

PROPOSED RESOLUTION

Resolution W-4962
DWA/RSK/BMD/JP5/jp4

Agenda ID #12477
Item #

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-4962
October 31, 2013

RESOLUTION

(RES. W-4962) GOLDEN STATE WATER COMPANY. ORDER AUTHORIZING THE IMPLEMENTATION OF A TEMPORARY SURCHARGE TO AMORTIZE THE ENDING BALANCE OF \$1,072,210 IN THE SANTA MARIA STIPULATION MEMORANDUM ACCOUNT.

By Advice Letter No. 1525-W Filed on June 13, 2013.

SUMMARY

By Advice Letter 1525-W, filed on June 13, 2013, Golden State Water Company (Golden State) seeks Commission authority to implement a surcharge to amortize the ending balance of \$1,072,210 in the Santa Maria Stipulation Memorandum Account (SMSMA).

Golden State was authorized in Decision No. 13-05-011, Ordering Paragraph No. 17, to file a Tier 2 Advice Letter to establish a surcharge to amortize the September 30, 2011 balance of \$868,722 in the Santa Maria Stipulation Memo Account (SMSMA). No additional amounts were to be added to the balance in the authorized SMSMA after December 31, 2012. Golden State was to file a Tier 3 advice letter to recover balances incurred after September 30, 2011.

The conditions for the amortization were agreed to in a settlement between Golden State, the Division of Ratepayer Advocates (“DRA”), and the Utility Reform Network (“TURN”) and adopted by the Commission in Ordering Paragraph Nos. 1 and 17 of Decision (D.) 13-05-011.

This resolution grants recovery of \$1,072,210, including accrued interest at the 90-day commercial paper rate, through a surcharge of \$0.095 per hundred cubic feet (Ccf) for a 36-month period from all customer classes starting no earlier than five days after the effective date of this Resolution.

PROPOSED RESOLUTION

Resolution W-4962
DWA/RSK/BMD/JP5/jp4

Agenda ID #12477
Item #

The SMSMA balance authorized for recovery in this Resolution is to be transferred to a general expense balancing account and the SMSMA closed upon approval of this Resolution.

BACKGROUND

Groundwater extractions from the Santa Maria Basin significantly exceed natural replenishment. The Santa Maria Basin cannot support current water demands without additional developed supplies. In 1997, the Santa Maria Valley Water Conservation District sued a number of parties, including Golden State, to adjudicate the water rights in the Santa Maria Basin (Litigation). The Litigation sought to adjudicate all claims to water rights in the Santa Maria Basin and included approximately 1,000 property owners. After several years of the Litigation, a majority of the parties, including Golden State, settled their dispute through a Stipulation entered into in 2005. The Stipulation obligates Golden State to participate in the Santa Maria Valley Management Area/Twitchell Management Authority (SMVMA/TMA) and pay a proportionate share of its annual budget. According to DRA's testimony,¹ the costs incurred to participate in the SMVMA/TMA are estimated at \$201,325 on an annual basis.

The Commission authorized the establishment of the SMSMA in D.07-05-041.² The purpose of the SMSMA is to track the expenses of the Twitchell Management Authority. Ordering Paragraph No. 42 of D.13-05-011 authorized Golden State entry into the Stipulation resolving the Santa Maria Groundwater adjudication and litigation.

In D. 13-05-011, the Commission approved a settlement agreement between, Golden State, DRA and TURN. The settlement agreement provides for Golden State to amortize the SMSMA balance of \$868,722 as of September 30, 2011. Golden State did not file a Tier 2 advice letter to amortize the September 30, 2011 balance as specified in D. 13-05-011. On July 19, 2012, Golden State booked \$201,325 to the SMSMA. Golden State is now requesting in Advice Letter 1525-W

¹ Application 11-07-017, Chapter 8 Special Request 1, Santa Maria Adjudication Settlement Approval, Section b, Line items 14 through 17, February 27, 2012 Revised.

² Ordering Paragraph 2.d.

PROPOSED RESOLUTION

Resolution W-4962

Agenda ID #12477

DWA/RSK/BMD/JP5/jp4

Item #

authority to amortize both the \$868,722 balance as of September 30, 2011 approved in D. 13-05-011 and the \$201,325 booked to the SMSMA after September 30, 2011 for a total of \$1,070,047.

Golden State requests authorization from the Commission to implement a surcharge for amortization of the ending balance in the SMSMA of \$1,072,210 that includes accumulated interest at the 90-day commercial paper rate.

The Division of Water and Audits (DWA) issued a data request on June 19, 2013 to Golden State requesting a detailed explanation, invoices and discovery responses regarding the SMSMA and supporting information for the incremental balance of \$201,325 incurred after September 30, 2011.

Golden State responded to DWA's data request and provided DWA with an invoice from the Finance Division of the City of Santa Maria, California, for management expenses of the Santa Maria Valley Groundwater Basin by the Twitchell Management Authority. The invoice showed that Golden State has annual rights to 10,000 acre-feet of water. This represents 31.25% of the Santa Maria Valley Groundwater Basin allotment. As such, pursuant to the Stipulation, Golden State is responsible for 31.25% of the \$650,000 annual budget for the Twitchell Management Authority to manage the Twitchell Reservoir. DWA also reviewed Golden State's submitted work papers and calculations and confirms that the proposed surcharge to amortize the SMSMA is to be spread over three years (a 36-month period) given that the balance to be recovered is greater than 10% of the Commission's latest authorized revenue requirement for Golden State's Santa Maria District.

DWA issued a suspension notice for Advice Letter 1525-W on June 19, 2013 for a period of 120 days in order to allow a resolution to be drafted for the Commission's consideration.

NOTICE AND PROTESTS

Advice Letter 1525 was filed on June 13, 2013 as a Tier 3 filing pursuant to D. 13-05-011 and served in accordance with General Order (GO) 96-B, on adjacent utilities and persons on the general service list. No protests were received.

PROPOSED RESOLUTION

Resolution W-4962
DWA/RSK/BMD/JP5/jp4

Agenda ID #12477
Item #

DISCUSSION

With respect to the recovery of costs recorded in a memorandum account, Golden State has the burden of showing the following:

Did Golden State act prudently when it incurred the costs for which it seeks recovery?

Golden State established the memorandum account to track the costs of the Twitchell Management Authority for management expenses of the Santa Maria Valley Groundwater Basin. Expenses through September 30, 2011 were found reasonable and approved by the Commission in D.13-05-011. The annual expense of \$201,325 for 2012 is pursuant to the requirements of the Stipulation resolving that Santa Maria Groundwater adjudication and litigation. We found the Stipulation to be a prudent and beneficial to Golden State's ratepayers in resolving Golden State's water rights in the Santa Maria Basin. (D.13-05-011, Conclusion of Law No. 59).

As a matter of policy, should Golden State's ratepayers pay for these categories of costs, in addition to otherwise authorized rates?

We determined in D.13-05-011 that the Stipulation is beneficial to Golden State's customers in the Santa Maria Customer Service Area because it secures Golden State's water rights in the Santa Maria Basin for sufficient quantities of water to meet current and anticipated future demands, provides mechanisms for ensuring the reliability of those rights, and requires Golden State to bear only its proportional share of the costs that must be incurred in order to preserve those rights. (Conclusions of Law Nos. 59 and 60).

Have these costs been recovered in other authorized rates?

The costs Golden State is requesting to recover in the Santa Maria Stipulation Memorandum Account are not covered by other authorized rates.

Did Golden State pay reasonable amounts for the services it procured?

PROPOSED RESOLUTION

Resolution W-4962
DWA/RSK/BMD/JB5/jp4

Agenda ID #12477
Item #

DWA Staff reviewed the invoice from the City of Santa Maria California (Finance Division) for management expenses of the Santa Maria Valley Groundwater Basin by the Twitchell Management Authority. The invoice is consistent with the fiscal requirements of the Stipulation resolving the Santa Maria Groundwater adjudication and litigation that we authorized Golden State to enter. (Decision 13-05-011, Ordering Paragraph No. 42).

Golden State has met its burden to recover the expenses in the SMSMA. Accordingly, it is appropriate for Golden State to recover the ending balance of \$1,072,210 recorded in the SMSMA. The attached tariff sheets filed with Advice Letter 1525-W and attached to this Resolution in Appendix A should be approved. The Santa Maria Stipulation Memorandum Account should be closed effective the date of this Resolution and should be removed from Golden State Water Company's tariff through a Tier 1 advice letter filing.

COMMENTS

Public Utilities Code (PU Code) Section 311(g)(1) generally requires that resolutions must be served on all parties and be subject to at least 30 days public review and comment prior to a vote of the Commission. Since Advice Letter 1525-W is uncontested matter, pursuant to PU Code Section 311(g)(3) this Resolution was not circulated for public comment.

FINDINGS AND CONCLUSIONS

1. By Advice Letter (AL) 1525-W filed on June 13, 2013, Golden State Water Company (Golden State), a class A water utility, seeks Commission authorization to implement a surcharge to amortize the ending balance of \$1,072,210 in the Santa Maria Stipulation Memorandum Account.
2. The four criteria for amortization of a memorandum account balance in rates include that:
 - 1) the utility acted prudently when it incurred the costs for which it seeks recovery; 2) as a matter of policy, a utility's ratepayers should pay for the memorandum costs in addition to

PROPOSED RESOLUTION

Resolution W-4962

Agenda ID #12477

DWA/RSK/BMD/JB5/jp4

Item #

- otherwise authorized rates; 3) costs have not been recovered in other authorized rates; and 4) the utility paid reasonable amounts for the services it procured.
3. Golden State was authorized to incur the costs for which it seeks recovery as specified in D. 13-05-011, including the balance for the amount of \$868,722 as of September 30, 2011 and an incremental balance for the 2012 annual payment for management of the Twitchell Reservoir pursuant to the Stipulation resolving that Santa Maria Groundwater adjudication and litigation.
 4. Decision 13-05-011, Ordering Paragraph No. 42, approved Golden State's entry into the Stipulation.
 5. Golden State's entry into the Stipulation to resolve all claims to water rights in the Santa Maria Basin is beneficial to Golden State's customers in the Santa Maria Customer Service Area because it secures Golden State's water rights in the Santa Maria Basin, provides mechanisms for ensuring the reliability of those rights, and requires Golden State to bear only its proportional share of the costs that must be incurred in order to preserve those rights.
 6. The costs Golden State is requesting to recover in the Santa Maria Stipulation Memorandum Account are not covered by other authorized rates.
 7. Staff of the Division of Water and Audits reviewed the invoice from the City of Santa Maria California (Finance Division) for management expenses of the Santa Maria Valley Groundwater Basin by the Twitchell Management Authority. The invoice is consistent with the fiscal requirements of the Stipulation resolving the Santa Maria Groundwater adjudication and litigation.
 8. The Commission authorized Golden State in Ordering Paragraph No. 17 of Decision No. 13-05-011 to establish a surcharge to amortize the balance the \$868,722 as of September 30, 2011 in the Santa Maria Stipulation Memorandum Account.

PROPOSED RESOLUTION

Resolution W-4962
DWA/RSK/BMD/JB5/jp4

Agenda ID #12477
Item #

9. Golden State booked \$201,325 to the SMSMA on July 19, 2012 for the annual management expenses of the Santa Maria Valley Groundwater Basin by the Twitchell Management Authority. The expense is based on Golden State's 10,000 acre-feet of annual water rights or 31.25% of the \$650,000 annual cost for managing the Twitchell Reservoir.
10. The Santa Maria Stipulation Memorandum Account balance authorized for recovery in this resolution should be transferred to a general expense balancing account for amortization in rates. The Santa Maria Stipulation Memorandum Account should be closed effective with the date of this Resolution.
11. The authorized recoverable amount of \$1,072,210, including accrued interest at the 90-day commercial paper rate, should be recovered through a volumetric surcharge of \$0.095 per Ccf for a 36-month period from all customer classes starting no earlier than five days after the effective date of this Resolution consistent with the tariff sheets included in Advice Letter 1525-W and attached to this Resolution in Appendix A.
12. The Santa Maria Stipulation Memorandum Account should be closed effective the date of this Resolution and should be removed from Golden State Water Company's tariff through a Tier 1 advice letter filing.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utility Code Section 454 for Golden State Water Company to adopt the tariff sheets included in Advice Letter 1525-W and attached to this resolution in Appendix A. Golden State Water Company is authorized to concurrently cancel its presently effective Schedule SM-1-R-Santa Maria District- Residential Metered Service, Schedule No. SM-1-NR- Santa Maria District-Non Residential Metered Service, and Schedule No. SM-3ML, Santa Maria District-Limited Metered Irrigation Service. The rate schedules shall be effective five days after the date of filing, subject to the Division of Water and Audits determining that the tariffs are in compliance with this Order.

PROPOSED RESOLUTION

Resolution W-4962
DWA/RSK/BMD/JP5/jp4

Agenda ID #12477
Item #

2. Golden State Water Company is authorized to recover \$1,072,210 that includes accrued interest at the 90-day commercial paper rate, through a volumetric surcharge of \$0.095 per hundred cubic feet for three years (a 36-month period) from all customer classes beginning no earlier than five days after the effective date of this Resolution.
3. Golden State Water Company is authorized to transfer the ending balance of \$1,072,210 in the Santa Maria Stipulation Memorandum Account to a general expense balancing account and shall track revenues collected pursuant to the surcharge authorized in Ordering Paragraph 2 above. The Santa Maria Stipulation Memorandum Account is closed effective the date of this Resolution and shall be removed from Golden State Water Company's tariff through a Tier 1 advice letter filing.
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 October 31, 2013, and the following Commissioners voting favorably thereon.

PAUL CLANON
Executive Director

PROPOSED RESOLUTION

Resolution W-4962
DWA/RSK/BMD/JP5/jp4

Agenda ID #12477
Item #

APPENDIX A

Schedule No. SM-1-R
Santa Maria District
RESIDENTIAL METERED SERVICE

Page 3

SPECIAL CONDITIONS

7. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.029 per Ccf is to be added to the Quantity Rates for a period of 12 months, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Pension and Benefits Balancing Account.
8. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.011 per Ccf is to be added to the Quantity Rates for a period of 12 months, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Conservation Order Instituting Investigation Memorandum Account.
9. As authorized by the California Public Utilities Commission in D. 13-05-011, each customer served under this tariff sheet will receive a one-time surcharge in the amount of \$0.02, per customer, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Military Family Relief Program Memorandum Account.
10. As authorized by the California Public Utilities Commission in D. 13-05-011, each customer served under this tariff sheet will receive a one-time surcharge in the amount of \$0.15, per customer, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the General Rate Case Memorandum Account.
11. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.048 per Ccf is to be added to the Quantity Rates for a period of 10 years, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Santa Maria Water Rights Memorandum Account. The above surcharge is subject to recalibration annually until year 2023.
12. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.095 per Ccf is to be added to the Quantity Rates for a period of 36 months, beginning on the effective date of Advice Letter 1525-W. This surcharge will collect the undercollection recorded in the Santa Maria Stipulation Memorandum Account.

(N)
|
(N)

(Cont.)

PROPOSED RESOLUTION

Resolution W-4962
DWA/RSK/BMD/JP5/jp4

Agenda ID #12477
Item #

APPENDIX A

Schedule No. SM-1-NR Santa Maria District <u>NON-RESIDENTIAL METERED SERVICE</u>	
	Page 3
<u>SPECIAL CONDITIONS</u>	
7. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.029 per Ccf is to be added to the Quantity Rates for a period of 12 months, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Pension and Benefits Balancing Account.	
8. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.011 per Ccf is to be added to the Quantity Rates for a period of 12 months, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Conservation Order Instituting Investigation Memorandum Account.	
9. As authorized by the California Public Utilities Commission in D. 13-05-011, each customer served under this tariff sheet will receive a one-time surcharge in the amount of \$0.02, per customer, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Military Family Relief Program Memorandum Account.	
10. As authorized by the California Public Utilities Commission in D. 13-05-011, each customer served under this tariff sheet will receive a one-time surcharge in the amount of \$0.15, per customer, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the General Rate Case Memorandum Account.	
11. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.048 per Ccf is to be added to the Quantity Rates for a period of 10 years, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Santa Maria Water Rights Memorandum Account. The above surcharge is subject to recalibration annually until year 2023.	
12. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.095 per Ccf is to be added to the Quantity Rate for a period of 36 months, beginning on the effective date of Advice Letter 1525-W. This surcharge will collect the undercollection recorded in the Santa Maria Stipulation Memorandum Account.	(N) (N)

(Cont.)

PROPOSED RESOLUTION

Resolution W-4962
DWA/RSK/BMD/JP4

Agenda ID #12477
Item #

APPENDIX A

Schedule No. SM-3ML
Santa Maria District
LIMITED METERED IRRIGATION SERVICE

Page 2

SPECIAL CONDITIONS

9. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.029 per Ccf is to be added to the Quantity Rates for a period of 12 months, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Pension and Benefits Balancing Account.
10. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.011 per Ccf is to be added to the Quantity Rates for a period of 12 months, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Conservation Order Instituting Investigation Memorandum Account.
11. As authorized by the California Public Utilities Commission in D. 13-05-011, each customer served under this tariff sheet will receive a one-time surcharge in the amount of \$0.02, per customer, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Military Family Relief Program Memorandum Account.
12. As authorized by the California Public Utilities Commission in D. 13-05-011, each customer served under this tariff sheet will receive a one-time surcharge in the amount of \$0.15, per customer, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the General Rate Case Memorandum Account.
13. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.048 per Ccf is to be added to the Quantity Rates for a period of 10 years, beginning on the effective date of Advice Letter 1520-W. This surcharge will recover the undercollection recorded in the Santa Maria Water Rights Memorandum Account. The above surcharge is subject to recalibration annually until year 2023.
14. As authorized by the California Public Utilities Commission in D. 13-05-011, an amount of \$0.095 per Ccf is to be added to the Quantity Rate for a period of 36 months, beginning on the effective date of Advice Letter 1525-W. This surcharge will collect the undercollection recorded in the Santa Maria Stipulation Memorandum Account.

(N)
|
(N)

END OF APPENDIX A