STATE OF CALIFORNIA

PUBLIC UTILITIES COMMISSION
SAN FRANCISCO

MEMORANDUM

DATE : February 22, 1996

TO : THE COMMISSION

FROM : **DEAN J. EVANS**
Assistant Director, CACD-Water

SUBJECT : **SERVICE GUARANTEE PLAN FOR SMALL WATER COMPANIES**

The Problem: At the Commission Meeting of February 8, 1996, Commissioner Duque pointed out to you that he was concerned that two of the Consent Agenda items, Resolutions approving General Rate Cases (GRCs) for small water companies had taken an inordinate time from filing to approval by the Commission. His observations were correct. The problem is not new, I believe we have a solution to process these case in a more reasonable time frame.

Discussion: Small water companies are also known as Class C and Class D companies. Class C companies of which there are 30 have 500 to 2000 customers, Ds which number 145 have customer bases from as small as 6 up to 500.

The water industry, led by the California Water Association (CWA), and staff are both aware of the fact that our record for completing "C" and "D" GRCs in a timely manner in the last few years isn't very good. In Application No. 95-03-064, CWA's application for a full cost balancing account, both CWA and DRA filed testimony addressing the problem and proposing solutions to the problem.

DRA notes correctly that the average time to process a small company GRC increased from an average of 200 days in 1989-90 to 253 days in 1992-1994. Also noted that during that same time period Water Branch personnel decrease by 25 percent.

Rather than dwell on what happened in the past and all the individual reasons that have contributed to the delays in processing the Class Cs and Ds requests, I believe it is far more productive to emphasize what we propose to do to fix the problem.

The Solution: What I propose is a combination of ideas, some new and some borrowed. The input comes from many sources:

- Representatives of Class C and D companies
- CWA representatives
- Commission auditors and accountants
- Water Branch personnel, those analysts and engineers who do the work
- Filed testimony of DRA and the CWA

I have expanded on some excellent staff work by Fred Curry, Chief of the Water Branch on his rewriting of the Standard Practice on the processing of small company general rate cases and from the feedback that I have received from the sources mentioned above to develop the "Service Guarantee Plan".

In 1979, the Commission approved a Regulatory Lag Plan, later called a rate case plan for the same size water companies I am addressing today. For various reasons, we haven't been able to comply with the time schedule outlined in that plan which is precisely the reason I am here today. Attached to this memo is a time- line of the "Service Guarantee Plan". It is a new and improved rate case plan.

The main improvement is two vehicles for interim rate relief (if determined to be needed.). It provides an almost immediate (within 45 days of filing) simple mechanism to process the first interim rate increase. The interim increase, subject to refund, is based on a cash flow analysis completed within one week of filing. The analysis determines just how much the utility needs to operate and pay it bills, including debt service.

Similar to the "gatekeeper" function of the Docket Office of the ALJ Division, a Water Branch analyst will perform a like function within a week of filing to determine the adequacy of the workpapers while the staff auditor is preparing the cash flow analysis.

The other main improvement to the current process is a mechanism to allow for an interim increase should the staff and the company reach an impasse. This increase would be based on a staff Estimate of minimum reasonable revenues, expenses and rate base estimates. In addition should there still be no agreement, a process is now in place to provide a straight up the chain of command and appeal process, including an abbreviated hearing by an Administrative Law Judge to address the contested issue or issues.

How we will provide this Service Guarantee:

- In early1995, the Water Branch had vacancy rate of almost 40%. By the end of next month the Branch should be at near full complement.

- The filing requirements for the small water companies have been simplified, 45 pages have been reduced to 5 pages; this will enable staff to review and analyze more efficiently.

- Water Branch Standard Practices, "how to guides", are being prepared or revised so that newer staff as well as existing will have the tools to more effectively do their work.

- The Branch is preparing a "benchmark" study of selected water company expenses in order to develop appropriate "rules of thumb" or guidelines for staff and companies to more quickly come to agreement on the appropriate rate case items.

- The Water Branch plans to adopt the recommendation of DRA to schedule outreach workshops for all Class C and D water companies, especially appealing to the less sophisticated ones. The first is scheduled in May in Sacramento in conjunction with the CWA Spring meeting.

Summary: Our "Service Guarantee Plan" will provide a relatively simple mechanism to allow for almost immediate interim rate relief for those water companies needing it.

The plan has milestones designed to keep staff (and the small water companies) on schedule. It allows for an appeal process, all the way to the abbreviated hearing for resolution of disputed issues. While the appeal process has been available since 1992, it will now be more quickly and strickly followed.

What happens if the simplified filing forms and our outreach program succeed so well that the number of rate case filings exceeds our ability to handle them even after our re-engineering efforts are completed? We have built into the schedule a provision for interim rate relief if we find that we will be exceeding our time table.

Will these changes work? I'm confident that they will, and I'm just as sure that there will be that inevitable situation arise when delays occur. But I do feel that when I come back in six months with a progress report, we will have met our goal of timely processing and completion of Class C and D Advice Letter general rate cases.

Attachment

"Service Guarantee Plan"

GRC PROCEDURES
Time Schedules

Activity	Completion Day
PHASE I	
Received by Water Utilities Branch	0
Assigned to Staff Analyst (gate keeper) -for completeness of filing. If filing incomplete, prepare data request for project manager's signature.	7
Assigned to auditor for cash flow analysis and need for interim rate relief.	7
If complete as filed, acceptance Letter and Notice to Customers mailed to utility-A.L. considered filed.	14
Resolution prepared granting interim(if needed)	45
PHASE II	
After filing is accepted, assigned to staff analyst complete investigation -review request w/Project Manager and Supervisor for potential issues and policy concerns. -Utility provides notice to customers	
Field Investigation and Public Meeting Conducted -conduct field investigation -conduct public meeting (by project mgr.) -review utility's records -last day to add or modify filing	X+30
Staff Report to Project Mgr. for Review -periodic progress meetings	X+80
Staff Report completed and mailed to Utility (if not complete, notify utility and begin process to provide interim rate relief.	X+90
-If accepted by utility, Proj mgr prepares Commission Resolution.	X+120
-If not resolved within 4 months, interim increase based on staff results of operations report.	X+120

- If not accepted, schedule meeting w/Project Manager and utility
- If issues not resolved, schedule meeting with Water Branch Chief and Asst Director (Water) and utility.
- If issues not resolved, utility requests hearing, branch contacts Chief ALJ for hearing.
- Hearing held, decision rendered.

Resolution (including decision determination) completed by Project Manager	
Final Action by Commission-Resolution approved	X+150
Staff completes tariff book; Utility requested to sign tariffs and include notice of "final" increase in first bill to customers.	X+157
Staff analyst files Report, resolution and work papers	X+180

Note: "X" is the date of assignment to staff analyst for investigation. "X" in most cases will be "day 30", but due to availablilty of Water Branch resources may be longer.