

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION W-4611
July 20, 2006**

RESOLUTION

**(RES. W-4611), EAST PASADENA WATER COMPANY, (East Pasadena).
ORDER AUTHORIZING A SURCHARGE OF \$0.095 PER Ccf (100 Cubic Feet)
FOR THREE YEARS PRODUCING AN ANNUAL INCREASE IN REVENUE
OF \$74,474 OR 4.74% TO OFFSET COSTS OF DRILLING ONE TEST WELL.**

SUMMARY

By Advice Letter No. 64 filed on November 30, 2005 and supplemented on June 16, 2006, East Pasadena requests a surcharge on the commodity rate of \$0.095 per Ccf for three years, or until fully recovered, to recover the cost of drilling a test well to enhance the reliability of sources to its water supply system. This resolution grants East Pasadena's request. This surcharge will produce an annual increase in revenue of \$74,474 or 4.74% over 2005 revenue.

BACKGROUND

East Pasadena is a Class B water company operating in cities of Arcadia and Temple City and adjacent to cities of Pasadena and San Gabriel, Los Angeles County, and serves approximately 2,900 customers. East Pasadena is requesting authority under General Order 96-A and Section 454 of the Public Utilities Code to increase rates to recover the cost of drilling a test well, for purposes of finding additional sources of water.

The current rates were established on August 28, 2001, pursuant to Advice Letter No. 57, that authorized a rate increase for East Pasadena, solely intended to offset a projected increase in its purchased power expenses in the amount of \$44,635, and not intended to provide any additional net revenue.

NOTICE AND PROTESTS

A notice of the proposed rate increase was published in the San Gabriel Valley Newspapers edition of the Pasadena Star Newspaper on May 15, 2006.

DISCUSSION

In May of 1998, the California Department of Health Services (DHS) performed a review and inspection of East Pasadena's facilities. In August 1998, DHS issued its report advising East Pasadena to develop an additional water source as soon as possible to enhance the reliability of the water system.

A site was chosen and Well #10 was drilled. The well yielded adequate supplies of water, but the quality of the water was such that it could not be used without extensive and expensive treatment. Well #10 was abandoned in favor of another more reliable and economical source, the rehabilitation of Well #8.

The Well #10 Project was a major item in the 2001 test year General Rate Case (GRC) for which the Commission adopted Res. W-4239. Commission staff and the East Pasadena discussed the capital improvement plan which included the Well #10 Project necessitated by the DHS' mandate for East Pasadena to take measures to ensure the reliability of adequate water sources to serve its customers.

Well #10 was drilled and the total costs of \$223,421 were accumulated in its Construction Work In Progress account and never transferred to its utility plant. Upon completion, Well #10 delivered adequate amounts of water, however lacking quality to be considered useful as an additional source to East Pasadena's water supply.

East Pasadena subsequently succeeded in developing an adequate increase to its water supply source to preserve and fortify the reliability of its water supply when it sought an independent professional evaluation of its water producing system. As recommended by the evaluation, East Pasadena rehabilitated its already producing Well #8 resulting in a significant increase in water production and improvement in water quality.

Well #10 will not be used and useful, and should not be included in rate base. Therefore, in this advice letter filing, East Pasadena is requesting recovery of the \$223,421 by applying a temporary surcharge on the commodity rate of \$0.095 (nine and 1/2 cents) per Ccf for a period of three years or until fully recovered. Staff reviewed the workpapers and concurred that the 2001 recovery amount was not included in the last GRC but is reasonable.

SERVICE AND COMPLIANCE

Service is satisfactory and there are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

FINDINGS AND CONCLUSIONS

1. The rates recommended by the Branch are reasonable and should be authorized.
2. Well #10 will not be used and useful and should not be included in rate base.
3. The three-year surcharge should terminate on approximately July 20, 2009.
4. This is an uncontested matter subject to the Public notice comment exclusion provided in the Public Utilities Code §311(g) (3).

THEREFORE IT IS ORDERED THAT:

1. East Pasadena Water Company is authorized to make effective the revised rate concurrently Schedule 1, General Metered Service, attached to this resolution as Appendix A and to cancel its presently effective rate schedule. The effective date of the new schedule shall be five days after the date of this resolution.
2. The East Pasadena Water Company three-year surcharge will terminate by July 20, 2009.
3. In accordance with Public Utilities Code 792.5, East Pasadena Water Company shall track these revenues in a balancing account.
4. 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 July 20, 2006; the following Commissioners voting favorably thereon:

/s/ STEVE LARSON
STEVE LARSON
Executive Director

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

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The territory within and adjacent to the cities of Arcadia and Temple City and adjacent to the cities of Pasadena and San Gabriel, Los Angeles County, and as described on the service area map.

RATES

	<u>Per Meter Per Month</u>
Quantity Rate:	
All water, per 100 cubic feet.....	\$ 1.157

	<u>Per Meter Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter.....	\$ 9.05
For 3/4-inch meter.....	13.58
For 1-inch meter.....	22.63
For 1-1/2-inch meter.....	45.25
For 2-inch meter.....	72.40
For 3-inch meter.....	135.75
For 4-inch meter.....	226.25

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rate, for water used during the month.

SPECIAL CONDITIONS

1. As authorized by the California Public Utilities Commission, all bills are subject to a temporary increase in the commodity rate of \$0.095 per Ccf for a period of 36 months intended to recover the costs of abandoned Well #10. (N)
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(N)
2. All bills are subject to the reimbursement fee set forth in Schedule UF.