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AGENDA ITEM #8160

WATER/RSK/FLC/PTL/OE2/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch**

**RESOLUTION NO. W-4729
December 18, 2008**

R E S O L U T I O N

(RES. W-4729), ALISAL WATER CORPORATION (Alco) - SALINAS DISTRICT. ORDER AUTHORIZING A RATE BASE OFFSET REVENUE INCREASE, PRODUCING AN INCREASE IN GROSS ANNUAL REVENUES OF \$312,039 OR 5.33%.

SUMMARY

By Advice Letter 121 filed on September 8, 2008, Alco, a Class B water utility, requested a revenue increase of \$312,039 or 5.33% for its Salinas District due to increase in rate base arising from the water plant additions. This resolution authorizes an increase in gross revenue of \$312,039 or 5.33%. The increase will not result in a rate of return greater than that last authorized for Alco.

BACKGROUND

By Ordering Paragraph 5 of Res. W-4577 dated December 15, 2005, which directed Alco to file advice letters for completed plant additions within 45 days of the beginning of the subsequent year; by February 14, 2006 for 2005 plant additions, by February 14, 2007 for 2006 plant additions, and by February 2008 for 2007 plant additions, as shown on Appendix E of Res. W-4577. However, some of the projects authorized by Res. W-4577 had not been completed and are included in this rate base offset.

The purpose of this rate offset is to provide Alco with sufficient revenue to recover the cost of implementing the uncompleted projects of the improvements in the Black & Veatch report ordered by the court. The plant additions include associated pumping equipments, appurtenances, water mains, the SCADA system and other projects listed in Appendix E of Res. W-4577.

Alco requests approval to increase the rate base by \$1,488,960 for its water plant additions. At the currently authorized rate of return of 9.86%, this increase in rate base

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results in an increase in the revenue requirements amounting to \$312,039 or 5.33% relative to revenues at present rates.

Alco serves 8,745 customers located in Salinas District. The present rates were established on January, 2008 by Advice Letter 116.

DISCUSSION

Commission Res. W-4577 authorized Alco to file advice letters to recover certain capital projects that the Commission had determined to be reasonable. The Division of Water and Audits (Division) examined invoices supporting expenditures for the water plant additions to validate the amounts requested by Alco. Division staff conducted a field inspection of the water utility's plant sites, and verified these plant additions were in place and in use.

At the rates proposed by Alco, for an average customer with a 5/8-inch x 3/4-inch meter who consumes 20 Ccf (or 2,000 cubic feet) of water per month, the monthly bill will increase 5.72% from \$47.59 to \$50.31.

NOTICE, PROTESTS, AND PUBLIC MEETING

An article announcing the proposed rate increase was published by Alco in a newspaper of general circulation, The Salinas Californian, on September 25, 2008. The Division received no protests against the proposed project or the projected rate increases stemming from the project.

COMPLIANCE

Service by Alco - Salinas District 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

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1. Expenditures for completed projects of water plant additions totaling \$1,488,960 should be allowed into Alco - Salinas District's rate base.
2. Revenue requirements should increase by \$312,039 or 5.33% to reflect the increase in rate base.
3. The Commission finds, after investigation by the Division of Water and Audits, that the rate increase hereby authorized is just and reasonable.
4. 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. Alisal Water Corporation - Salinas District is authorized, five days after the effective date of this resolution, to make effective the revised rate schedules, Nos. 1A- General Metered Service; 4 - Service to Privately Owned Fire Protection Systems; and 6 - Privately Owned Fire Hydrants, which are attached to Advice Letter 121, and to concurrently cancel the presently effective rate schedules.
2. Expenditures for the completed projects of water plant additions totaling \$1,488,960 are allowed into Alisal Water Corporation - Salinas District's rate base.
3. Alisal Water Corporation - Salinas District's revenue requirements are allowed to increase by \$312,039 or 5.33% to reflect the increase in rate base.
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 December 18, 2008; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

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