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AGENDA ITEM #3465

WATER/ABJ/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4469
May 6, 2004**

R E S O L U T I O N

**(RES. W-4469), CALIFORNIA WATER SERVICE COMPANY (CWSC),
LIVERMORE DISTRICT. ORDER AUTHORIZING AN OFFSET
RATE INCREASE PRODUCING ADDITIONAL ANNUAL
REVENUES OF \$176,700 OR 1.7% FOR INCREASES IN THE COST
OF PURCHASED WATER.**

SUMMARY

By Advice Letter No. 1615, filed February 4, 2004, CWSC seeks revision of tariff schedule LV-1, General Metered Service, to provide for an increase in revenues. This resolution grants CWSC's request for authority to increase rates producing an increase in annual revenues of \$176,700 or 1.7% to offset purchased water rates increased by the Board of Directors of Zone 7 of Alameda County Flood and Water Conservation District (Zone 7). This increase is a result of increased costs for purchased water since CWSC's present rates became effective September 9, 2003. The offset rate increase will not result in a rate of return greater than last authorized for CWSC.

BACKGROUND

CWSC's Livermore District serves approximately 16,923-metered customers in the city of Livermore, and vicinity in the County of Alameda. The present rates for CWSC became effective September 9, 2003, by Decision (D.) 03-09-021.

CWSC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset: (1) a \$174,700 increase in purchased water costs, (2) \$1,800 in franchise taxes, and (3) \$200 in related increases in uncollectibles. The higher costs for purchased water was imposed on CWSC by the Zone 7.

DISCUSSION

The offset increases requested herein are for the purpose of recovering in rates, on a dollar-for-dollar basis, changes in expenses that have occurred since the present rates became effective. This rate increase will not result in a return greater than that previously authorized.

The reason for the above changes is as follows: Zone 7 increased its wholesale purchased water rates effective January 1, 2003, from \$1.258/Ccf (One Ccf is equal to one hundred cubic feet) to \$1.290/Ccf and connection charges increased as well as the rates for all tiers leading up to what is referred to as the tail rate quoted. The rate adopted in the most recent rate case was the \$1.258/Ccf so this new expense increase will make the total wholesale tail rate differential \$0.032/Ccf. The combined impact of all tier rates and meter charge increases results in a \$174,700 increase in purchased water costs for CWSC.

The increases in Zone 7's purchased water cost is 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 \$0.0382/Ccf. The monthly bill for an average residential customer utilizing 1,900 cubic feet of water per month would increase by \$0.73 from \$40.16 to \$40.89, or 1.8%.

Service by CWSC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. CWSC is currently earning 8.0% on a recorded basis, which does not exceed its last authorized rate of return of 8.90% pursuant to Commission D.03-09-021, dated 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 Livermore District as evidenced by a Proof of Publication provided to the Water Branch by the utility. No protests letters were received concerning the proposed offset increase.

FINDINGS

1. Effective April 1, 2004, Zone 7 increased its purchased water rates from \$1.258 Ccf to \$1.290 Ccf resulting in an annual increase of \$174,700.
2. Due to the increase in purchased water costs, local franchise taxes, and uncollectibles will be increased by \$1,800 and \$200, respectively.

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3. CWSC has requested to increase its quantity charge by \$0.0382/Ccf to offset the \$176,700 in increased costs for purchased water, and related increases to uncollectibles and franchise taxes.
4. CWSC is currently earning 8.0% on a recorded basis, which does not exceed its last authorized rate of return of 8.90% pursuant to Commission D.03-09-021, dated September 4, 2003.
5. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.
6. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g)(3).

THEREFORE IT IS ORDERED THAT:

1. California Water Service Company is authorized, to make effective revised Schedule No. LV-1, General Metered Service, attached to Advice Letter No. 1615, and to cancel the corresponding presently effective rate schedule. The effective date of the revised rate schedule shall be five days after the date of this resolution.
2. California Water Service Company is directed to maintain its balancing 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 May 6, 2004; the following Commissioners approved it:

WILLIAM AHERN
Executive Director