

DWA/RSK/BMD/JB5/SRW/drs

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory BranchRESOLUTION NO. W-4937
November 29, 2012R E S O L U T I O N

(RES. W-4937) PARK WATER COMPANY (PARK). ORDER APPROVING REQUEST TO IMPLEMENT A SURCHARGE TO RECOVER THE BALANCE OF \$152,846 IN THE COST OF CAPITAL MEMORANDUM ACCOUNT.

By Advice Letter 233-W filed on July 6, 2012.

SUMMARY

This resolution grants Park the authority to implement a surcharge of \$0.025 per hundred cubic feet (Ccf) for residential and non-residential metered water service and a surcharge of \$0.014 per Ccf for reclaimed water service for a 12-month period to recover the balances of \$150,348 and \$2,498, respectively, in the Cost of Capital Memorandum Account (CCMA). The \$152,846 CCMA balance for residential and non-residential metered water service and reclaimed water service represent 0.52% of Park's 2012 adopted revenue requirement.

Park filed Advice Letter (AL) 233-W on July 6, 2012, with a Tier 3 designation to recover the balance in the CCMA.

BACKGROUND

Park and Apple Valley Ranchos Water Company (AVR) on May 1, 2009, filed Application (A.) 09-05-003 requesting an authorized cost of capital for the years 2010-2012 pursuant to the rate case plan for Class A water utilities. Because of the delay in the issuance of the cost of capital final decision, the Commission issued Decision (D.) 09-12-019, dated December 17, 2009, authorizing Park and AVR to establish the CCMA.

D.09-12-019, Ordering Paragraph No. 3 states:

Park Water Company may establish a 2010 Cost of Capital Memorandum Account to recover the difference between current rates based on its most

recently authorized cost of capital, and rates based on the new cost of capital to be adopted in a final decision in Application 09-05-003. To establish this account, Park Water Company must file a tier 1 advice letter effective January 1, 2010 (or on the date of filing, whichever is later), subject to review and approval by the Commission's Division of Water and Audits. Once the advice letter is effective, Park Water Company may, on a monthly basis, track in the memorandum account the difference in revenues between rates based on the currently authorized cost of capital and rates based on the proposed cost of capital. After the Commission adopts a final cost of capital, the memorandum account must be adjusted to reflect the actual difference.

On December 30, 2009, Park filed AL No. 213-W to modify its Preliminary Statements to reflect the establishment of the CCMA pursuant to D.09-12-019.

On October 29, 2010, the Commission in D.10-10-035 adopted the cost of capital for six Class A water utilities, including Park. This was the first consolidated proceeding separating the cost of capital from the general rate case pursuant to the rate case plan D.07-05-062.

SERVICE, PROTESTS AND RESPONSES

Pursuant to General Rules 4.3 and 7.2 and Water Industry Rule 4.1 of General Order 96-B, Park served Advice Letter 233-W on July 6, 2012, to competing and adjacent utilities and other utilities or interested parties having requested such notification. Park provided customer notice of this increase previously in A.09-05-003 as required by Water Industry Rule 3.2 of General Order 96-B. Additional public notice of this filing is not required. No protests were received to AL 233-W.

DISCUSSION

Park filed AL No. 213 on December 30, 2009, that became effective January 1, 2010, to establish a 2010 CCMA pursuant to D.09-12-019. The purpose of the 2010 CCMA is to track the difference between the then current rates based on its previously authorized cost of capital of 9.12% and rates based on the newly adopted cost of capital of 9.42% as authorized by D.10-10-035 on October 29, 2010.

Park has a \$150,721 gross revenue balance in the CCMA from January 1, 2010 through December 31, 2010, inclusive of \$548 interest from January 1, 2010, through May 31, 2012. In addition, Park calculates a revenue increase of \$2,125 for uncollectibles and franchise fees. Park is requesting a revenue increase of \$152,846 that represents 0.52% of current operating revenues of \$29,381,532 approved in AL 228-W.

Park's requested increase of \$152,846 is allocated between domestic water service and reclaimed water service. The portion of the \$152,846 allocated to residential and non-residential metered water service consists of: 1) \$148,258 from the balance in the CCMA from January 1, 2010 through December 31, 2010 including interest of \$539 from January 1, 2010, through May 31, 2012; and 2) \$2,090 for franchise fees and uncollectibles for a total of \$150,348. The portion allocated to reclaimed water service consists of: 1) \$2,463 from the balance in the CCMA from January 1, 2010 through December 31, 2010 including interest of \$9 from January 1, 2010, through May 31, 2012; and 2) \$35 for franchise fees and uncollectibles for a total of \$2,498.

Standard Practice U-27-W, paragraph 46, provides that the average monthly balance in a Memorandum Account accrues interest at the 90-day commercial paper rate. Paragraph 56b provides that reserve and memorandum account amortization surcharges shall be spread over one year for under collections of less than 5% of gross revenues.

Park requests to implement a \$0.025 per Ccf surcharge on residential and non-residential metered water service and a \$0.014 per Ccf surcharge on reclaimed water service for a twelve-month period based on Park's most recent authorized revenue requirement for each of these services.

The Division of Water and Audits reviewed Park's request for recovery of \$152,846 and finds the amount consistent with the direction given in D.09-12-019 and D.10-10-035. Recovery of \$152,846 should be authorized through surcharges of \$0.025 per Ccf for residential and non-residential metered water service and \$0.014 per Ccf for reclaimed water service for a period of 12 months.

COMMENTS

This is an uncontested matter that grants the relief requested. Pursuant to Public Utilities Code § 311(g) (2), this Resolution was not circulated for public comment.

FINDINGS AND CONCLUSIONS

1. Park Water Company requests approval to recover the \$152,846 balance in the Cost of Capital Memorandum Account pursuant to Standard Practice U-27-W.
2. Park Water Company filed Advice Letter 233-W with a Tier 3 designation.
3. Pursuant to General Rules 4.3 and 7.2 and Water Industry Rule 4.1 of General Order 96-B, Park Water Company served Advice Letter 233-W on July 6, 2012, to

competing and adjacent utilities and other utilities or interested parties having requested such notification.

4. Park Water Company provided customer notice of this increase previously in A.09-05-003 as required by Water Industry Rule 3.2 of General Order 96-B. Additional public notice of this filing is not required. No protests were received to Advice Letter No. 233-W.
5. Park Water Company has a \$152,846 balance in the Cost of Capital Memorandum Account for 2010 including interest of \$548 from January 1, 2010 through May 31, 2012 and \$2,135 of uncollectibles and franchise fees.
6. The Park Water Company Cost of Capital Memorandum Account balance of \$152,846 represents 0.52% of the current operating revenues of \$29,381,532 per the approval of Advice Letter 228-W.
7. Standard Practice U-27-W, Paragraph 56.b., provides that reserve and memorandum account amortization surcharges shall be spread over one year for under collections of less than 5% of gross revenues.
8. Park Water Company meets the requirements of Standard Practice U-27-W for a surcharge to amortize the balance in the Cost of Capital Memorandum Account over one year.
9. Park Water Company has requested a surcharge of \$0.025 per hundred cubic feet for residential and non-residential metered water service and a surcharge of \$0.014 per hundred cubic feet for reclaimed water service for a 12-month period to amortize the balance in the Cost of Capital Memorandum Account.
10. The Division of Water and Audits recommends that the \$152,846 balance in the Cost of Capital Memorandum Account should be approved for recovery.
11. The Division of Water and Audits determined that a surcharge of \$0.025 per hundred cubic feet for residential and non-residential metered water service and a surcharge of \$0.014 per hundred cubic feet for reclaimed water service for a 12-month period should amortize \$152,846 and should be approved.
12. This is an uncontested matter that grants the relief requested. The public comment period has been waived pursuant to Public Utilities Code § 311(g)(2).
13. This resolution was not circulated for public comment.

THEREFORE, IT IS ORDERED THAT:

1. Park Water Company's tariff sheets filed with Advice Letter 233-W and attached to this Resolution to amortize the \$152,846 in the Cost of Capital Memorandum Account through a 12-month surcharge of \$0.025 per hundred cubic feet for residential and non-residential metered water service and a surcharge of \$0.014 per hundred cubic feet for reclaimed water service are approved. The effective date of the revised rate schedules shall be no sooner than five days after the effective date of this Resolution.
2. 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 November 29, 2012; the following Commissions voting favorably thereon:

PAUL CLANON
Executive Director

PARK WATER COMPANY
 9750 WASHBURN ROAD
 P. O. BOX 7002
 DOWNEY, CALIFORNIA 90241-7002

Canceling REVISED Cal. P.U.C. Sheet No. 1108-W
REVISED Cal. P.U.C. Sheet No. 1093-W

SCHEDULE NO. PR-1-R
RESIDENTIAL METERED SERVICE
 (Continued)

7. The quantity rates reflect an offset increase of \$0.059 per Ccf to account for increases in the purchased water and groundwater replenishment shown in Advice Letter 218-W, effective July 1, 2010.

8. As authorized by the California Public Utility Commission, an amount of \$0.142 per Ccf is to be added to the quantity rate for a period of 24 months, beginning on the effective date of Advice Letter 215-W-A. This surcharge will recover the under-collection in the WRAM and MCBA as of December 31, 2009.

9. The quantity rates reflect an offset increase of \$0.091 per Ccf to account for increases in the purchased water rates shown in Advice Letter 221-W, effective January 1, 2011.

10. As authorized by the California Public Utility Commission, an amount of \$0.172 per Ccf is to be added to the quantity rate for a period of 24 months, beginning on the effective date of Advice Letter 222-W. This surcharge will recover the under-collection in the WRAM and MCBA as of December 31, 2010.

11. The quantity rates reflect an offset increase of \$0.131 per Ccf to account for increases in the purchased water and groundwater replenishment rates shown in Advice Letter 228-W, effective January 1, 2012.

12. As authorized by the California Public Utility Commission, an amount of \$0.276 per Ccf is to be added to the quantity rate for a period of 18 months, beginning on the effective date of Advice Letter 230-W. This surcharge will recover the under-collection in the WRAM and MCBA as of December 31, 2011.

13. As authorized by the California Public Utility Commission, an amount of \$0.025 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 233-W. This surcharge will recover the under-collection in the Cost of Capital Memorandum Account.

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(To be inserted by Utility)		(To be inserted by Cal. P.U.C.)	
Advice No.	<u>233-W</u>	<u>LEIGH K. JORDAN</u>	Date Filed _____
		Name	
Dec. No.	_____	<u>EXECUTIVE VICE PRES DENT</u>	Effective _____
		Title	Resolution No. _____

PARK WATER COMPANY
 9750 WASHBURN ROAD
 P. O. BOX 7002
 DOWNEY, CALIFORNIA 90241-7002

Canceling REVISED Cal. P.U.C. Sheet No. 1107-W
REVISED Cal. P.U.C. Sheet No. 1094-W

SCHEDULE NO. PR-1-NR
NON-RESIDENTIAL METERED SERVICE
 (Continued)

7. The quantity rates reflect an offset increase of \$0.059 per Ccf to account for increases in purchased water and ground water replenishment rates shown in Advice Letter 218-W, effective July 1, 2010.

8. As authorized by the California Public Utility Commission, an amount of \$0.142 per Ccf is to be added to the quantity rate for a period of 24 months, beginning on the effective date of Advice Letter 215-W. This surcharge will recover the under-collection in the WRAM and MCBA as of December 31, 2009.

9. The quantity rates reflect an offset increase of \$0.091 per Ccf to account for increases in purchased water rates shown in Advice Letter 221-W, effective January 1, 2011.

10. As authorized by the California Public Utility Commission, an amount of \$0.172 per Ccf is to be added to the quantity rate for a period of 24 months, beginning on the effective date of Advice Letter 222-W. This surcharge will recover the under-collection in the WRAM and MCBA as of December 31, 2010.

11. The quantity rates reflect an offset increase of \$0.131 per Ccf to account for increases in purchased water and groundwater replenishment rates shown in Advice Letter 228-W, effective January 1, 2012.

12. As authorized by the California Public Utility Commission, an amount of \$0.276 per Ccf is to be added to the quantity rate for a period of 18 months, beginning on the effective date of Advice Letter 230-W. This surcharge will recover the under-collection in the WRAM and MCBA as of December 31, 2011.

13. As authorized by the California Public Utility Commission, an amount of \$0.025 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 233-W. This surcharge will recover the under-collection in the Cost of Capital Memorandum Account.

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(To be inserted by Utility)		(To be inserted by Cal. P.U.C.)
Advice No. <u>233-W</u>	<u>LEIGH K. JORDAN</u> Name	Date Filed _____
Dec. No. _____	<u>EXECUTIVE VICE PRESIDENT</u> Title	Effective _____
		Resolution No. _____

PARK WATER COMPANY
 9750 WASHBURN ROAD
 P. O. BOX 7002
 DOWNEY, CALIFORNIA 90241-7002

Canceling REVISED Cal. P.U.C. Sheet No. 1108-W
ORIGINAL Cal. P.U.C. Sheet No. 1095-W

SCHEDULE NO. PR-6
RECLAIMED WATER SERVICE
 (Continued)

5. As authorized by the California Public Utility Commission, an amount of \$ 0.150 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 206-W. This surcharge will recover the under collection in the Balancing Account as of December 31, 2007.

6. As authorized by the California Public Utility Commission, an amount of \$0.070 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 212-W. This surcharge will recover the under collection in the Balancing Account as of September 14, 2008.

7. The quantity rate reflects an offset increase of \$0.067 per Ccf to account for increases in the purchased water rates shown in Advice Letter 218-W, effective July 1, 2010.

8. The quantity rate reflects an offset increase of \$0.070 per Ccf to account for increases in the purchased water rates shown in Advice Letter 228-W, effective January 1, 2012.

9. As authorized by the California Public Utility Commission, an amount of \$ 0.026 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 230-W. This surcharge will recover the under-collection in the Purchased Water (reclaimed) Incremental Cost Balancing Account as of December 31, 2011.

10. As authorized by the California Public Utilities Commission, an amount of \$0.014 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 233-W. This surcharge will recover the under collection in the Cost of Capital Memorandum Account.

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(To be inserted by Utility)		(To be inserted by Cal. P.U.C.)
Advice No. <u>233-W</u>	<u>LEIGH K. JORDAN</u> Name	Date Filed _____
Dec. No. _____	<u>EXECUTIVE VICE PRESIDENT</u> Title	Effective _____
		Resolution No. _____