

PROPOSED RESOLUTION

RES. W-4964
WATER/RSK/BMD/KCB/ds4

AGENDA ID #12537
ITEM #12
(Rev. 1) 11/27/2013 10:30 A.M.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-4964
December 5, 2013

RESOLUTION

(RES. W-4964) EAST PASADENA WATER COMPANY,
ORDER AUTHORIZING A SURCHARGE OF 6.67% ON
THE MONTHLY SERVICE CHARGE FOR 24 MONTHS TO
RECOVER OPERATIONAL ENERGY EFFICIENCY
PROGRAM MEMORANDUM ACCOUNT COSTS
TOTALING \$126,614.43.

SUMMARY

East Pasadena Water Company filed Advice Letter 78 on October 1, 2012 seeking to collect \$126,614.43 through a surcharge of 6.67% on its monthly service charge for 24 months to amortize its Operational Energy Efficiency Program memorandum account. The Operational Energy Efficiency Program was an effectiveness study that was intended to save energy in water delivery systems. This Resolution authorizes East Pasadena Water Company to implement a surcharge of 6.67% of its monthly service charge per connection over a period of 24 months to recover costs totaling \$126,614.43 that was recorded in its Operational Energy Efficiency Program memorandum account.

BACKGROUND

East Pasadena Water Company (EPW) is a class B water utility which currently provides service to approximately 2,946 customers within the San Gabriel Valley and provides water distribution to parts of the cities of Arcadia, Temple, Pasadena and unincorporated Los Angeles County.

The Division of Water and Audits (Division) initiated a Demonstration Project in connection with the Water Action Plan goal of seeking increased energy efficiency in the conveyance of water. Energy efficiency projects have the potential to benefit water

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ratepayers through reduced embedded energy costs in water rates as well as providing societal benefits of reduced energy consumption. The Division believes that it is appropriate for water ratepayers to share the costs of such projects. In an effort to spur innovative technology, the Commission enacted several water and energy conservation pilot programs in Decision (D) 07-12-050. The Operational Energy Efficiency Project (OEEP) was included in this decision and was expanded and further defined in D.10-04-030. D.10-04-030 authorized energy efficiency pilot projects for eight water utilities, one of which was EPW. The decision authorized the designated water utilities to create memorandum accounts to track OEEP expenses, and to seek recovery from the date their memorandum account was approved, or the date the decision was approved by the Commission, whichever occurred first. It also delegated considerable authority to the Division's Project Manager, including the authority to approve changes in scope and budget allotment. As such, EPW established an OEEP memorandum account to recover expenses associated with the Water/Energy Nexus Demonstration Project initiated by the Division.

EPW's last general rate increase was approved by Resolution W-4892 effective on November 10, 2011. The work on the project began during the general rate case; at that time the design and costs were still in the conceptual state and were therefore not included in rates. The increase requested in Advice Letter (AL) 78 is for the purpose of recovering expenses associated with EPW's portion of the OEEP Demonstration Project, on a dollar-for-dollar basis through a surcharge. AL 78 was filed on October 1, 2012 pursuant to General Order (G.O.) 96-B, Water Industry Rule 7.3.2 and General Rule 7.6.1. The stated limit for the account is \$196,000 which was set by the Commission in D. 10-04-030.

The project was completed in September 2011 and showed the potential for substantial improvements in wire-to-water efficiencies.¹ The results of the project are available for review by interested parties on the Commission's website.²

¹ Wire-to-water efficiency is a measure of the overall efficiency of a pumping plant and is the portion of the energy input to the motor that is imparted to the water by the pump.

² The full report is available on the Commission's public facing website at: http://www.cpuc.ca.gov/NR/rdonlyres/DC525F78-E78B-4F77-B682-059698390241/0/OEEP_Final_Report_9_30_11.pdf.

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NOTICE AND PROTESTS

Notice of the proposed rate increase was published in the Pasadena Star on December 7, 2012. G.O 96-B, Water Industry Rule 3.1 allows such newspaper notice when the relief requested is an offset increase of less than ten percent of the last authorized revenue requirement. In accordance with General Rule 7.2 of G.O. 96-B, AL 78 was sent to EPW's service list, which includes adjacent utilities. A certificate of service and copy of the service list were included in AL 78.

DISCUSSION

EPW provided copies of canceled checks and invoices detailing the expenses booked to its OEEP memorandum account. These expenses include contracting with outside engineering firms to design the pump motor and data acquisition systems, construct the facilities, adjust and maintain the operating system, and create as-built drawings. EPW's expenses also included a site visit to a similar installation in Salinas and attendance at a meeting at the Commission. The Division has reviewed the \$126,614.43 in expenses booked to the OEEP memorandum account and found them prudently incurred, reasonable, and for the purpose specified.

Because this project will result in lower energy costs and the lessons learned may result in additional energy savings if applied to other pumps and because the costs recorded have not otherwise been included in rates, it is reasonable for ratepayers to fund the demonstration project through a surcharge.

To collect costs associated with the project the monthly service fee will be raised by 6.67% for a 24 month period, which results in a 2.57% increase in annual revenue. The existing service charges and OEEP surcharge are shown in Exhibit A. Because this surcharge passes through costs on a dollar-for-dollar basis, this surcharge will not result in a rate of return greater than that last authorized for EPW.

COMMENTS

Public Utilities Code Section 311(g)(1) generally requires that resolutions must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, this draft resolution was mailed to the utility and the protestants and was made available for public comment on October 31, 2013. No comments were received.

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COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required. At the time the advice letter was filed, EPW had not submitted its Affiliate Transaction Plan & Procedures, Financial Separation Plan, or Affiliate Transaction Reports for 2011 & 2012 as required by D. 10-10-019. The filings have been subsequently submitted and EPW is now in compliance.

FINDINGS

1. East Pasadena Water Company (EPW) filed Advice Letter (AL) 78 on October 1, 2012, seeking to collect \$126,614.43 through a surcharge of 6.67% of its monthly service charge for 24 months to amortize its Operational Energy Efficiency Program (OEEP) memorandum account.
2. AL 78 was served in accordance with General Order 96-B on September 26, 2012.
3. EPW is a Class B water company. EPW serves approximately 2,946 customers within the San Gabriel Valley and provides water distribution to parts of the cities of Arcadia, Temple, Pasadena and unincorporated Los Angeles County.
4. EPW duly established the OEEP memorandum account effective June 21, 2010 to cover the Water/Energy Nexus Project.
5. Expenses booked to the OEEP memorandum account are \$126,614.43 and are within the \$196,000 limit set by D.10-04-030.
6. The expenses recorded in EPW's OEEP memorandum account are reasonable, and for the specified purpose.
7. Because the project will result in lower energy costs and the costs of the project have not otherwise been recovered in rates, it is reasonable for ratepayers to fund the project cost through a surcharge.
8. This surcharge will not result in a rate of return greater than the last authorized for EPW in its last GRC.

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THEREFORE IT IS ORDERED THAT:

1. East Pasadena Company is authorized to transfer \$126,614.43 in expenses incurred, from the Operational Energy Efficiency Program memorandum account to a balancing account for recovery.
2. East Pasadena Water Company is authorized to recover the amounts in the balancing account by imposing a surcharge of 6.67% per customer per month for 24 months.
3. Authority is granted under Public Utilities Code Section 454 to East Pasadena Water Company, to file a supplemental advice letter with the revised rate schedules attached to the resolution as Appendix A and concurrently cancel its presently effective Schedule No. 1, General Metered Service. The effective date to the revised rate schedules shall be five days after the date of filing.
4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at the Public Utilities Commission of the State of California on December 5, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

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APPENDIX A

Schedule No. 1

General Metered Service

Applicability

Applicable to all metered water service.

Territory

The territory within and adjacent to the Cities of Arcadia and Temple City and adjacent to the Cities of Pasadena and San Gabriel, Los Angeles County, and as described on the service area map.

Rates

Quantity Rates:

All water used, per 100 cu. Ft.....\$ 1.903

Monthly Service Charges:

	<u>Per Meter/Mo</u>	<u>OEEPMA Recovery (2)</u>	<u>Total Rate Per Meter Per Month</u>
For 5/8 x 3/4-inch meter.....	\$ 13.94	\$ 0.93	\$ 14.87
For 3/4-inch meter.....	20.91	1.40	22.31
For 1-inch meter.....	34.84	2.32	37.16
For 1 - 1/2-inch meter.....	69.67	4.65	74.32
For 2-inch meter.....	111.47	7.44	118.91
For 3-inch meter.....	209.03	13.94	222.97
For 4-inch meter.....	348.37	23.24	371.61

The service charge is applicable to all service. It is a readiness to serve charge to which is added the monthly charge, computed at the Quantity Rate, for water used during the month.

Special Conditions

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. The net balance accumulated in the Operational Energy Efficiency Program Memorandum Account (OEEPMA) will be recovered through a surcharge over a period of 24 months effective July 30, 2013.

END OF APPENDIX A

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EAST PASADENA WATER COMPANY

ADVICE LETTER NO. 78 SERVICE LIST

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Pasadena Water & Power
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Pasadena, CA 91101

Tom Tait
City of Arcadia Water Department
240 West Huntington Drive
Arcadia, CA 91006

Ken Tcheng
Sunnyslope Water Company
1040 El Campo Drive
Pasadena, CA 91109

Department of Ratepayer Advocate
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Public Advisor's Office
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505 Van Ness Avenue, Rom 2103
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