures
- 2 - Adopted Results, Decision No. 80000
- 3 - Advice Letter No. 26
- 4 - Resolution No. 2000
- 5 - Advice Letter No. 29
- 6 - Resolution No. 2100
- 7 - Balancing Account Computation Sheets
- 8 - Weighting Factors
- 9 - Procedures for Offset Rate Increases

INTRODUCTION

The purpose of this workshop is to explain the Commission's recently adopted procedures (Attachment 1) for maintaining water utility balancing accounts. These procedures, which represent a new Commission policy, were finalized after all points of view by the water industry were considered. Because these procedures are new, they must be given a chance to work. Therefore, this workshop will not address changes to these procedures.

As shown in the new procedures, it is possible, in theory, to maintain a balancing account for payroll offsets. The purpose of a balancing account is to track expense changes (not anticipated in current rates and over which the utility has no control) and the associated revenue authorized to offset these expense changes. The level of payroll expense increases are under the control of a utility. Because of this fact, the Commission, when authorizing recent payroll offset revenue increases, has not required establishment of a payroll balancing account. Therefore, payroll balancing accounts will not be addressed in this workshop.

To best explain the new procedures, a mythical water company, derived from real experience and tailored to illustrate the major points of these new procedures, will be used. The name chosen for the water company is Any Water Company (AWC). In this workshop participants will be given sufficient background information to file offset rate increases and maintain the associated balancing accounts per the new procedure.

As an accommodation to the smaller utilities and those utilities which have never filed for an offset rate increase, we have included Attachment 9, Procedure for Offset Rate Increases.

Background

Any Water Company (AWC) is located in Ventura County. As of December 31, 1982, AWC had 5,692 active metered customers, of which 99% were in the residential classification. AWC derives all of its water from wells located throughout its service area. AWC's last general rate increase became effective on January 1, 1982, pursuant to Decision No. (D.) 80000, Application No. 50000 (Attachment 2).

Rate Activity

Effective October 1, 1982, Southern California Edison Company (SCE) raised its power rates. On October 14, 1982, the Government increased postal rates by 25%, to be effective January 1, 1983. On November 5, 1982, AWC filed Advice Letter No. 26 (Attachment 3) for an offset rate increase to cover these increases in power and postage expenses not covered by rates authorized in D.80000. AWC's rates were increased, effective January 1, 1983, pursuant to Resolution No. W-2000 (Attachment 4).

Effective April 1, 1983, SCE increased its power rates. In response to this action, AWC filed Advice Letter No. 29 (Attachment 5) on June 16, 1983, for an offset rate increase to cover the power increase and to amortize the undercollection in the balancing account. AWC's rates were increased, effective August 1, 1983, pursuant to Resolution No. W-2100 (Attachment 6).

Problem Statement

Each participant has been given attachments that explain the last general rate increase decision, the rate activity since that decision, and partially completed balancing account computation sheets. On these computation sheets certain items are given for the full year. These items include customers, sales and power consumption. The various offset rates are derived in the attached advice letters. For simplicity, weighting factors are not included in the balancing account computations. Weighting factors are discussed separately in Attachment 8.

Each participant is to complete the balancing account computation sheets. To get you started, the first three months of computations have been completed.

Solutions

Completed computation sheets will be distributed at the end of the workshop.

PROCEDURES FOR MAINTAINING
BALANCING ACCOUNTS FOR WATER UTILITIES

1. PURPOSE

The purpose of a balancing account is to track the under-collection or overcollection associated with the incidence of an expense change and the authorization of revenue to offset the expense change. See Appendices 1, 2 and 3 for examples.

2. APPLICABILITY

Pursuant to Section 792.5 of the Public Utilities Code, a balancing account is to be kept for all expense items for which revenue offsets have been authorized. A separate balancing account must be maintained for each offset expense item. All multi-district water utilities shall maintain separate balancing accounts for each district. Balancing accounts must be kept separate from the general ledger accounts of the utility.

3. START DATE

All water utilities shall begin maintaining balancing accounts by the procedure described herein as of July 1, 1983.

4. ADOPTED QUANTITIES

Test year customer, expense, investment and revenue projections found reasonable in the latest general rate case decision will be used for the procedures herein.

Balancing accounts maintained beyond the latest test year will use the latest adopted quantities. Those cases, where adopted quantities do not exist or where the latest decision is older than 5 years, will be handled on a case by case basis by the Commission staff.

5. EXPENSE COMPONENT

- a. Water Production Expenses - The expense component of the balancing account is given by:

$$\text{Expense Component} = \text{Recorded Consumption} \times \text{Incremental Expense Rate Change}$$

- b. Non-Water Production Expenses - The expense component of the balancing account is given by:

$$\begin{array}{l} \text{Expense} \\ \text{Component} = \end{array} \quad \begin{array}{l} \text{Adopted} \\ \text{Expense} \end{array} \quad \times \quad \begin{array}{l} \text{Percent} \\ \text{Expense Change} \end{array}$$

All expense components are to be booked monthly. In the case of non-water production expenses, it will be necessary to divide the annualized expense change by twelve (12).

6. REVENUE COMPONENT

- a. Water Production Expenses - The revenue component of the balancing account is given by:

$$\begin{array}{l} \text{Revenue} \\ \text{Component} = \end{array} \quad \begin{array}{l} \text{Recorded} \\ \text{Water Sales} \end{array} \quad \times \quad \begin{array}{l} \text{Incremental Revenue} \\ \text{Rate Change} \end{array}$$

- b. Non-Water Production Expenses - The revenue component of the balancing account is given by:

$$\begin{array}{l} \text{Revenue} \\ \text{Component} = \end{array} \quad \begin{array}{l} \text{Recorded} \\ \text{Customers} \end{array} \quad \times \quad \begin{array}{l} \text{Incremental Revenue} \\ \text{Rate Change} \end{array}$$

Rate Design

The guidelines below are to be used for calculating the monthly revenue component of the balancing account. However, there may be times when a utility, seeking offset relief, combines a small non-water expense change with a much larger water production expense change. In some instances, a uniform increase for all service charges would not be possible. Therefore, water utilities have the option of requesting that non-water production expense changes be offset through either the service or quantity charges.

1. Water Production Expenses (Metered) - Compute an incremental change in cents per Ccf. Revenue component is based on recorded metered sales.
2. Water Production Expenses (Flat Rate) - Compute an incremental change for the flat rate tariffs similar to the computation of a surcharge.
3. Non-Water Production Expenses - Compute an incremental change in the service charge (or flat rate tariffs) similar to the computation of a surcharge.

7. BALANCING ACCOUNT BOOKING PROCEDURE

Entries shall be made to each individual balancing account at the end of each month as follows:

Water Production Expenses

- a. A debit entry equal to, if positive (credit entry, if negative), the expense component as calculated in Section (5).
- b. A credit entry equal to, if positive (debit entry, if negative), the revenue component as calculated in Section (6).
- c. The monthly balancing account accrual is the difference between (7a) and (7b).

8. WEIGHTING FACTORS

Expense and revenue rate changes occur at any time of the month. Bills for service are rendered to customers in monthly or bimonthly billing cycles. In each billing cycle a utility bills only a portion of its customers. To properly account for the impact of an expense or revenue rate change in a given month, it is necessary to prorate these changes.

Expenses and flat rate (or service charge) revenues are prorated on the basis of the ratio of the number of days the change is effective to the total number of days in the month. Metered revenues are prorated on the basis of the ratio of billed usage for the number of days in effect to the billed usage assuming the effective rate for the total days in the month.

Formulas for calculating the expense and revenue weighting factors for monthly and bimonthly billing cycles are given below. These formulas are appropriate for the larger utilities which read meters all through the month. For small water utilities which read all their meters within a few days, a straight proportion of their billing period should be used for weighting.

a. Weighting Factors-Monthly Billing Cycle

Expense Weighting Factor

$$EW = (N_1 - E_e + 1) / N_1$$

Flat Rate (Service Charge) Revenue Weighting Factor

$$FRW = (N_1 - E_r + 1) / N_1$$

Metered Revenue Weighting Factor²

$$MRW_1 = (N_1 - E_r + 1)^2 / 2N_1$$

$$MRW_2 = 1 - \left[(E_r - 1)^2 / 2N_1N_2 \right]$$

B. Weighting Factors-Bimonthly Billing Cycle

Expense Weighting Factor

$$EW = (N_1 - E_e + 1) / N_1$$

Flat Rate (Service Charge) Revenue Weighting Factor

$$RW = (N_1 - E_r + 1) / N_1$$

Metered Revenue Weighting Factor

$$MRW_1 = (N_1 - E_r + 1)^2 / 2N_1(N_1 + N_2)$$

$$MRW_2 = (2N_1 + N_2 - 2E_r + 2) / 2(N_1 + N_2)$$

$$MRW_3 = 1 - \left[(E_r - 1)^2 / 2(N_1 + N_2)N_3 \right]$$

Where:

E_e = Effective date of expense rate change

E_r = Effective date of revenue rate change

EW = Expense weighting factor

FRW = Flat rate revenue weighting factor

$MRW_{1,2,3}$ = Metered revenue weighting factor for the first, second and third months.

$N_{1,2,3}$ = Number of days in the first, second and third months

9. BALANCING ACCOUNT DISPOSITION

In general, balances in the balancing accounts will be disposed of in offset rate proceedings. Although not anticipated, balances exceeding 2% of the gross annual revenues adopted for the most recent test year, or in the most recent annual report on file at the time a general rate order is being drafted, will be disposed of in that order.

At the time offset rates are granted, the total of the accumulated accruals in all balancing accounts must be amortized if that total exceeds 2% of the gross annual revenues adopted for the most recent test year, or in the most recent annual report on file. The balances to be used are the most recent available to the utility at the time it files for offset rates. Amortization of the balancing accounts will not be required if at the time general or offset rates are granted a utility can demonstrate that the total of the accumulated accruals are likely to decline below the 2% level within the next 3 months.

Balances whose absolute values are less than 5% of the gross annual revenues adopted for the most recent test year, or in the most recent annual report on file, are to be amortized over one year. Balances exceeding 5% will be amortized over periods greater than 1 year.

10. OTHER CONDITIONS

- a. Water utilities should be prepared when requested by the Commission or its staff to justify any differences between the recorded production factors and those adopted in the most recent decision. Failure to do so may result in an adjustment to the balancing account to reflect adopted production factors.
- b. Water utilities must submit as part of their offset filing for a district, information on all balancing accounts for that district. Failure to do so may result in a rejection of the filing.

APPENDIX 1

PURCHASED POWER BALANCING ACCOUNT
(1981)

(1) Month	(2) Rec. Sales (Kccf)	(3) Recorded Consumption (Kwh)	(4) Incr. Exp. Rate Change (\$/Kwh)	(5) Incr. Rev. Rate Change (\$/Ccf)	(6)=(2)x(5) Revenue (\$)	(7)=(3)x(4) Expense (\$)	(8)=(6)-(7) Over or (Under) Collection (\$)	(9) Accrual (\$)
Jan.	240.2	168,600	-	-	-	-	-	-
Feb.	237.3	165,600	-	-	-	-	-	-
Mar.	234.2	162,400	0.015	-	-	2,400	(2,400)	(2,400)
Apr.	247.2	178,400	0.015	0.0111	2,700	2,700	-	(2,400)
May	328.6	231,000	0.015	0.0111	3,600	3,500	100	(2,300)
Jun	328.4	235,000	0.025	0.0111	3,600	5,900	(2,300)	(4,600)
Jul.	349.3	242,200	0.025	0.0111	3,900	6,100	(2,200)	(6,800)
Aug.	342.8	247,000	0.025	0.0193	6,600	6,200	400	(6,400)
Sep.	333.2	231,100	0.030	0.0193	6,400	5,800	600	(5,800)
Oct.	298.0	206,600	0.030	0.0193	5,800	6,200	(400)	(6,200)
Nov.	247.3	180,000	0.030	0.0193	4,800	5,400	(600)	(6,800)
Dec.	207.6	150,000	0.030	0.0193	4,000	4,500	(500)	(7,300)

Adopted Quantities (1981)

1. Purchased Power = \$ 148,800
2. Water Sales = 3,394,100 Ccf
3. Power Consumption = 2,353,600 Kwh

Offset Expense and Revenue Calculations

1. Expense Increase Effective March 1
 $\$0.015/\text{Kwh} \times 2,353,600 \text{ Kwh} = \$35,300$
 Offset Revenue Increase Effective April 1 (Inc. Bal. Acct. Amort.)
 $(\$35,300 + \$2,400)/3,394,100 \text{ Ccf} = \$0.0111/\text{Ccf}$
2. Expense Increase Effective June 1
 $\$0.01/\text{Kwh} \times 2,353,600 \text{ Kwh} = \$23,500$
 Offset Revenue Increase Effective August 1 (Inc. Bal. Acct. Amort.)
 $(\$23,500 + \$6,800 - \$2,400)/3,394,100 \text{ Ccf} = \0.0082
3. Expense Increase Effective October 1
 $\$0.005/\text{Kwh} \times 2,353,600 \text{ Kwh} = \$11,800$
 No Additional Revenue Offset as of December 31.

APPENDIX 2

PAYROLL BALANCING ACCOUNT
(1981)

(1) Month	(2) Recorded Service Charges (\$)	(3) Adopted Expense (\$)	(4) Incr. Exp. Rate Change (%)	(5) Incr. Rev. Rate Change (%)	(6)=(2)x(5) Revenue (\$)	(7)=(3)x(4) Expense (\$)	(8)=(6)-(7) Over or (Under) Collection (\$)	(9) Accrual (\$)
Jan.	23,150	4,370	10	-	-	437	(437)	(437)
Feb.	23,200	4,370	10	-	-	437	(437)	(874)
Mar.	23,250	4,370	10	-	-	437	(437)	(1,311)
Apr.	23,250	4,370	10	2.44	567	437	130	(1,181)
May	23,340	4,370	10	2.44	569	437	132	(1,049)
Jun	23,370	4,370	10	2.44	570	437	133	(916)
Jul.	23,370	4,370	10	2.44	570	437	133	(783)
Aug.	23,370	4,370	10	2.44	570	437	133	(650)
Sep.	23,390	4,370	10	2.44	571	437	134	(516)
Oct.	23,400	4,370	10	2.44	571	437	134	(382)
Nov.	23,450	4,370	10	2.44	572	437	135	(247)
Dec.	23,450	4,370	10	2.44	572	437	135	(112)

Adopted Quantities (1981)

1. Payroll = \$52,440
2. Service Charge Revenue = \$268,500

Offset Expense and Revenue Calculations

1. Expense Increase Effective January 1
 $10\% \times \$52,440 = \$5,244$
 Monthly Expense Increase
 $\$5,244/12 = \437
2. Offset Revenue Increase Effective April 1 (Inc. Bal. Acct. Amort.)
 $(\$5,244 + \$1,311)/\$268,500 = 2.44\%$

APPENDIX 3

PROPERTY TAX BALANCING ACCOUNT
(1981)

(1) Month	(2) Recorded Service Charges (\$)	(3) Adopted Tax Base (\$)	(4) Incr. Tax Rate Change (%)	(5) Incr. Rev. Rate Change (%)	(6)=(2)x(5) Revenue (\$)	(7)=(3)x(4) Expense (\$)	(8)=(6)-(7) Over or (Under) Collection (\$)	(9) Accrual (\$)
Jan.	23,150	36,000	.2	-	-	600	(600)	(600)
Feb.	23,200	36,000	.2	-	-	600	(600)	(1,200)
Mar.	23,250	36,000	.2	-	-	600	(600)	(1,800)
Apr.	24,299	36,000	.2	3.35	814	600	214	(1,586)
May	24,388	36,000	.2	3.35	817	600	217	(1,369)
Jun	24,418	36,000	.2	3.35	818	600	218	(1,151)
Jul.	24,418	36,000	.2	3.35	818	600	218	(933)
Aug.	24,418	36,000	.2	3.35	818	600	218	(715)
Sep.	24,448	36,000	.2	3.35	819	600	219	(496)
Oct.	24,448	36,000	.2	3.35	819	600	219	(277)
Nov.	24,507	36,000	.2	3.35	821	600	221	(56)
Dec.	24,507	36,000	.2	3.35	821	600	221	165

Adopted Quantities (1981)

1. Property Tax = \$ 36,000
2. Property Tax Base = \$3,600,000
3. Property Tax Rate = 1%
4. Service Charge Revenue = \$ 268,500

Offset Expense and Revenue Calculations

Expense Increase Effective January 1
 $.2\% \times \$3,600,000 = \$7,200$
 Monthly Expense Increase
 $\$7,200/12 = \600
 Offset Revenue Increase Effective April 1 (Inc. Bal. Acct. Amort.)
 $(\$7,200 + \$1,800)/\$268,500 = 3.35\%$

ANY WATER COMPANY

ADOPTED RESULTS

Application No. 50000, filed March 15, 1981

Decision No. 80000, effective January 1, 1982

Summary of Earnings
Test Year 1982

Item

Operating Revenues

General Metered Service \$ 695.2

Operating Expenses

Payroll 153.8
Purchased Power 120.6
Other Operating Expenses 109.4
Taxes - Other Than Income 51.9
Taxes - Income 104.8

Total Expenses \$ 540.5

Net Operating Revenue 154.7

Rate Base 1,406.4

Rate of Return 11%

ANY WATER COMPANY

ADOPTED RESULTS

<u>Item</u>	<u>Test Year - 1982</u>
1. <u>Purchased Power</u>	
Southern California Edison Company:	
Total Cost	\$ 120,600
kWh	2,445,200
Eff. Sch. Date	10/01/81
\$/kWh Used	.04932
2. <u>Payroll</u>	
All payroll related expenses	153,800
3. <u>Postage</u>	
Customers are billed monthly	12,900
4. <u>Metered Water Sales Used to Design Rates</u>	
<u>Range (Ccf)</u>	<u>Usage (Ccf)</u>
Block 1 0-3	185,160
Block 2 Over 3	<u>1,456,400</u>
Total Usage	1,641,560
5. <u>Service by Meter Size</u>	
<u>Meter Size</u>	<u>Services</u>
5/8" x 3/4"	5,421
3/4"	0
1"	0
1-1/2"	0
2"	50
3"	0
4"	0
6"	0
8"	0
Total	<u>5,471</u>

ANY WATER COMPANY

Advice Letter No. 26

November 5, 1982

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ANY WATER COMPANY, hereby transmits for filing the following changes in tariff sheets applicable to its entire service area.

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancelling C.P.U.C. Sheet No.</u>
119-W	Schedule No. 1, General Metered Service	106-W
120-W	Table of Contents	117-W

These tariffs provide for an increase in rates and are submitted pursuant to the provisions of Section VI of General Order No. 96-A which provides "In cases where the proposed increases are minor in nature the Commission may accept a showing in the advice letter, provided justification is fully set forth therein, without the necessity of a formal application."

The company's present General Metered Service rates became effective January 1, 1982, pursuant to Decision No.(D.)80000, Application No. 50000. The purpose of this advice letter is to offset increases in purchased power and postage not covered by rates authorized in D.80000. Since that time Southern California Edison Company has increased its rates effective October 1, 1982 and the Government has increased postage by 25%, to be effective January 1, 1983.

There have not been other compensating changes in the company's revenues, remaining operating expenses or rate base which would offset the impact on earnings of increases in postage and purchased power expenses.

It has been determined that a 4.0% increase in gross revenues amounting to \$28,100 is required to offset the following increased expenses: purchased power \$24,900 and postage \$3,200.

The Commission Staff has been provided with supporting workpapers showing the derivation of computations.

SUMMARY OF EARNINGS - TEST YEAR 1982
(\$000)

Advice Letter No. 26

<u>Item</u>	<u>Rates Authorized by D.80000</u>	<u>Increases</u>	<u>At Proposed Rates</u>
<u>Operating Revenues</u>			
General Metered Service	\$ 695.2	\$ 28.1	\$ 723.3
<u>Operating Expenses</u>			
Payroll	153.8	0	153.8
Purchased Power	120.6	24.9	145.5
Other Operating Expenses	109.4	3.2	112.6
Taxes - Other Than Income	51.9	0	51.9
Taxes - Income	<u>104.8</u>	<u>0</u>	<u>104.8</u>
Total Expenses	\$ 540.5	\$ 28.1	\$ 568.6
Net Operating Revenue	154.7	0	154.7
Rate Base	1,406.4	0	1,406.4
Rate of Return	11%	0	11%

There has been a recent hearing for customers to present their views. We are now asking only that the Commission take official notice of postage and purchased power increases. We have given public notice of this request by publishing a notice in a local newspaper. A copy of the notice is attached. We have noticed adjacent utilities of this request for rate increase as instructed by the Commission. A list of the utilities is included with this advice letter filing.

List of adjacent utilities who have been furnished copies of this Advice Letter:

Broke-N-Down Water Co.
Ventura County
P.O. Box 400
Fillmore, CA 93015

Any Water Company

Doing Well Water Co.
Ventura County
P.O. Box 100
Ventura, CA 93001

Bennett Franklin, Secretary

(Legal Notice)

NOTICE OF RATE INCREASE BY
ANY WATER COMPANY

Advice Letter No. 26

Any Water Company has filed a request with the California Public Utilities Commission for a total increase of 4.0% in revenue from general metered service rates. The additional revenue will offset increases in postage and the cost of power purchased from Southern California Edison Company. These costs are merely passed on and there is no gain for Any Water Company. A comparison of present and proposed rates is shown below:

GENERAL METERED SERVICE

	<u>Per Meter</u> <u>Present</u> <u>Rates</u>	<u>Per Month</u> <u>Proposed</u> <u>Rates</u>
Quantity Rates:		
First 300 cu. ft., per 100 cu. ft.....	\$ 0.305	\$ 0.320
Over 300 cu. ft., per 100 cu. ft.....	0.336	0.351
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$ 2.25	\$ 2.30
For 2-inch meter.....	5.00	5.10

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

Customers may communicate with the Commission concerning the proposed increase not later than 15 days after publication of this notice, by writing to the Commission's Los Angeles office at 107 South Broadway, Los Angeles, California 90012, referring to File No. 602-19, Any Water Company.

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and service of the utility, together with other pertinent information:

<u>Subject Matter of Sheet</u>	<u>Cal. P.U.C. Sheet No.</u>
Title Page	5-W
Table of Contents	120-W, 100-W
Preliminary Statement	59-W
Service Area Map	116-W
 Rate Schedules:	
Schedule No. 1, General Metered Service	119-W
Schedule No. 4, Public Fire Hydrant Service	4-W
Schedule No. 5, Fire Sprinkler Service	39-W
List of Contracts and Deviations	113-W
 Rules:	
No. 1 Definitions	8-W
No. 2 Description of Service	111-W
No. 3 Application for Service	10-W
No. 4 Contracts	11-W
No. 5 Special Information Required on Forms	63-W, 109-W
No. 6 Establishment and Re-establishment of Credit	13-W
No. 7 Deposits	110-W, 111-W
No. 8 Notices	16-W
No. 9 Rendering and Payment of Bills	17-W, 18-W
No. 10 Disputed Bills	65-W
No. 11 Discontinuance and Restoration of Service	108-W
No. 12 Information Available to Public	21-W
No. 13 Temporary Service	22-W
No. 14 Continuity of Service	23-W
No. 15 Main Extensions	70-W thru 77-W
No. 16 Service Connections, Meters, and Customer's Facilities	26-W, 27-W
No. 17 Standards for Measurement of Service	28-W, 29-W
No. 18 Meter Tests and Adjustment of Bills for Meter Error	30-W

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 26

Date Filed Nov. 5, 1982

Decision No. _____

Effective Jan. 1, 1983

Resolution No. W-2000

NAME

TITLE

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to general metered water service.

TERRITORY

Any town and vicinity, Ventura County.

RATES

Quantity Rates:	Per Meter	
	<u>Per Month</u>	
First 300 cu.ft., per 100 cu.ft.	\$ 0.320	(I)
Over 300 cu.ft., per 100 cu.ft.	0.351	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 2.30	(I)
For 3/4-inch meter	2.55	
For 1-inch meter	3.05	
For 1 1/2-inch meter	4.10	
For 2-inch meter	5.10	
For 3-inch meter	7.15	
For 4-inch meter	9.20	
For 6-inch meter	14.30	
For 8-inch meter	20.50	(I)

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

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 26

Date Filed Nov. 5, 1982

Decision No. _____

NAME

Effective Jan. 1, 1983

TITLE

Resolution No. W-2000

WORKPAPERS FOR ADVICE LETTER NO. 26

Purchased Power

Decision No. 80000 included SCE rates effective October 1, 1981 of \$0.04932/kWh on adopted usage of 2,445,200 kWh.

Increase in SCE rates of 0.01018/kWh effective October 1, 1982.

Increase in purchased power of 2,445,200 kWh x \$0.01018/kWh = \$24,900.

Postage

Decision No. 80000 included adopted postage expense of \$12,900.

Postage rates were increased 25% across the based effective January 1, 1983.

Summary of Increased Expenses

Purchased Power	\$24,900
Postage	<u>3,200</u>
Total	\$28,100

Required Rate Increase

$$\frac{\$ 28,100}{\$695,200} = 4.04\% \text{ use } 4.0\%$$

Computation of Rates

Apply purchased power increase to quantity rates and postage increase to service charge rates.

Purchased Power - Quantity Rates

Decision No. 80000 included adopted water sales of:

Block 1	0 - 3 Ccf	185,160 Ccf
Block 2	Over 3 Ccf	<u>1,456,400 Ccf</u>
Total		1,641,500 Ccf

WORKPAPERS FOR ADVICE LETTER NO. 26

Increase in quantity rates - use same cents/Ccf increase for all water sales:

$$\frac{\$24,900}{1,641,560 \text{ Ccf}} = \$0.0151/\text{Ccf use } \$0.015/\text{Ccf}$$

Postage - Service Charge Rates

Decision No. 80000 included adopted customers services of:

5/8 - inch meter	5,421
2 - inch meter	<u>50</u>
Total	5,471

Increase in service charge rates

Total Equivalent 5/8" x 3/4" meters

$$\frac{2" \text{ rate}}{5/8" \times 3/4" \text{ rate}} = \frac{\$5.00}{\$2.25} = 2.222$$

Total Equivalents

$$5,421 + 50 \times 2.222 = 5,421 + 111 = 5,532$$

\$ Per meter/year for \$3,200 increase

$$\$3,200/5,532 = \$0.578/\text{meter-year}$$

\$ Per Meter/month

$$\$0.578/12 = \$0.0482/\text{meter-month}$$

Let 5/8" x 3/4" increase by 5 cents

$$\text{Then } 2" = .0482 \times 2.222 = \$0.1071$$

Let 2" increase by 10 cents

Check revenues against increase

5,421 x .05 x 12 = \$3,253	\$ 3,313 revenue
50 x .10 x 12 = <u>60</u>	<u>3,200</u> increase
\$3,313	\$ 113

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Copy for:
 _____ Orig. and Copy
 _____ to Executive Director

Resolution No. W-2000
 Revenue Requirements Division
 Branch/Section: Water Utilities
 Date: December 22, 1982

 _____ Director
 _____ Numerical File
 _____ Alphabetical File
 _____ Accounting Officer

R E S O L U T I O N

Authorizing Any Water Company (AWC) an offset increase in rates for water service in Ventura County by \$28,100 or 4.0%.

Any Water Company by Advice Letter No. 26, filed November 5, 1982 requests authority under General Order No. 96-A, Section VI, Sections 454 and 792.5 of the Public Utilities Code to increase rates to offset: (1) a \$24,900 increase in purchased power costs and (2) \$3,200 increase in postage rates.

The present rates became effective on January 1, 1982 pursuant to Decision No. 80000 in which the Commission found the rates of return on rate base of 11% for 1982.

The 25% lifeline differential has been met in prior increases since January 1, 1976, therefore, the power increases are applied to all quantity blocks. The postage increase, which is fixed and not related to water consumption, is applied to the service charge. All quantity rates have been increased by \$0.015/Ccf. For the average residential customer, the service charge will increase by \$0.05 per month.

Any Water Company provides service to about 5,500 general metered customers. Staff has reviewed the latest pump efficiency tests and found them satisfactory. The utility has continued its water conservation program.

Any Water Company has given public notice of the request for increase publishing in the local newspaper on November 5, 1982. No customer protests or correspondence has been received.

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

The table below shows typical bills for residential metered customers at various usage levels at present and proposed rates:

General Metered Service (5/8x3/4) inch meters

<u>Monthly Usage</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
300 cu.ft.	\$3.17	\$3.26	2.84%
500	3.84	3.96	3.13
1000	5.52	5.72	3.62
1500	7.20	7.47	3.75
2000	8.88	9.23	3.94
2500	10.56	10.98	3.98
3000	12.24	12.74	4.08

After investigation by its staff, the Commission finds that the requested rate increase is reasonable, and to the extent provided by the following resolution is justified. Any Water Company is directed to maintain the balancing account as required by Public Utilities Code Section 792.5.

THE COMMISSION FINDS that the increased rates hereby authorized are justified and that the present rates are for the future, unjust and unreasonable.

IT IS RESOLVED that Any Water Company is authorized, on January 1, 1983, to make effective revised Schedule No. 1 attached to Advice Letter No. 26 and to cancel the presently effective rate schedule for water service.

This resolution is effective today.

I certify that this Resolution was adopted at its regular conference on December 22, 1983. The following Commissioners approved it.

Executive Director

ANY WATER COMPANY

Advice Letter No. 29

June 16, 1983

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ANY WATER COMPANY, hereby transmits for filing the following changes in tariff sheets applicable to its entire service area.

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancelling C.P.U.C. Sheet No.</u>
132-W	Schedule No. 1, General Metered Service	119-W
133-W	Table of Contents	131-W

These tariffs provide for an increase in rates and are submitted pursuant to the provisions of Section VI of General Order No. 96-A which provides "In cases where the proposed increases are minor in nature the Commission may accept a showing in the advice letter, provided justification is fully set forth therein, without the necessity of a formal application."

The company's present General Metered Service rates became effective January 1, 1983, pursuant to Resolution No. W-1800, Advice Letter No. 26. Operating expenses adopted in that resolution reflected Southern California Edison Company (SCE) power rates which became effective October 1, 1982. Since that time SCE has increased its rates effective April 1, 1983. The purpose of this advice letter is to offset this power increase and to amortize the undercollection in the balancing of account.

There have not been other compensating changes in the company's revenues, remaining operating expenses or rate base which would offset the impact on earnings by an increase in purchased power expenses.

It has been determined that increase in gross revenues amounting to \$48,200 is required to offset the following items: an increase in purchased power expense of \$35,400 and the amortization of a \$12,800 undercollection in the balancing account.

The Commission Staff has been provided with supporting work papers showing the derivation of computations.

SUMMARY OF EARNINGS - TEST YEAR 1982
(\$000)

Advice Letter No. 29

<u>Item</u>	<u>Rates Authorized in AL 26</u>	<u>At rates requested in this Advice Letter Increases</u>	<u>Total</u>
<u>Operating Revenues</u>			
General Metered Service	\$ 723.3	\$ 35.4	\$ 758.7
<u>Operating Expenses</u>			
Payroll	153.8	0	153.8
Purchased Power	145.5	35.4	180.9
Other Operating Expenses	112.6	0	112.6
Taxes - Other Than Income	51.9	0	51.9
Taxes on Income	<u>104.8</u>	<u>0</u>	<u>104.8</u>
Total Expenses	\$ 568.6	\$ 35.4	\$ 604.0
Net Operating Revenue	154.7	0	154.7
Rate Base	1,406.4	0	1,406.4
Rate of Return	11%	0	11%
Balancing account revenue adjustment		<u>12.8</u>	
Total revenue requested this advice letter		\$ <u>48.2</u>	

There was a hearing for customers to present their views in Application No. 50000, which resulted in Decision No. 80000. We are now asking only that the Commission take official notice of purchased power increases and the undercollection in the balancing account. We have given public notice of this request by publishing a notice in a local newspaper. A copy of the notice is attached. We have notified adjacent utilities of this request for rate increase as instructed by the Commission. A list of the utilities is included with this advice letter filing.

List of adjacent utilities who have been furnished copies of this Advice Letter:

Broke-N-Down Water Co.
Ventura County
P.O. Box 400
Fillmore, CA 93015

Any Water Company

Doing-Well Water Co.
Ventura County
P.O. Box 100
Ventura, CA 93001

Bennett Franklin, Secretary

(Legal Notice)

NOTICE OF RATE INCREASE BY
ANY WATER COMPANY

Advice Letter No. 29

Any Water Company has filed a request with the California Public Utilities Commission for a total increase of \$48,200 or 6.7% in revenue from general metered service rates. The additional revenue will offset increases in the cost of power purchased from Southern California Edison Company; and to amortize an undercollection of revenues in the balancing account. This cost is merely passed on and there is no gain for Any Water Company. A comparison of present and proposed rates is shown below:

GENERAL METERED SERVICE

	<u>Per Meter</u> <u>Present</u> <u>Rates</u>	<u>Per Month</u> <u>Proposed</u> <u>Rates</u>
Quantity Rates:		
First 300 cu. ft., per 100 cu. ft.....	\$ 0.320	\$ 0.344
Over 300 cu. ft., per 100 cu. ft.....	0.351	0.375
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$ 2.30	\$ 2.45
For 2-inch meter.....	5.10	5.45

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

Customers may communicate with the Commission concerning the proposed increase not later than 15 days after publication of this notice, by writing to the Commission's Los Angeles office at 107 South Broadway, Los Angeles, California 90012, referring to File No. 602-19, Any Water Company.

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and service of the utility, together with other pertinent information:

<u>Subject Matter of Sheet</u>	<u>Cal. P.U.C. Sheet No.</u>
Title Page	5-W
Table of Contents	133-W, 100-W
Preliminary Statement	59-W
Service Area Map	128-W
 Rate Schedules:	
Schedule No. 1, General Metered Service	132-W
Schedule No. 4, Public Fire Hydrant Service	4-W
Schedule No. 5, Fire Sprinkler Service	39-W
 List of Contracts and Deviations	 113-W
 Rules:	
No. 1 Definitions	8-W
No. 2 Description of Service	111-W
No. 3 Application for Service	10-W
No. 4 Contracts	11-W
No. 5 Special Information Required on Forms	63-W, 109-W
No. 6 Establishment and Re-establishment of Credit	13-W
No. 7 Deposits	110-W, 111-W
No. 8 Notices	16-W
No. 9 Rendering and Payment of Bills	17-W, 18-W
No. 10 Disputed Bills	65-W
No. 11 Discontinuance and Restoration of Service	108-W
No. 12 Information Available to Public	21-W
No. 13 Temporary Service	22-W
No. 14 Continuity of Service	23-W
No. 15 Main Extensions	121-W thru 128-W
No. 16 Service Connections, Meters, and Customer's Facilities	26-W, 27-W
No. 17 Standards for Measurement of Service	28-W, 29-W
No. 18 Meter Tests and Adjustment of Bills for Meter Error	30-W

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 29

Date Filed June 16, 1983

Decision No. _____

NAME _____

Effective Aug. 1, 1983

TITLE _____

Resolution No. W-2100

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to general metered water service.

TERRITORY

Any town and vicinity, Ventura County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 300 cu. ft., per 100 cu. ft.	\$ 0.344	(I)
Over 300 cu. ft., per 100 cu. ft.	0.375	(I)
 Service Charge:		
For 5/8 x 3/4-inch meter	\$ 2.45	(I)
For 3/4-inch meter	2.70	
For 1-inch meter	3.25	
For 1-1/2-inch meter	4.35	
For 2-inch meter	5.45	
For 3-inch meter	7.60	
For 4-inch meter	9.80	
For 6-inch meter	15.25	
For 8-inch meter	21.80	(I)

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

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 29

Date Filed June 16, 1983

Decision No. _____

Effective Aug. 1, 1983

NAME

TITLE

Resolution No. W-2100

WORKPAPERS FOR ADVICE LETTER NO. 29

Purchased Power

Advice Letter No. 26 included SCE rates effective October 1, 1982 of \$0.05950/kWh on adopted usage (Dec. No. 80000) of 2,445,200 kWh

Increase in SCE rates of \$0.01448/kWh effective April 1, 1982.

Increase in purchased power 2,445,200 kWh x \$0.01448/kWh = \$35,400.

Balancing Account Amortization

Balancing Account balance as of May 1, 1983 has an undercollection of \$12,753 (use \$12,800). Amortize in one year.

Summary of Increased Expenses

Purchased Power	\$35,400
Balancing Account Amortization	<u>12,800</u>
Total	\$48,200

Required Rate Increase

$$\frac{\$ 48,200}{\$723,300} = 6.7\%$$

Computation of Rates

Refer to Workpapers for Advice Letter No. 26 for adopted quantities of water sales and customers (services)

Purchased Power - Quantity Rates

Increase in quantity rates - use some cents/Ccf increase for all water sales

$$\frac{\$35,400}{1,641,560 \text{ Ccf}} = \$0.0216/\text{Ccf use } \$0.022/\text{Ccf}$$

WORKPAPERS FOR ADVICE LETTER NO. 29

Revenues from Quantity Rates

Total Amortization \$12,800

S.C. Revenues \$ 9,970

\$ 2,830

\$2,830 = \$0.0017/Ccf use \$0.002/ccf
1,641,560 Ccf

Check Revenues against increase

1,641,560 x \$0.002 = \$3,283

= 2,830

\$ 453 excess revenue

Trial calculation is acceptable

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Copy for:	Resolution No. W-2100
_____ Orig. and Copy	Revenue Requirements Division
_____ to Executive Director	Branch/Section: Water Utilities
_____ Director	Date: July 28, 1983
_____ Numerical File	
_____ Alphabetical File	
_____ Accounting Officer	

R E S O L U T I O N

Authorizing Any Water Company (AWC) an offset increase in rates for water service in Ventura County by \$48,200 or 6.7%.

Any Water Company by Advice Letter No. 29, filed June 16, 1983 requests authority und No. 96-A, Section VI, Sections 454 and 792.5 of the Public Utilities Code to increase rates to offset: (1) a \$35,400 increase power costs and (2) a \$12,800 increase due to an undercollection in the balancing account.

The present rates became effective on January 1, 1983 pursuant to Resolution No. W-2000.

The 25% lifeline differential has been met in prior increases since January 1, 1976, therefore, the power increase is applied to all quantity blocks. The major portion of the amortization of the undercollection in the balancing account is applied to the service charge. All quantity rates have been increased by \$0.024/Ccf. For the average residential customer, the service charge will increase by \$0.15 per month.

Any Water Company provides service to about 5,500 general metered customers. Staff has reviewed the latest pump efficiency tests and found them satisfactory. The utility has continued its water conservation program.

Any Water Company has given public notice of the request for increase by publishing in the local newspaper on June 17, 1983. No customer protests or correspondence has been received.

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

The table below shows typical bills for residential metered customers at various usage levels at present and proposed rates:

General Metered Service (5/8x3/4) inch meters

<u>Monthly Usage</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
300 cu.ft.	\$3.26	\$3.48	6.75%
500	3.96	4.23	6.82
1000	5.72	6.11	6.82
1500	7.47	7.98	6.83
2000	9.23	9.86	6.83
2500	10.98	11.73	6.83
3000	12.74	13.61	6.83

After investigation by its staff, the Commission finds that the requested rate increase is reasonable, and to the extent provided by the following resolution is justified. Any Water Company is directed to maintain the balancing account as required by Public Utilities Code Section 792.5.

THE COMMISSION FINDS that the increased rates hereby authorized are justified and that the present rates are for the future, unjust and unreasonable.

IT IS RESOLVED that Any Water Company is authorized, on August 1, 1983, to make effective revised Schedule No. 1 attached to Advice Letter No. 29 and to cancel the presently effective rate schedule for water service.

This resolution is effective today.

I certify that this Resolution was adopted at its regular conference on July 28, 1983. The following Commissioners approved it.

Executive Director

ANY WATER COMPANY

(1983)

No.:	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
------	-------------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

COMPUTATION OF PURCHASED POWER BALANCING ACCOUNT

1.	Rec. Consump. (kWh)	104,913	125,331	116,940	201,153	205,167	250,392	250,392	315,535	253,791	262,312	226,053	225,191
2.	Offset Rate (\$/kWh)	.01018	.01018	.01018	.02466	.02466	.02466	.02466	.02466	.02466	.03043	.03043	.03043
3.	Offset Cost (L1*L2)	1,068	1,276	1,190									
4.	Offset Revenue	1,468	1,349	1,229									
5.	Over-Under Collection	400	73	39									

(L4-L3)

6. Cumulative Balance a/ -6,864 -6,791 -6,752

COMPUTATION OF POSTAGE BALANCING ACCOUNT

7	Base Postage b/	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075
8.	Postage Increase(X)	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
9.	Offset Cost (L7*L8)	269	269	269									
0.	Offset Revenue	288	288	289									
1.	Over-Under Collection	19	19	20									

(L10-L9)

12. Cumulative Balance 19 38 58

BALANCING ACCOUNT TOTALS

13. Purchased Power (L6)	-6,864	-6,791	-6,752
14. Postage (L12)	19	38	58
15. Amortization Revenue	-	-	-
16. Total Balance			
	(L13 + L14 + L15)	-6,845	-6,753
			-6,694

1/ January 1983' cumulative balance contains an undercollection of \$7,264 carried forward from December 1982.

2/ Base monthly postage expense of \$1,075 is derived by dividing adopted amount of \$12,900 by 12 (See Attachment 1)

DERIVATION OF WEIGHTING FACTORS
FOR
BILLING METERED SALES

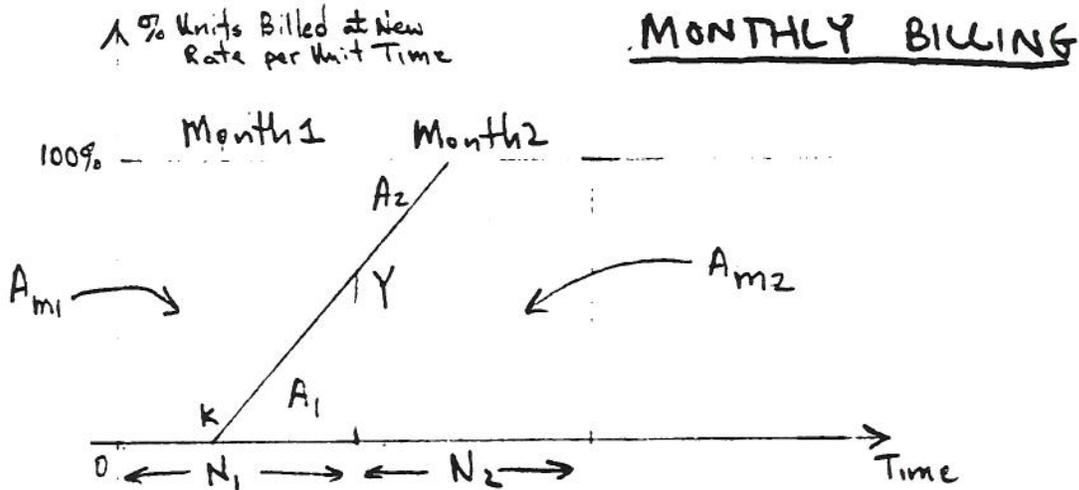


Figure 1.

The formulas that follow are approximate and assume billing cycles are uniform and that all months are equal. The areas A_{m1} and A_{m2} represent total units billed in month 1 and month 2, respectively. The areas A_1 and $A_{m2} - A_2$ represent total units billed, at the new rate, in month 1 and month 2, respectively. The weighting factors are then determined by the ratio of A_1 to A_{m1} and $A_{m2} - A_2$ to A_{m2} .

Let:

E_r = Effective date of revenue change

$K = E_r - 1$

$MRW_{1,2,3}$ = Metered revenue weighting factor for months 1, 2 and 3

$N_{1,2,3}$ = Number of days in months 1, 2 and 3

For Month 1:

$$MRW_1 = \frac{A_1}{A_{m1}} = \frac{\frac{(N_1 - K)Y}{2}}{1 * N_1}, \text{ where } Y = (N_1 - K)/N_1$$

Then:

$$MRW_1 = \frac{(N_1 - K)^2}{2N_1^2} = \frac{(N_1 - E_r + 1)^2}{2N_1^2}$$

For Month 2:

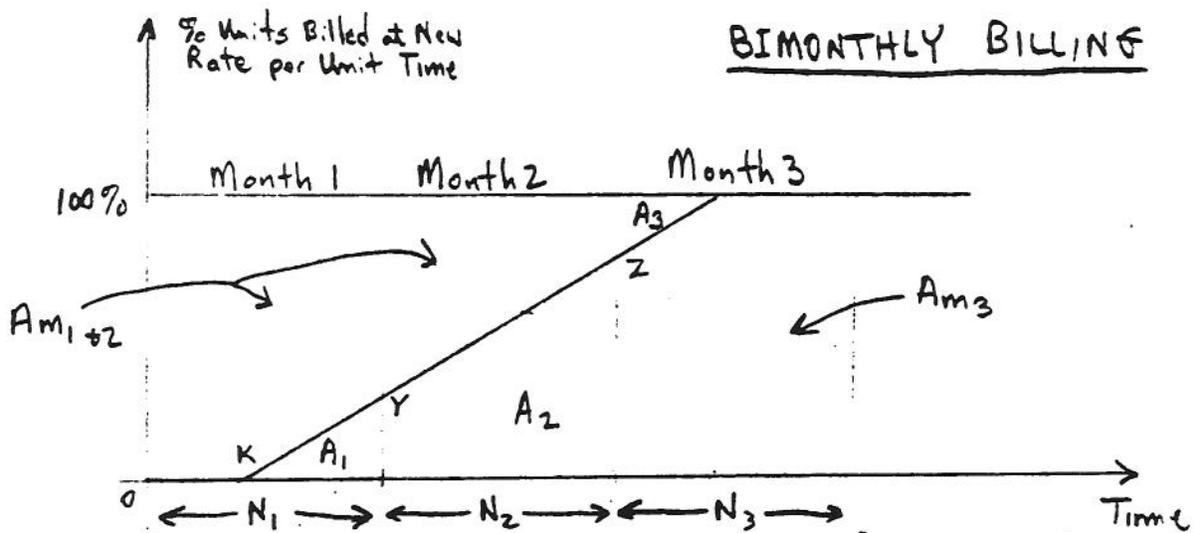
$$MRW_2 = \frac{Am_2 - A_2}{Am_2} = 1 - \frac{A_2}{Am_2} = 1 - \frac{\frac{(1-Y)K}{2}}{1 * N_2}$$

substituting:

$$MRW_2 = 1 - \frac{[1 - (N_1 - K)/N_1] * K/2}{1 * N_2} = 1 - \frac{[1 - \frac{N_1}{N_1} + \frac{K}{N_1}] * \frac{K}{2}}{N_2}$$

Simplifying:

$$MRW_2 = 1 - \frac{K^2}{2N_1N_2} = \underline{\underline{1 - \frac{(E_r - 1)^2}{2N_1N_2}}}$$



Assumptions similar to monthly billing.

For Month 1:

$$MRW_1 = \frac{A_1}{Am_1} = \frac{\frac{(N_1 - K)Y}{2}}{1 * N_1}, \text{ where } \frac{Y}{N_1 - K} = \frac{1}{N_1 + N_2}, \text{ or } Y = \frac{N_1 - K}{N_1 + N_2}$$

Simplifying

$$MRW_1 = \frac{\frac{(N_1 - K)}{2} * \left(\frac{N_1 - K}{N_1 + N_2}\right)}{N_1} = \underline{\underline{\frac{(N_1 - E_r + 1)^2}{2N_1(N_1 + N_2)}}}$$

For Month 2:

$$MRW_2 = \frac{A_2}{Am_2} = \frac{\frac{N_2(Y+Z)}{2}}{1 * N_2}, \text{ where } \frac{Z}{N_2+N_1-K} = \frac{1}{N_1+N_2}$$

Simplifying:

$$MRW_2 = \frac{\frac{N_2}{2} \left[\frac{(N_1-K)}{(N_1+N_2)} + \frac{(N_2+N_1-K)}{(N_1+N_2)} \right]}{N_2} = \frac{2N_1 + N_2 - 2Er + 2}{2(N_1+N_2)}$$

For Month 3:

$$MRW_3 = \frac{Am_3 - A_3}{Am_3} = 1 - \frac{A_3}{Am_3} = 1 - \frac{\frac{(1-Z)K}{2}}{1 * N_3}$$

Simplifying:

$$MRW_3 = 1 - \frac{\left[1 - \frac{N_2+N_1-K}{N_1+N_2} \right] * \frac{K}{2}}{N_3} = 1 - \frac{\left[1 - 1 + \frac{K}{N_1+N_2} \right] * \frac{K}{2}}{N_3}$$

Or:

$$MRW_3 = 1 - \frac{K^2}{2(N_1+N_2)N_3} = \frac{1 - \frac{(Er-1)^2}{2(N_1+N_2)N_3}}{1}$$

PROCEDURES FOR OFFSET RATE INCREASES

Introduction

The purpose of an offset rate increase is to permit a utility to pass on to the customer certain changes in costs. This procedure is intended to cover only those increased costs that are beyond the utility's control and is not to be used to increase the rate of return or to cover increased expenses due to customer growth. These last two items would be considered in a general rate proceeding.

These cost items are: purchased power (electricity and/or natural gas); purchased water; groundwater or pump tax; property taxes; and postage. Class C and D utilities may request an offset increase for payroll and payroll taxes. Small Class D utilities may request an offset increase for that portion of contract work that is for operation and maintenance of the plant facilities. Requests for offset rate increases are restricted to a minimum of 1% of gross revenues.

General Procedure

A utility should first submit two copies of a draft advice letter, including supporting workpapers to the staff for review. Following its review, the staff will advise the utility to notify its customers of the requested rate increase. The following procedure shall be used to notify the customers: (1) for rate

increases greater than 10%, the utility shall distribute a notice to all of its customers; (2) for rate increases less than 10%, the utility may publish a Notice to Customers in the Official Notice section of a local newspaper of general circulation, and (3) for small utilities with a number of part-time customers and located in an area not served by a local newspaper, the utility shall distribute a notice to all of its customers. The attached advice letter(s), including a Notice to Customers and supporting workpapers, are good examples to follow. Following the Staff's review of the draft and the distribution of the Notice, the utility can file the four copies of the final advice letter as specified in General Order No. 96-A. The request for a rate increase will then be presented to the Commission for its approval by a Resolution. After approval by the Commission, the Staff will return one copy of the Advice Letter to the utility. The utility can then charge the new, authorized rates for service furnished after the effective date that is shown on the tariff sheet.

The Commission, by Resolution No. W-3045, revised the Water Regulatory Lag Plan (WRLP) to simplify the WRLP requirements for general rate increases for Class D utilities. Therefore, to be consistent with the Commission's intent, the Class D utilities need only furnish the following information for an offset rate increase:

- (1) Written request, including an explanation for increased costs;
- (2) Tabulation of increases in expenses and revenues;
- (3) Workpapers showing calculations in support of items (1) and (2) above.

The Commission Staff will prepare the necessary paperwork. i.e., Advice Letter and Notice to Customers for the Class D utilities and provide them with additional instructions on the steps to follow. However, the utility is still responsible for the distribution of the notice to its customers.

Specific Procedure

As stated earlier, an offset rate increase covers changes in costs since the last rate proceeding. For example, if the electric utility's rates are increased by two cents per kWh, a water utility can request a rate increase to offset the increased cost of purchased power. The basic data to be used in calculating the offset expense and the revised rate schedules are the adopted quantities in the last rate proceeding. These adopted quantities are included as an appendix to recent Commission Decisions for rate proceedings filed as applications. For rate proceedings filed as Advice Letters, the utility will need to contact the Commission Staff to obtain the adopted quantities and unit costs to be used for an offset. The reader should thoroughly review the attached sample Advice Letter(s), including its attachments. The following sample calculation for purchased power will illustrate the procedure:

Adopted Quantities (last rate proceeding)

- a. 1,500,000 kWhs at a unit cost of \$0.04 per kWh.
- b. 2,000,000 Ccf (water sales)

New (Current) cost of electrical power

\$0.06/kWh

Increased Expense

$$1,500,000 \text{ kWh} \times (\$0.06 - \$0.04)/\text{kWh} = \$30,000$$

The requested increase in revenue is \$30,000 and the requested change in rates (assuming same incremental increase to quantity rates) is:

$$\frac{\$30,000}{2,000,000 \text{ Ccf.}} = \$0.015/\text{Ccf.}$$

Rate Design

The following guidelines should be used for determining the changes in rates. In those cases where the 25% lifeline differential has not been accomplished, the Commission Staff should be contacted for assistance. These guidelines are as follows:

1. Water Expenses (Metered) - Compute an incremental change in cents per Ccf.
2. Water Production Expense (Flat Rate) - Compute an incremental change for the flat rate tariffs similar to the computation of a surcharge.
3. Non-Water Production Expenses - Compute an incremental change in the service charge (or flat rate tariffs) similar to the computation of a surcharge.

There are times when a utility, seeking offset relief, combines a small non-water production expense change with a much larger water production expense change. In some instances a

uniform increase for all service charges would not be possible. Therefore, water utilities have the option of requesting that non-water production expense changes be offset through either the service or quantity charges.

The increase in service charges and in flat rate charges should be in increments no smaller than \$0.05. For the amortization of an over or under collection in the balancing account, use the following procedure:

1. Place the maximum amount of dollars in the service charge, limited by the minimum \$0.05 increments.
2. If rounding up to next \$0.05 increment results in too large a differential in revenues, then round down to next \$0.05 increment and place the balance of dollars on the quantity rates.

ANY WATER COMPANY

(1983)

No.:	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
------	-------------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

COMPUTATION OF PURCHASED POWER BALANCING ACCOUNT

1.	Rec. Consump. (kWh)	104,913	125,331	116,940	201,153	205,167	250,392	250,392	315,535	253,791	262,312	226,053	225,191
2.	Offset Rate (\$/kWh)	.01018	.01018	.01018	.02466	.02466	.02466	.02466	.02466	.02466	.03043	.03043	.03043
3.	Offset Cost (L1*L2)	1,068	1,276	1,190	4,960	5,059	6,175	6,175	7,781	6,258	7,982	6,879	6,853
4.	Offset Revenue	1,468	1,349	1,229	1,949	1,969	2,387	2,981	7,457	6,510	5,753	5,515	4,901
5.	Over-Under Collection (L4-L3)	400	73	39	-3,011	-3,090	-3,788	-3,194	-324	252	-2,229	-1,364	-1,952
6.	Cumulative Balance a/	-6,864	-6,791	-6,752	-9,763	-12,853	-16,641	-19,835	-20,159	-19,907	-22,136	-23,500	-25,452

COMPUTATION OF POSTAGE BALANCING ACCOUNT

1.	Base Postage b/	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075
2.	Postage Increase (%)	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
3.	Offset Cost (L7*L8)	269	269	269	269	269	269	269	269	269	269	269	269
4.	Offset Revenue	288	288	289	290	290	291	292	292	293	293	294	295
5.	Over-Under Collection (L10-L9)	19	19	20	21	21	22	23	23	24	24	25	26
6.	Cumulative Balance	19	38	58	79	100	122	145	168	192	216	241	267

BALANCING ACCOUNT TOTALS

1.	Purchased Power (L6)	-6,864	-6,791	-6,752	-9,763	-12,853	-16,641	-19,835	-20,159	-19,907	-22,136	-23,500	-25,452
2.	Postage (L12)	19	38	58	79	100	122	145	168	192	216	241	267
3.	Amortization Revenue	-	-	-	-	-	-	-	-	-	-	-	-
4.	Total Balance (L13 + L14 + L15)	-6,845	-6,753	-6,694	-9,684	-12,753	-16,519	-19,690	-18,709	-18,482	-20,726	-22,076	-24,033

January 1983' cumulative balance contains an undercollection of \$7,264 carried forward from December 1982.
 Base monthly postage expense of \$1,075 is derived by dividing adopted amount of \$12,900 by 12 (See Attachment 1)