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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4399

June 5, 2003

R E S O L U T I O N

(RES. W-4399), CALIFORNIA-AMERICAN WATER COMPANY (CAL-AM), MONTEREY DIVISION. ORDER AUTHORIZING AN OFFSET RATE INCREASE PRODUCING \$849,314 (3.02%) IN ADDITIONAL REVENUE FOR THE UNDERCOLLECTION OF ITS WRAM BALANCING ACCOUNT.

SUMMARY

This resolution authorizes Cal-Am to increase rates to generate additional gross annual revenue of \$849,314 or 3.02% in its Monterey Division for a period of twelve months from the date of this resolution to recover the undercollection of its Water Revenue Adjustment Mechanism (WRAM) balancing account.

BACKGROUND

Cal-Am serves approximately 38,500 customers in the communities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, and portions of Seaside, in Monterey County.

The WRAM was established to track the undercollection or overcollection of revenues resulting from the differences in revenues received as the result of using the “per-capita” rate design as compared with the Commission standard rate design. The per-capita rate design was allowed to continue in Decision (D.) 00-03-053, the Cal-Am general rate case (GRC) prior to its last GRC, Application (A.) 02-04-022, since it promotes conservation and Cal-Am is under an order from the State Water Resources Control Board to reduce pumping to reduce Cal-Am’s draw from the lower reaches of the Carmel River. Under these rates, residential customers pay only half of the monthly fixed service charge that would have been charged under the standard rate design; while program for

alternative rates (PAR) low-income customers pay no service charge at all, but only pay for the water they consume.

Cal-Am requested recovery of this account in its last GRC (A.02-04-022) but recovery was remanded to the Order Instituting Rulemaking (OIR) 01-12-009, the Balancing Account OIR.

As D.00-03-053 notes:

“Although it has not been suspended, Cal-Am’s WRAM balance has been accumulating since well before November, 2001, and would be covered by the proposed rules. Even if WRAM were outside the scope of the proposed new rules, we would not be inclined to grant a rate increase for the WRAM balance, because neither ORA nor any other party has evaluated it to determine that recovery through rates would be reasonable.”

Cal-Am filed AL No. 576 in response to D.02-12-055, the interim decision in the balancing account OIR that allows recovery of balances as of November 29, 2001. Cal-Am requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset an \$849,314 undercollection in the WRAM balancing account over a period of twelve months.

The Commission last approved recovery of WRAM undercollections by Res. No. W-4206, July 6, 2000 for the balance accumulated from 1997 through March 2000. Cal-Am still has a deficit, including interest through February 2003, of \$106,086 in this balancing account. Cal-Am is not requesting to recover that balance at this time.

The present rates became effective on February 23, 2003, pursuant to D.03-02-030, which authorized a general rate increase.

DISCUSSION

D.02-12-055 authorizes recovery of this account as of November 29, 2001. The total of the WRAM Balancing Account as of November 29, 2001 is \$849,314, including accumulated interest through February 2003, which is 3.02% of the adopted revenues of \$28,148,060 for the Monterey Division. In accordance with the Commission approved rate design, half of the undercollected amount will be

recovered through a monthly meter surcharge, and the remaining amount will be recovered through a surcharge on all water consumed. These surcharges will be levied on all customers except PAR customers, and not just on residential customers, even though residential customers are the only ones served under the per-capita rate design. The Commission addressed this issue in D.03-02-030 in Finding of Fact 13:

“13. Recovering WRAM balancing account undercollections from all customers despite the fact that only residential customers give rise to them is fair to non-residential customers, in part because non-residential customers’ quantity rates in the highest block are lower than those for residential customers.”

The Water Division reviewed the filing, checked all mathematical calculations, and find Cal-Am’s request to be reasonable. Based on Commission standard practice for amortizing balancing accounts, undercollections of less than 5% of gross revenues will be amortized over a period of one year. As a result, the \$424,657 undercollection in revenue will require an additional surcharge of \$.0736 per Ccf (One Ccf is equal to one hundred cubic feet) on the quantity rate. The surcharge added to the service charges varies with meter size and will apply on all customers, except PAR customers, based on the following table:

Meter Size	Meter Rate Surcharge per Month
For 5/8 x 3/4 - Inch Meter	\$0.66
For 3/4 - Inch Meter	\$0.99
For 1 - Inch Meter	\$1.65
For 1-1/2 - Inch Meter	\$3.30
For 2 - Inch Meter	\$5.27
For 3 - Inch Meter	\$9.89
For 4 - Inch Meter	\$16.48
For 6 - Inch Meter	\$32.97
For 8 - Inch Meter	\$52.75

At the adopted rates, the monthly bill for a 5/8 by 3/4 inch metered customer with four people in the household who uses the average of 744 Ccf per month will increase from \$17.67 to \$18.88 or 6.9%¹.

NOTICE AND PROTESTS

In compliance with Section III of General Order No. 96-A, Cal-Am has notified the parties on its advice letter mailing lists. A notice to customers was published in a newspaper of local circulation, the Monterey Herald, on March 21, 2003. No comments or protests have been received.

FINDINGS

1. D. 03-02-030 authorized the continuation of the Water Revenue Adjustment Mechanism (WRAM) until the effective date of the Commission's general rate case decision in Monterey Division's next general rate case cycle.
2. Cal-Am requested recovery of this account in its last GRC (A.02-04-022) but recovery was remanded to the Order Instituting Rulemaking (OIR) 01-12-009.
3. Cal-Am filed this advice letter in response to D.02-12-055, the Interim Decision in the balancing account OIR.
4. D.02-12-055 authorizes recovery of this account balance as of November 29, 2001.
5. In accordance with the currently approved rate design, half of the under collected amount will be recovered through a fixed monthly meter surcharge, and the remaining amount will be recovered through a surcharge on all water consumed.
6. This surcharge should apply to all customers, except PAR customers.

¹ Because the residential rate service charges are reduced by 50%, application of the surcharge results in a percentage increase higher than the system average increase.

7. The total of the WRAM undercollection as of November 29, 2001, including accumulated interest is \$849,314. Recovery of this amount is reasonable.

THEREFORE IT IS ORDERED THAT:

1. California-American Water Company is authorized, five days after the effective date herein, to make effective revised Schedule No. MO - 1, General Metered Service, (continued) attached to Advice Letter No. 576, and concurrently to cancel its presently effective rate Schedule No. MO - 1 (continued).
2. This resolution is effective today.

I 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 5, 2003; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD

LORETTA M. LYNCH

GEOFFREY F. BROWN

SUSAN P. KENNEDY

Commissioners