

WATER/RSK/PTL/OE2/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4712
October 2, 2008

R E S O L U T I O N

**(RES. W-4712), VALENCIA WATER COMPANY (Valencia). ORDER
AUTHORIZING A RATE BASE OFFSET INCREASE PRODUCING AN
INCREASE IN GROSS ANNUAL REVENUES OF \$548,190 OR 2.61%.**

SUMMARY

By Advice Letter 121 filed on August 1, 2008 and supplemented by Advice Letter 121-A filed on August 28, 2008, Valencia, a Class A water utility, requested a revenue increase of \$548,190 or 2.61% due to increase in rate base arising from two completed capital improvement projects in 2007.

This resolution authorizes an increase in revenues of \$548,190 or 2.61% relative to currently adopted revenues. The increase will not result in a rate of return greater than that last authorized for Valencia.

BACKGROUND

By Decision (D.) 07-06-024, Ordering Paragraph 3 and Ordering Paragraph 10, which states:

3. Once Valencia has constructed a demonstration water softening plant, as described in the record of this proceeding, and the new plant is operational, Valencia is authorized to file an advice letter to include its investment up to \$1.7 million in that plant, as well as associated operation and maintenance expenses up to \$170,000 per year, in its rates.

10. Once Valencia has replaced its billing system and the new billing system is operational, Valencia is authorized to file an advice letter to include its investment in that billing system up to \$400,000 in its rates.

Valencia was authorized to file a rate base offset advice letter for water softening plant and a new billing system. The projects were needed to reduce the hardness of the water delivered to its customers and replace its old billing system.

Valencia requests approval to increase the total rate base by \$1,874,785 for completed groundwater softening demonstration at \$1,524,196 and new billing system projects for \$350,589. Valencia also requests to include in rates the associated operation and maintenance expenses of \$170,000 for its water softening plant. At the currently authorized rate of return of 9.55%, this increase in rate base results in an increase in the revenue requirements amounting to \$548,190 or 2.61% relative to revenues at present rates.

Valencia serves 28,177 customers located in Valencia, Los Angeles County. The present rates were established on January 1, 2008 by Advice Letter 118, filed to offset the increase in purchased water costs, resulting in an increase in annual revenue by \$499,200 or 2.4%.

NOTICE AND PROTESTS

Notice of the proposed rate increase was given by Valencia, by proper service of the Advice Letter 121. The Division of Water and Audits (Division) received a protest on August 20, 2008, against the projected rate increases stemming from the project for its modification of Ordering Paragraph 3 of D.07-06-024 from the Division of Ratepayers Advocate.

Valencia responded to this protest by the supplemental filing of AL 121-A in compliance with the Order Paragraph 3.

DISCUSSION

The Division examined work papers for the completed and operational projects of the groundwater softening plant to recover associated operational and maintenance expenses of \$170,000 per year and the new billing system investment of \$350,589, which are in compliance with the Ordering Paragraphs 3 and 10. The groundwater softening plant came into operation on July 2, 2008, while the new billing system became operational on April 4, 2008.

At the rates proposed by Valencia, for an average customer with a ¾-inch meter who consumes 20 Ccf (or 2,000 cubic feet) of water per month, the monthly bill will increase from \$34.02 to \$34.82 or 2.4%.

COMPLIANCE

Service by Valencia is satisfactory. There are no Commission orders requiring system improvements. The utility has been filing annual reports as required.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public Utilities Code Section 311(g) (2), the otherwise 30-day period for public review and comment is being waived.

FINDINGS

1. The investment for a water softening plant of \$1,524,196 and \$350,589 for the new billing system totaling \$1,874,785, in compliance with Decision 07-06-024, Ordering Paragraphs 3 and 10, should be allowed into Valencia's rate base.
2. The operation and maintenance expense of \$170,000 for the completed project in compliance with Decision 07-06-024, Ordering Paragraph 3 should be allowed into Valencia's rates.
3. Revenue requirements should increase by \$548,190 or 2.61% to reflect the increase in rate base and operation and maintenance expenses.
4. The Commission finds, after investigation by the Division of Water and Audits, that the rate increase hereby authorized is just and reasonable.
5. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g) (2).

THEREFORE IT IS ORDERED THAT:

1. Valencia Water Company is authorized, five days after the effective date of this resolution, to make effective the revised rate schedule, No.1, General Metered Service, which is attached to Advice Letter 121-A, and to concurrently cancel the presently effective rate schedule.
2. The capital investment of \$1,874,785 and expenses of \$170,000 for completed projects in compliance with Decision 07-06-024, Ordering Paragraphs 3 and 10 shall be allowed into Valencia Water Company's rate base and operation and maintenance expenses.
3. Valencia Water Company's revenue requirements are allowed to increase by \$548,190 or 2.61% to reflect the increase in rate base and operation and maintenance expenses.

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 October 2, 2008; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners