

WATER/ABJ/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4336
June 6, 2002**

RESOLUTION

**(RES. W-4336), ALCO WATER SERVICE (AWS), SALINAS DISTRICT.
ORDER AUTHORIZING A SURCHARGE TO RECOVER AN
UNDERCOLLECTION IN ITS PURCHASED POWER BALANCING
ACCOUNT PRODUCING AN INCREASE IN ANNUAL REVENUE OF
\$78,781 or 2.33%.**

SUMMARY

By Advice Letter No. 87, filed on April 17, 2002, AWS seeks revision of its tariffs Schedule No. 1, General Metered Service, to provide an increase in revenues of \$78,781 or 2.33% for its Salinas District. This increase is a result of increased costs for purchased power since AWS' present rates became effective. The offset rate increases will not result in a rate of return greater than the last authorized for AWS - Salinas District.

BACKGROUND

AWS - Salinas District requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset \$76,483 increase in purchased power costs and \$2,298 in related increase in franchise taxes. The purchased power increase became effective by Commission Decisions (D.) 01-01-018, D.01-03-082 and D.01-05-064, which authorized PG&E to increase its rates.

AWS - Salinas District serves approximately 8,050 metered customers mainly in the eastern portion of the city of Salinas, County of Monterey. The present rates of AWS - Salinas District became effective on August 29, 2001, pursuant to Res. No.W-4283, which authorized an offset rate increase of \$200,984 or 6.4% due to increased purchased power costs. The requested balancing account balance of \$78,781 was not covered by the rates authorized in Res. No. W-4283. The last general rate increase for AWS - Salinas District was approved by Res. No. W-3908, dated February 8, 1995, which authorized a general rate increase of \$122,000 or 6.2% for test year 1994. The resolution authorized a 10.72% rate of return for AWS - Salinas District.

AWS - Salinas District's Earnings Test for the calendar year 2001, shows that the company's rate of return was 0.13%. Therefore, it is not over earning on an actual basis.

DISCUSSION

Effective January 4, 2001 and March 27, 2001, PG&E increased rates for purchased power by one cent per kilowatt-hour (kWh) and three cents per kWh, respectively, pursuant to D.01-01-018 and D.01-03-082.

Additionally, effective June 1, 2001, pursuant to D.01-05-064, PG&E rates were increased an average six cents per kWh for summer consumption and an average three and a half cents per kWh for winter consumption for rate schedules A-1, A-6, and A-10. Rates were also increased an average 4.1 cents per kWh for Schedule E-19 (summer and winter consumption). These PG&E rate increases have resulted in an additional \$78,781 increase in purchased power costs for AWS - Salinas District, which were not covered by the rates authorized in Res. W-4283 during 2001.

The increases in PG&E's purchased power costs are directly related to water consumption and therefore shall be applied to quantity rates. In order to recover the higher costs, AWS - Salinas District will incorporate a quantity surcharge of \$0.038/Ccf, (one Ccf is equal to one-hundred cubic feet) for a period of 12 months from the effective date of Advice Letter No. 87. The bill for an average residential customer using 23 Ccf of water per month with a ¾-inch meter will increase from \$33.28 to \$34.15, or \$0.87 or 2.6%. The bill for a residential customer using 23 Ccf of water per month with a 1-inch meter or with a 1½-inch meter will increase an average \$0.87 per month or 2.2% and 1.6%, respectively.

Service is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published in the Salinas Californian, a newspaper of general circulation, on April 25, 2002, as evidenced by proof of publication provided to the Water Division by the utility. There were no protests concerning the proposed offset increase.

FINDINGS

The Commission finds, after investigation by the Water Branch, that the changes hereby authorized are justified and the resulting rates are just and reasonable.

IT IS ORDERED that:

1. Alco Water Service is authorized, five days after the effective date herein, to make effective revised Schedule 1, General Metered Service, for its Salinas District, attached to Advice Letter 87, and to cancel the corresponding presently effective rate schedule.
2. Alco Water Service is directed to maintain a balancing account as required by Public Utilities Code Section 792.5 for its Salinas District.
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 June 6, 2002. The following Commissioners approved it:

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President

HENRY M. DUQUE

CARL W. WOOD

GEOFFREY F. BROWN

MICHAEL R. PEEVEY

Commissioners