

Decision 11-08-010 August 18, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the application of California Water Service Company, (U60W), a California corporation, for an order 1) authorizing it to increase rates for water service by \$70,592,000 or 16.75% in test year 2011, 2) authorizing it to increase rates on January 1, 2012 by \$24,777,000 or 5.04% and January 1, 2013 by \$24,777,000 or 4.79% in accordance with the Rate Case Plan, and 3) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.

Application 09-07-001
(Filed July 2, 2009; Petition
Filed
June 28, 2011)

**DECISION APPROVING THE PETITION OF THE CITY OF SELMA, THE
DIVISION OF RATEPAYER ADVOCATES, AND CALIFORNIA WATER
SERVICE COMPANY FOR MODIFICATION OF DECISION 10-12-017**

1. Summary

Petitioners, the City of Selma (City), the Division of Ratepayer Advocates, and California Water Service Company (Cal Water) (collectively, Petitioners), request the modification of Decision (D.) 10-12-017 to phase in the rate increase approved for Cal Water's Selma district in 2011. The City asserts that due to current financial hardships, the approved rate increase (29.4% in 2011) should be phased in gradually. Petitioners represent that the proposed phase-in does not modify the overall revenue requirement of the Selma district, or any other Cal Water district, from that authorized in D.10-12-017. The petition, which is unopposed, is approved.

2. Background

In Decision (D.) 10-12-017, the Commission authorized increases in revenue requirement for the Selma District of \$1,000,100 or 29.4% for 2011, \$57,200 or 1.3% for 2012, and \$53,600 or 1.2% for 2013. These increases were a result of settlement discussions by the active parties in the proceeding at that time.

After the Commission-approved rate increase was implemented on January 1, 2011, the Mayor of the City of Selma (City), the City Council, and City residents expressed high levels of concern about the financial hardship posed by the rate changes. California Water Service Company (Cal Water) was invited to discussions addressing the City's concerns on March 7 and March 18, 2011. City officials informed Cal Water about the increased unemployment rate in the City, lower revenues from sales and lower property taxes, and fewer building permits issued. This information indicated that the City and its residents are suffering a financial crisis.

To alleviate this crisis, Petitioners propose the following phased-in rate increase as a modification to D.10-12-017. First, beginning in September 2011, the water rates for all City customers would be reduced for a ten-month period. Instead of the 29.4% increase, Cal Water would collect only 16% of the revenue increase authorized in D.10-12-017, or approximately \$3,954,000. The revenue requirement during the ten-month period decreases approximately \$393,000 with this proposal. The average monthly bill for the typical residential customer would go down from the current \$45.26 to \$40.54.

Second, on July 1, 2012, rates would return to the level authorized in D.10-12-017. Also, Cal Water would begin collecting the deferred 2011 revenue through a surcharge that would start on July 1, 2012, for a period of three years.

Under this proposal, a flat monthly surcharge of \$2.19 would be applied to all customer bills. This surcharge includes interest for the deferred revenue collection at 8.58%, which is Cal Water's current authorized rate of return.

(See D.10-12-017, attachment B.)

3. Discussion

Petitioners have provided substantial information regarding the current financial hardships faced by the City and its residents. The proposed phase-in responds reasonably to these hardships. At the same time, the phase-in imposes no burden on other Cal Water districts, does not result in a net change to Cal Water's revenue requirement, and does not adversely affect Cal Water's ability to recover its revenue requirement in rates.

In effect, the petition for modification is similar to an all-party settlement, in that (1) all affected interests (the City, the utility, and ratepayers in general as represented by the Division of Ratepayer Advocates,) support the petition, and (2) there is no known opposition to the requested relief. The facts of the matter, as set forth in the petition and supporting declaration, show that the relief is needed and appropriate. The petition also shows that the requested relief is consistent with the Commission's rules and policies for rate deferral. The petition documents the phase-in with sufficient detail that implementation of the modification to D.10-12-017 can occur readily and be monitored for compliance. The public interest is served by smoothing the previously authorized rate increase over a longer period of time in these circumstances.

To implement the phase-in, Cal Water must file new tariffs for its Selma district. Cal Water will file the appropriate tariffs by a Tier 1 advice letter, to be submitted within 10 days of the effective date of today's decision.

On July 27, 2011, Cal Water filed and served electronically a motion to supplement the petition.¹ The supplement provides tariff schedules reflecting the rate reduction proposed for the Selma district in the petition. Cal Water included both the tariff schedules currently in effect in the Selma district and the proposed tariff schedules, which have been revised to reflect the reduced Selma district rates for the period from September 1, 2011, through June 30, 2012. By providing the proposed tariff schedules, Cal Water has ensured that implementation of the 10-month rate reduction can happen quickly and smoothly.² We therefore grant Cal Water's motion to supplement the petition.

After the reduced rate period ends (June 30, 2012), the Selma district rates previously authorized in D.10-12-017 go back into effect, together with a flat monthly surcharge of \$2.19 applied to all customer bills for a period of three years starting July 1, 2012. No later than May 30, 2012, Cal Water must file a Tier 2 advice letter with appropriate tariffs to reflect the new rates and surcharge.

¹ The motion is unopposed.

² The proposed tariff schedules are set forth in the Appendix to today's decision.

The Commission waives the public comment period for this decision because it is an uncontested matter and this decision grants the relief requested by the Petitioners. All parties to this proceeding have been timely notified.³

4. Waiver of Comments on Proposed Decision

Under Rule 14.6(c)(2) of the Rules of Practice and Procedure, the Commission may waive the otherwise applicable 30-day period for public review and comment on an uncontested decision that grants the relief requested. Under the circumstances of this case, it is appropriate to waive the 30-day period for public review and comment.

5. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Steven Kotz is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Decision 10-12-017 adopted a heavily front-loaded revenue increase for Cal Water's Selma district.
2. The City of Selma and its residents are experiencing financial hardships.
3. The Petitioners' proposed two-step phase-in of the rate increase imposes no burden on other Cal Water districts, does not result in a net change to

³ Cal Water has tried to contact all of the active parties in this proceeding to determine their willingness to waive the comment period for a proposed decision on the petition. Cal Water represents that the City of Visalia, Jeffrey Young, and the Leona Valley Town Council have agreed to waive the comment period. Two parties (Marcos Pareas and the Fremont Valley Property Owners) have not yet responded, but no party has objected. We note that these other parties were interested in this proceeding primarily as it affected rates in locations other than the City. Petitioners believe that this matter will be uncontested, and urge the Commission to issue a proposed decision granting the relief requested, and waiving the comment period pursuant to Rule 14.6(c)(2).

Cal Water's revenue requirement, and does not adversely affect Cal Water's ability to recover its revenue requirement in rates.

4. The proposed phase-in is reasonable.
5. There is no opposition to the petition for modification.
6. Cal Water's supplement to the petition contains proposed tariff schedules to implement a 10-month rate reduction for the Selma district.

Conclusions of Law

1. Cal Water's motion to supplement the petition for modification should be granted.
2. The Petitioners' petition for modification of D.10-12-017 should be adopted, effectively immediately, and the proceeding should be closed.
3. Cal Water should file and serve, within 10 days of the effective date of today's decision, a Tier 1 advice letter setting forth appropriately revised tariffs for the Selma district to implement the phase-in of the rate increase.
4. To reinstate the Selma district rates previously authorized in D.10-12-017, starting July 1, 2012, together with a flat monthly surcharge of \$2.19 applicable to all customer bills for a period of three years, Cal Water should file a Tier 2 advice letter no later than May 30, 2012.
5. The otherwise applicable period for public review and comment should be waived.

O R D E R

IT IS ORDERED that:

1. Public review and comment on the proposed decision herein is waived.

2. The motion of California Water Service Company to supplement the petition to modify Decision (D.) 10-12-017 is granted, and the petition to modify D.10-12-017 is approved.

3. Within 10 days of the effective date of this order, California Water Service Company must file and serve a Tier 1 advice letter setting forth revised tariffs to implement the phase-in of the rate increase for the Selma district. The revised tariffs must conform substantially to the "Proposed Tariff for the Selma District" contained in the Appendix to today's decision.

4. No later than May 30, 2012, California Water Service Company must file and serve a Tier 2 advice letter setting forth revised tariffs to (1) reinstate the Selma district rates authorized in Decision 10-12-017, and (2) impose a flat monthly surcharge of \$2.19 applicable to all customer bills, effective July 1, 2012. The surcharge is to be in effect for three years starting on July 1, 2012.

5. Application 09-07-001 is closed.

This order is effective today.

Dated August 18, 2011, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners

[D1108010/A0907001 APPENDIX Kotz](#)