

PROPOSED RESOLUTION

RES. W-4969
WATER/RSK/BMD/MML/ds4

AGENDA ID #12555
ITEM #20
(Rev. 1) 12/2/2013 12:00 P.M.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-4969
December 5, 2013

RESOLUTION

(RES. W-4969) FRUITRIDGE VISTA WATER
COMPANY. ORDER AUTHORIZING A RATE
BASE OFFSET REVENUE INCREASE, PRODUCING
AN INCREASE IN GROSS ANNUAL REVENUE OF
\$78,508 OR 3%.

SUMMARY

By Advice Letter 104, filed on November 1, 2012, Fruitridge Vista Water Company seeks a rate base offset for building two new wells, which would increase annual revenue by \$78,508, or 3%. This resolution grants the requested rate base offset and increase in revenues.

BACKGROUND

Fruitridge Vista Water Company (FVW) presently provides service to approximately 700 metered and 3,800 flat rate customers in the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and in all immediately adjoining territory in Sacramento County, including all territory contiguous to the southerly limits of City of Sacramento.

By Advice Letter (AL) 104, FVW requests authority to increase its rates by \$78,508, or 3%, for a rate base offset for Wells 19 and 20. FVW requests this authority pursuant to General Order 96-B (GO 96-B), Water Industry Rules 7.3.3 (8) and Section 454 of the Public Utilities Code.

FVW's current rates became effective on September 19, 2013 by AL 102, which implemented a rate base offset for Well 18 as approved by Resolution (Res.) W-4858.

Decision 06-04-073, of April 27, 2006, approved the "Settlement Agreement for a Comprehensive Solution to the Fruitridge Vista Water Supply Situation" (Comprehensive Solution). The water supply situation referred to in the

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Comprehensive Solution is a water supply shortage caused by methyl tertiary butyl ether (MTBE) contamination of four wells and potential new development. Among other things, the Comprehensive Solution authorized FVW to build three new wells. It also established that FVW was to be allowed rate base treatment of plant funded by proceeds from contamination litigation up to a limit of \$5.0 million. Commission approval of the Comprehensive Solution established that three new wells were to be built.

FVW provided work papers detailing a net recovery from polluters of \$1,416,055. In AL 85, FVW requested \$831,643 for the purpose of purchasing well sites and related costs for the future use of the new water supply. Res. W-4696, adopted July 10, 2008, approved \$831,624 of this request. The remaining amount of \$584,431 has been requested in AL 104 to construct Wells 19 and 20.

NOTICE AND PROTESTS

AL 104 was served in accordance with GO 96-B on November 1, 2012. On December 19, 2012, a notice of the proposed rate increase was published in The Sacramento Bee, a local paper of general circulation, as required by GO 96-B Water Industry Rule 3.1. No protests were received.

DISCUSSION

The Comprehensive Solution states:

“The comprehensive solution consists of two new interconnections with the City of Sacramento, purchase of water from the City of Sacramento as needed, *construction of three new wells*, and associated piping and associated infrastructure...” (Emphasis added.)

And:

“in the event that Fruitridge Vista is able to recover monies directly from polluters, the parties agree that plant funded by these monies, up to \$5.0 million, will be rate based and earn a return of 10%. Upon recovery and investment, Fruitridge Vista will file a Rate Base Offset Advice Letter with the Commission’s Water Division to update its ratebase, consistent with this agreement. The purpose of the advice letter will be to provide notice of the update to ratebase and access to documentation of Fruitridge Vista’s calculations. California Public

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Utilities Commission approval of this settlement means that this ratebase treatment of Fruitridge Vista plant, up to \$5.0 million, is not subject to future litigation, either in response to an advice letter or in future general rate cases or otherwise.”

For the first of the three wells, Well 18, Res. W-4858 authorized FVW to file a Tier 2 rate base offset once the well was used and useful. This rate base offset was requested by FVW’s AL 102 and approved by the Division of Water and Audits (DWA). Costs to construct Well 18 came from sources, which were not part of the net recovery from polluters.

DWA reviewed the documentation associated with Wells 19 and 20 including invoices supporting the expenditures. DWA confirmed that these plant additions have been completed and are currently used and useful.

The Comprehensive Settlement provided that the rate base attributable to recovery from polluters would earn a 10% rate of return. DWA reviewed FVW’s calculations and confirmed that FVW’s requested increase of \$78,508, or 3%, correctly reflects the amount of \$584,431 recorded in rate base for Wells 19 and 20 at a 10% rate of return. The resulting Summary of Earnings is found in Appendix A. The resulting rates are found in the Appendix B.

COMPLIANCE

The utility has been filing annual reports as required.

COMMENTS

Public Utilities Code Section 311(g)(1) provides that resolutions generally 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 proposed resolution was mailed to the utility, and made available for public comment on November 5, 2013. No comments were received.

FINDINGS

1. Well 19 and Well 20 are used and useful.

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2. The increase in rate base of \$584,431 and the resulting annual revenue requirement increase of \$78,508, or 3%, at a 10% rate of return are reasonable and should be adopted.
3. The Commission finds that, after investigation by the Division of Water and Audits, the rate base and revenue requirement increases and the resulting rate increase hereby authorized are just and reasonable.
4. The rates recommended by the Division of Water and Audits (Appendix B) are reasonable and should be adopted.

THEREFORE, IT IS ORDERED THAT:

1. Authority is granted to Fruitridge Vista Water Company to make effective the rate schedules filed with Advice Letter 104, and attached as Appendix B to this Resolution, and to concurrently cancel its presently effective Schedules Nos. 1, Metered Service; and 2, Flat Rate Service. The effective date of the revised schedules shall be 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 December 5, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

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APPENDIX A

Fruitridge Vista Water Company			
Summary of Earnings			
Category	Adopted D.1209005 Adj. For AL 102	AL 104 Rate Base Offset	Earnings Recommended Rates
Total Revenue	\$2,569,101	\$78,508	\$2,647,609
			\$0
Total Operating Expense	\$1,637,903	\$0	\$1,637,903
Depreciation	\$139,016		\$139,016
Taxes Other Than Inc.	\$77,851	\$5,940	\$83,791
State Income Tax	\$59,505		\$69,562
Federal Income Tax	\$208,635		\$217,681
Total Deductions	\$2,122,910		\$2,147,953
			\$499,656
Net Revenue	\$441,213	\$58,443	\$499,656
Rate Base:			
Total Plant	\$18,176,634	\$584,431	\$18,761,065
Less Avg. Accum. Depn.	\$3,584,231		\$3,584,231
Net Plant	\$14,592,403		\$15,176,834
Contributions	\$9,973,254		\$9,973,254
Advances	\$38,381		\$38,381
Tax Adjustments	\$354,381	(\$22,274)	\$332,107
Materials and Supplies	\$31,538		\$31,538
Working Cash	\$135,297		\$135,297
Rate Base	\$4,393,222		\$4,999,927
Rate of Return	10.04%		9.99%

END OF APPENDIX A

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APPENDIX B

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Fruitridge Vista Water Company

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento.

RATES

Quantity Rates:

All water used, per 100 cu. ft _____ \$ 0.9138

Monthly Service Charges Per Meter Size:	Per Meter, <u>Per Month</u>	Interim Rate <u>True-up (6)</u>	PTM Recovery <u>Rate (7)</u>	Total Rate Per Meter <u>Per Month</u>	
5/8x3/4-inch _____	\$ 9.95	\$ 0.74	0.24	\$ 10.93	(l)
3/4-inch _____	14.94	1.11	0.36	16.41	
1-inch _____	24.89	1.85	0.60	27.34	
1-1/2-inch _____	49.75	3.70	1.20	54.65	
2-inch _____	79.61	5.92	1.92	87.45	
3-inch _____	149.27	11.10	3.60	163.97	
4-inch _____	248.77	18.50	6.00	273.27	
6-inch _____	497.55	37.00	12.00	546.55	(l)

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.

SPECIAL CONDITIONS

1. A late charge will be imposed per Schedule LC.
2. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in the unit will, at the company's option, be furnished on the account of the landlord or property owner.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
4. A portion of each service charge will be deposited in a separate trustee account and shall be used only for payment of principal and interest associated with the buy-in fee for rights purchase water from the City of Sacramento as adopted by the Commission in D.06-04-073. The portion of each service charge that will be deposited in a separate trustee account shall be as follows: for each 5/8"x3/4" meter, \$1.25; 3/4" meter, \$1.88; 1" meter, \$3.13; 1 1/2" meter, \$6.25; 2" meter, \$10.00; 3" meter, \$18.75; 4" meter, \$31.25; and 6" meter, \$62.50.
5. All bills are subject to the surcharge set forth in Schedule No. DHS.
6. Per W-4858 paragraph 6, the revenue difference between interim rates and final rates shall be recovered over a period of 24 months, effective July 22, 2011.
7. Per D. 12-09-005 paragraph 8, the revenue difference between W-4858 rates and D. 12-09-005 rates shall be recovered over a period of 24 months, effective September 21, 2012.

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APPENDIX B (CONT.)

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Fruitridge Vista Water Company
Schedule No. 2
FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento.

RATES

	Per Service Connection <u>Per Month</u>	Interim Rate <u>True-up (8)</u>	PTM Recovery <u>Rate (9)</u>	Total Rate Per Connection <u>Per Month</u>	
1. For a single residential unit, including premises not exceeding 10,000 sq. ft. in area	\$ 34.52	\$ 3.95	\$ 0.43	\$ 38.90	(l)
a) For each additional single family unit on the same premise and served from the same service connection	\$ 21.63	\$ 2.37	\$ 0.26	\$ 24.26	
b) For each 100 sq. ft. of premises in excess of 10,000 sq.ft.	\$ 0.60	\$ 0.03	\$ -	\$ 0.63	
2. For each automobile service station, including car wash rack, where service connection is not larger than one inch in diameter	\$ 71.23	\$ 7.90	\$ 0.85	\$ 79.98	(l)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.
2. If the utility so elects, a meter shall be installed and water served under Schedule No. 1, Metered Service.
3. All bills are subject to the surcharge set forth in Schedule No. DHS.
4. A portion of each service charge will be deposited in a separate trustee account and shall be used only for payment of principle and interest associated with the buy-in fee for rights purchase water from the City of Sacramento as adopted by the Commission in D.06-04-073. The portion of each service charge that will be deposited in a separate trustee account shall be as follows: each single residential unit \$1.65; each additional single family unit \$0.99; for each 100 sq. ft. of premises in excess of 10,000 sq. ft. \$0.01; and each automobile service station \$3.30.
5. A late charge will be imposed per Schedule LC.
6. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in the unit will, at the company's option, be furnished on the account of the landlord or property owner.
7. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
8. Per W-4858 paragraph 6, the revenue difference between interim rates and final rates shall be recovered over a period of 24 months, effective September 1, 2011.
9. Per D. 12-09-005 paragraph 8, the revenue difference between W-4858 rates and D. 12-09-005 rates shall be recovered over a period of 24 months, effective September 21, 2012.

END OF APPENDIX B

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FRUITRIDGE VISTA WATER COMPANY SERVICE LIST ADVICE LETTER NO. 104

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