STATE OF CALIFORNIA GRAY DAVIS, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

February 27, 2002

TO ALL WATER AND SEWER SERVICE UTILITIES

It has come to my attention that various methods are being used to calculate the "incremental expense rate change" that is used to calculate the "expense component" that is booked to your balancing accounts. I remind you "balancing accounts maintained beyond the latest test year will use the latest adopted quantities." (Procedures for Maintaining Balancing Accounts, 1983, Attachment 1 page 1). The incremental expense rate change should therefore use the same tariff schedules and quantities that went into the test year calculation of the purchased power adopted quantities and the composite rate.

For example, in the last rate case you had two wells (1 and 2) under PG&E tariff schedule A-1. Well 1 operates summer and winter (summer rate $0.14870/kWh, winter rate $0.10193) and well 2 operates only during the summer (rate $0.14870). Well 1 used 500,000 kWh and 500,000 kWh in the winter and well 2 used 500,000 kWh in the summer. The adopted quantities would be:

Adopted kWh 1,500,000

Adopted Purchased Power cost			
Customer charge:	two wells at $20.10 per well per month times 12 months	= $	482
Energy charge:	Well 1		
Summer	500,000 kWh times $0.14870/kWh	=	74,350
Winter	500,000 kWh times $0.10193/kWh	=	50,965
	Well 2		
Summer only	500,000 kWh times $0.14870	=	74,350
Total			$ 200,147

Composite rate is $0.1334/kWh ($200,147/1,500,000 kWh)

In 2000 you replaced well 1 with well 3. Well 3 is super efficient and only requires 900,000 kWh to provide the same amount of water well 1 did. You also rebuilt well 2 so that it uses only 400,000 kWh to provide the same amount of water. Then in July 2001 the Commission approved schedule E-EPS that allowed PG&E to surcharge its summer rates by $0.06140 plus $0.01 or $0.0714/kWh and its winter rates by $0.02838 plus $0.01 or $0.03838/kWh. So now you are paying $0.14870 plus $0.07140 or $0.22010/kWh in the summer and $0.10193 plus $0.03838 or $0.14031/kWh in the winter. How do you calculate the new composite rate?

The answer is you *ignore well 3 and the rebuild you did to well 2*. The purpose of using an incremental offset and balancing accounts is to provide you with an incentive to improve. All that you save due to those improvements, you keep. Of course, the reverse is also true. If your efficiencies have fallen, your actual composite may have increased.

In any case, you redo the composite calculation using wells 1 and 2. You assume the same kWh usage as in the GRC. The result is:

Customer charge:	two wells at $20.10 per well per month times 12 months		= $ 482
Energy charge:	well 1		
Summer		500,000 kWh times $0.22010/kWh	= 110,050
Winter		500,000 kWh times $0.14031/kWh	= 70,155
	Well 2		
Summer only		500,000 kWh times $0.22010/kWh	= 110,050
Total			$ 290,737

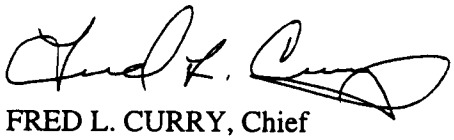
Composite rate is $0.193825/kWh ($290,737/1,500,000 kWh)

The incremental expense rate change is $0.060435/kWh ($0.193825/kWh - $0.1334/kWh). This is the figure you multiply times the recorded kWh consumed in the month to get your expense component. The recorded kWh is the only part of your actual electric bill that you use in determining this cost. The differential composite rate is the same each month. Only the kWh changes, based on recorded usage.

Attached is a copy of a Southern California Water Company advice letter as an example.

If you have any questions, please contact Moe Kazemzadeh at (415) 703-2148 or mxk@cpuc.ca.gov.

Very truly yours,



FRED L. CURRY, Chief
Water Branch
Water Division

Attachment

SOUTHERN CALIFORNIA WATER COMPANY

3625 WEST SIXTH STREET • LOS ANGELES, CALIFORNIA 90076-0893 • TELEPHONE (213) 251-3600

RECEIVED
MAR 22 1989
LARGE WATER UTILITIES SECT.
CPUC

March 10, 1989

Amended Advice Letter No. 798-W (U 133 W)

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Gentlemen:

Southern California Water Company hereby transmits for filing tariff sheets applicable to its Bay District.

CPUC Sheet No.	Title Of Sheet	Cancelling CPUC Sheet No.
	Rate Schedules:	
Revised No. 3234-W	General Metered Service Bay District Schedule No. BY-1	Revised No. 3192-W
Revised No. 3235-W	Table of Contents (Continued)	Revised No. 3232-W
Revised No. 3236-W	Table of Contents	Revised No. 3233-W

These tariffs are submitted pursuant to the portion of Section VI of General Order No. 96-A which provides, "In cases where the proposed increases are minor in nature the Commission may accept a showing in the Advice Letter provided justification is fully set forth therein without the necessity of a format Application".

The purpose of this filing is to offset the increase in the cost of water purchased from Contra Costa Water District of $0.2751 per thousand gallons and an increase from Pacific Gas & Electric Company of $0.0008 per Kwh in the cost of power purchased for pumping.

In addition, it is requested that the under collection of $208,704 in the Balancing Account as of January 31, 1989 be amortized at an amortization rate of $0.0616 per Ccf for forty-eight months. It is further requested that the balancing

account balance be reviewed in the next general rate case decision in Application No. 89-02-027, filed May 15, 1989.

Data regarding the increase is summarized below:

	Pro Forma as of 11-30-88 (000)
Gross Revenues at Present Rates	$ 1,118.0
Revenue Increase	$ 210.5
Percent Increase	18.83%
Applicable Sales in ccf	844.1
Rate Increase per ccf	$ 0.2494

Balancing Account work papers are included.

The supply cost adjustments are requested to be applied to the quantity charges.

We have given two public notices of this request by publishing a notice in a local newspaper. A copy of the first notice is attached as Exhibit A. Proof of publication of the second notice has not yet been received from the newspaper. A copy will be forwarded to the staff as soon as it is available. In addition, all Bay District customers were individually noticed regarding the requested increase by postcard mailed March 3, 1989. A copy of the postcard notice is also attached.

No individuals or utilities have requested notification of filing of tariffs. Distribution of this tariff filing is being made according to General Order 96-A, Section 111-G.

It is respectfully requested these tariffs become effective as soon as possible.

Very truly yours,

SOUTHERN CALIFORNIA WATER COMPANY

Joseph F. Young, Director
Regulatory Affairs

Attachments

BAY DISTRICT

DEVELOPMENT OF RATE INCREASE RESULTING
FROM SUPPLY COST INCREASES

Purveyor	Units	Old Rate	New Rate	Difference	Expense Increase
Contra Costa	763,000 (1000 gal)	$0.3542	$0.6293	$0.2751	$209,887
Total Purchased Water					$209,887
P G & E	750,000 (Kwh)	$0.0864	$0.0873	$0.0008	$634
Total Purchased Power					$634
NET INCREASE					$210,521
Applicable Sales Ccf					844,100
NET UNIT INCREASE					$0.2494
TOTAL UNIT INCREASE					$0.2494

Bill Example
Schedule No. BY-1

Ccf	Rates Present	Rates Proposed
0	$4.10	$4.10
3	$6.43	$7.36
5	$8.16	$9.71
10	$12.48	$15.59
15	$16.81	$21.47
20	$21.13	$27.35
25	$25.45	$33.23
30	$29.78	$39.11
50	$47.07	$62.62

Development of Composite Purchased Water Costs
Contra Costs Water
Rates Effective January 1, 1989

	Rates	Annual Quantities D.87-04-069	Expense
Service Charge (Meter Per Month)	$5.86	2	$141
Demand Charge (GPM Per Month)	$1.8868	3,973	$89,933
Quantity Charge (1000 Gal)	$0.5112	763,000	$390,046
Total			$480,141
Composite Rate			$0.6293

Development of Composite Purchased Power Costs
PG&E Rates Effective May 17, 1988

	Rates	Annual Quantities D.87-04-069	Expense
Customer Charge (Meter Per Month)	$50.00	2	$1,200
Demand Charge (Demand Kwh/Month)	$2.85	133	$4,549
Quantity Charge - Summer	$0.0866	463,500	$40,130
- Winter	$0.0683	286,500	$19,571
Total		750,000	$65,449
Composite Rate			$0.0873

Schedule No. BY-1

Bay District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the City of Pittsburg and vicinity, Contra Costa County.

RATES

	Per Meter Per Month	
Quantity Rates:		
First 300 cu. ft., per 100 cu. ft.	$ 1.0262	(I)
Over 300 cu. ft., per 100 cu. ft.	1.1141	(I)
Service Charge:		
For 5/8 X 3/4-inch meter	$ 4.10	
For 3/4-inch meter	5.60	
For 1-inch meter	8.25	
For 1-1/2-inch meter	9.60	
For 2-inch meter	14.00	
For 3-inch meter	29.00	
For 4-inch meter	36.00	
For 6-inch meter	71.00	
For 8-inch meter	102.00	

The service charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the quantity charge computed at the Quantity Rates.

SPECIAL CONDITION

1. Due to the under collection in the balancing account, an amount of $0.0616 per Ccf, is to be added to the quantity rates as shown above until forty-eight months from the effective date of Advice Letter No. 798-W to amortize the under collection. (N) (N)

SOUTHERN CALIFORNIA WATER COMPANY
3625 WEST SIXTH STREET P.O.BOX 76893
LOS ANGELES, CALIFORNIA 90076-0893

Schedule No. BY-1

Bay District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the City of Pittsburg and vicinity, Contra Costa County.

RATES

	Per Meter Per Month	
Quantity Rates:		
First 300 cu. ft., per 100 cu. ft.	$ 0.7768	(R)
Over 300 cu. ft., per 100 cu. ft.	$ 0.8647	(R)
Service Charge:		
For 5/8 X 3/4-inch meter.....	$ 4.10	
For 3/4-inch meter.....	$ 5.60	
For 1-inch meter.....	$ 8.25	
For 1-1/2-inch meter.....	$ 9.60	
For 2-inch meter.....	$ 14.00	
For 3-inch meter.....	$ 29.00	
For 4-inch meter.....	$ 36.00	
For 6-inch meter.....	$ 71.00	
For 8-inch meter.....	$ 102.00	

The service charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the quantity charge computed at the Quantity Rates.

SHEET CANCELLED
SUPERSEDED BY REVISED
P. U. C. SHEET No. 3134-W

NOV 17 1988

ISSUED BY
W. V. CAVENEY
PRESIDENT

Date Filed ~~NOV 15, 1988~~
Effective JAN 1, 1989
Resolution No.

Advice Letter No. 787 - W
Decision No. 87-04-069