

CALIFORNIA PUBLIC UTILITIES COMMISSION
Division of Water and Audits

STANDARD PRACTICE FOR
PROCESSING INFORMAL
GENERAL RATE CASES
OF SMALL WATER AND SEWER UTILITIES
(CLASS B, C, AND D)
Standard Practice U-9-SM

SAN FRANCISCO, CALIFORNIA
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STANDARD PRACTICE FOR PROCESSING INFORMAL GENERAL RATE CASES
OF WATER AND SEWER SYSTEM UTILITIES

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A – PURPOSE AND SCOPE

1. The purpose of this standard practice is to provide the utility and the staff engineer or analyst with the steps and schedule to follow when processing an advice letter General Rate Case¹ (GRC) for Class B, C and D (small) water and sewer system utilities.
2. While many of the steps in this Standard Practice are required by the Public Utilities Code (Code), General Orders (G.O.) the Commission’s Rules of Practice and Procedure (Rules), or Commission Decisions or Resolutions, in processing small water utility rate requests common sense and practicality must take precedence. A small company's lack of time or money can be a major deterrent to what is mandated “by the book”. Consequently, staff is expected to exercise discretion in directing actions to be taken by the utility. Staff must maintain a courteous and business-like relationship with all parties in the proceeding. In all cases, if there is any doubt about what action to take, consult with your supervisor.

B – HISTORY

3. In May of 1968 the Commission authorized the 350 small water utilities with annual gross revenues of \$25,000 or less to file General Rate Cases (GRCs) by advice letter. Prior to that time even the smallest water company had to file a formal application. Later, Resolution W-3045, November 17, 1982 relieved the 260 Class D utilities from

¹ A Class A water or sewer system utility has more than 10,000 service connections. A Class B has 2,001 to 10,000 connections. A Class C has 501 to 2,000, and a Class D has 500 service connections or less

even having to file an advice letter for a GRC.² The latest authority to use the advice letter process for GRCs was provided by Commission Decision 92-03-093, March 31, 1992, Ordering Paragraph 9, which states (emphasis in the original):

“9. General Order 96-B³ shall be amended to permit advice letter rate filings by all Class B water utilities, as well as by Class C and Class D water utilities, regardless of projected annual earnings. General Order 96-A, Section VI., third paragraph, is amended to add an additional sentence as follows:

“Any utility or district of a utility may request authority for a general rate increase by an advice letter filing if the projected annual operating revenues, including the requested increase, are no greater than \$750,000. The revenue limitation does not apply to Class B, Class C, or Class D water utilities. This revenue limitation does not apply to the exchange telephone utilities.”

C – FILING AN INFORMAL GENERAL RATE CASE

4. A Class D Water Utility will file the Class D Workpapers and Standard Data Request (see Appendix A). A Class B or C Water Utility will file the Class B and C Workpapers (see Standard Practice U-46-W). Each filing may include an advice letter requesting an interim rate increase based on the Consumer Price Index (CPI) increase that will be adjusted up or down to the subsequently adopted just and reasonable revenue requirement. This advice letter shall identify that it is in compliance with Resolution (Res.) No. 4540, June 16, 2005, which authorizes “cost of living or cash flow rate increases” for small water and sewer utilities.

D - REVIEW

Within seven days after being accepted, the draft AL workpapers will be assigned to the Water Advisory Branch (WAB) and to a supervisor who will assign the GRC to a WAB analyst. The WAB analyst will review the workpapers and if necessary an accountant or financial examiner in the Utility Audit, Finance and Compliance Branch (UAFCB analyst) will also review the workpapers. If necessary, the UAFCB analyst will prepare a cash flow study (see Appendix B). If the cash flow study identifies the utility as having a negative income, the analyst will prepare a resolution to authorize an immediate rate increase adequate to meet the cash flow needs adjusted for inflation with rates subject to refund and the eventual rates retroactive to the date the resolution is approved (*see* Appendix C). If the utility has requested a CPI increase, the analyst may review and

² “IT IS ORDERED that the Regulatory Lag Plan authorized by Resolution No. M-4705, dated April 24, 1979, is revised to 1. Eliminate the requirement for the filing of a draft advice letter and summary of earnings for Class D water utilities. 2. That a simplified summary of revenues, expenses and rate base be substituted for the advice letter and summary of earnings now required.”

³ G.O. 96-A was superseded by G.O. 96-B, adopted in Decision No. 07-01-024 (January 25, 2007).

approve it subject to refund and eventual rates retroactive to the date of approval per G.O. 96-B, Rule 7.3.1. For utility filings with a future test year the rates shall be made effective on the first day of the test year, subject to refund.

5. UAFCB will determine a rate of return for Class B water utilities, and either a rate of return or return on margin as appropriate. (*see*, Resolution W-4524, adopted March 17, 2005).
6. The analyst will:
 - A. Get the latest copy of the latest version of this standard practice.
 - B. Check that annual reports have been filed as required by G.O. 104-A. If the utility is not up to date with its annual reports, or if the reports are clearly in error, the analyst will inform the utility and processing will be discontinued until they are up to date. The analyst needs to apply judgment, since, if there are many years of reports missing or wrong, it could be difficult for the utility to reproduce them. At the very least, the latest annual report must be filed before any additional rate case work is done.
7. The analyst will then review all of the calculations on the worksheets and the standard data request items for Class B, C and D filings for accuracy. Completion of these reviews enables the analyst to determine whether the filing is complete or needs further explanation or additional data. If the filing is not complete, the analyst will send a data request to the utility listing the information needed to make it complete.
8. In addition the analyst will review or prepare the notice to customers (Notice) (*see* Appendix D). Upon receipt of any requested information and verification of its accuracy, or if it is determined that the original filing is complete, the analyst will send an acceptance letter with the Notice and an Advice Letter for the utility to sign, requesting the increase in rates shown on the Notice, to the utility. This starts the schedule for processing the GRC.
9. The analyst will maintain a log of all data requests and telephone conversations with the utility. All data requests made orally must be followed by a letter signed by the analyst.
10. If the workpapers are in such poor condition that they cannot be used, the analyst will confer with the supervisor about converting the filing to an outreach filing (Class D only). If it is an outreach filing, staff will prepare the workpapers and the AL if necessary.

E – NOTICE AND PUBLIC MEETING AND GRC SCHEDULE

11. It is the utility's responsibility to obtain a meeting place for the public meeting that is accessible to the disabled. Once the analyst and the utility agree on the date and place, the utility completes and distributes the notice.⁴ The analyst informs the Public Advisor (and the Los Angeles Public Advisor's office if the meeting is in Southern California) of the date and time of the meeting.
12. The analyst then produces a schedule of events, using the example in Appendix D. The analyst will fill in the actual anticipated calendar dates, considering other workload, vacations, training, holidays, etc. and forward it to the supervisor. After approval and review by the supervisor, the analyst will send a copy to the utility.

F – PREPARATION FOR THE FIELD INVESTIGATION

13. The analyst will do the following in order to finish the field trip with all of the information needed to complete processing the GRC:
 - A. Review prior Commission decisions, resolutions and the utility's correspondence files. Check the compliance report to see if there are any delinquent items.
 - B. Review prior GRC resolutions, workpapers and reports, if available. Compare the amounts authorized in the last GRC with the utility's request. This should help identify potential issues.
 - C. Check with Consumer Affairs Branch for customer complaints.
 - D. Review all replies to the Notice. Each reply must be answered. The analyst may use a form letter for general complaints, but will write a personalized letter for specific complaints.
 - E. Check the local telephone book for the utility's listing. There should be adequate identification so the customers can contact the utility. The analyst will call the company during non-business hours to determine that the answering machine works.
 - F. Contact the California Department of Public Health (CDPH) or the local health department. The analyst will attempt to make an appointment to talk to the health department representative during the field trip and will invite him or her to the public meeting and the system inspection trip.
 - G. Request the system map from the utility. This map is a requirement of G.O. 103-A.
 - H. Make an appointment with the local fire chief or representative.

⁴ A notice in Spanish should be distributed when determined by the analyst as appropriate.

- I. Contact the utility to make sure it is prepared for the visit and has its books of accounts in order.
- J. Inform the utility representative ahead of time that he or she needs to make a presentation on the reasons the utility wants the increase. Request that the utility prepare and bring a handout for the public meeting that summarizes its situation.

G – FIELD INVESTIGATION

- 15. During the field trip, the analyst will meet with the local health department or CDPH to discuss the water quality history of the utility and any other information filed with the health department.
- 16. During the field inspection the analyst will:
 - A. In the Utility's Office
 - (1) Using the system map, have the company explain how the system operates.
 - (2) Ask to see the utility's copy of its tariff book. It is a requirement of G.O. 96-B that the tariff book be available for public inspection.
 - (3) Ask to see the utility's complaint file. It is a requirement of G.O. 103-A, (I.8.) that the utility maintain a file for two years and a summary list for an additional three years.
 - (4) Ask for a leak map. This is a map showing the system with main leaks marked on it. Some small companies won't have one. It is not a requirement, but it is handy to have as it helps to determine when mains need replacement.
 - (5) Audit the utility's books of account as required by Public Utilities Code Section 314.5 to determine the accuracy of its records, verify expenses and plant additions and ensure conformance with the Uniform System of Accounts. If the utility has a Safe Drinking Water Bond Act (SDWBA) loan, a Drinking Water State Revolving Fund (WSRF) loan, a principal and interest surcharge loan or is collecting facilities fees, audit the separate bank accounts for each of these funding sources. If the financing is complex, or there seem to be missing funds from the SDWBA or WSRF loan, contact UAFCB for an audit.

B. Field Inspection

- (1) Inspect facilities. Determine the condition of the facilities, the type and location of supply sources, the location of any proposed additions, inspect any new construction and any prior ordered or authorized additions (particularly where money has been authorized in rate base), growth potential, current activities, compliance with G.O. 103-A, etc. Verify that any prior ordered or authorized additions have actually been installed.
- (2) Take pictures of facilities.
- (3) Take pressure readings, particularly at a high point or at a location distant from the source of water.
- (4) Meet with the chief or representative of the local fire-fighting agency. Discuss pressure problems, fire flows, etc.

Public Meeting – conducted by the analyst:

- (1) These meetings are usually held in the evening during the field trip; however, in some resort or vacation areas the meetings are scheduled on weekends. See Standard Practice U-11-W to find out how to adjust working hours for weekend meetings.
- (2) The Project Manager will open the meeting and introduce the utility and other staff, then explain Commission procedures and the steps and scheduling of the rate case.
- (3) The utility will then use its handout to make a presentation on the reasons for the increase and answers questions.
- (4) The analyst will take notes. Upon return, the Project Manager will prepare a memorandum of the meeting and forward it to the analyst, the supervisor and the branch chief.
- (5) If over 50% of the customers protest the proposed rate increase by letter or petition, then the Water Division will consider rejecting the advice letter and refer the GRC request to the ALJ Division to assign an application number, and the GRC will be processed as a formal proceeding⁵.

⁵ Memorandum from J. E. Kerr, General Counsel; I. R. Alderson, Chief ALJ; W. R. Ahern, Director, Utilities Division; B. A. Davis, Director, Rev. Req. Division; B. Barkovich, Director, Policy Division to Commissioners J. E. Bryson, President; R. D. Gravelle; L. M. Grimes; V. Calvo; P. C. Grew; June 10, 1982 (for June 15 1982 Conference) Subject: Conversion of Water Utility Advice Letter General Rate Increase Filings to Formal Applications and Rejection of Draft General Rate Increase Filings.

H – RESOLUTION

17. After an investigation consistent with SP U-3-W the analyst will prepare a draft resolution for the supervisor's review. Once the supervisor's revisions have been made the analyst will forward Appendix A (Summary of Earnings) and Appendix B (Rates) to the utility for approval. If the utility is in agreement, the draft will be prepared for legal review (see next paragraph). If not, the draft will be revised to describe the points of contention and support the staff position.
18. Appeals of draft resolutions may be made to the Branch Chief of the Water Advisory Branch, or the Division Director.
19. The Utility may send a written notice to the Branch Chief stating that the utility has exhausted its administrative appeals and setting forth briefly the nature of the dispute. Within 20 days of receipt, staff will forward the notice, along with a written response, to the Administrative Law Judge (ALJ) Division, with a copy to the utility. An assigned ALJ will promptly schedule an informal hearing, without a reporter, to hear the appeal request. Evidence will be taken under oath, and no attorney at law shall represent any party other than himself or herself. Within 30 days of hearing, the ALJ shall issue a brief recommended decision, which need not contain finding of fact or conclusions of law and Branch shall incorporate that recommended decision in the advice letter rate resolution that is prepared for consideration by the Commission.⁶
20. The analyst will forward the draft resolution and service list to the tariff unit to be prepared for legal review. The service list should include the utility, consultant, parties that wrote a letter, and customers from the public meeting who requested to be included. The tariff unit will include the cover letter and forward to legal division. The analyst will make minor revisions as recommended by the legal division, but will discuss revisions involving policy with the supervisor. Once legal review is complete, the tariff unit will distribute the draft to the service list.
21. If comments are received, the analyst will revise the resolution to reflect the comments. The tariff unit will then have the resolution placed on the agenda.
22. Resolutions which have been adopted by the Commission may be appealed by filing an appeal for rehearing, (See, General order 96-B, General Rule 7.7) or a Petition for Modification following Rule 16.4 of the Commission's Rules of Practice and Procedure (See, G.O 96-B, General Rule 7.8).

⁶ D.92-03-093, March 31, 1992, O.P. 7

23. The analyst will respond to any remaining letters from customers.

I – FILE

24. The analyst shall file all workpapers and a copy of the staff report in the file room under the utility's name and discard the prior GRC file except for any material that may need to be retained for future use.

CALIFORNIA PUBLIC UTILITIES COMMISSION

INFORMAL RATE CHANGE WORKPAPERS For Class D Water Utilities

Workpapers for rate increases (decreases)

WATER UTILITY NAME: _____

Name of Contact Person: _____

ADDRESS OF UTILITY: _____

Street, P.O. Box and/or suite number

City and Zip Code

PHONE NUMBER
of Contact Person: () _____

Requested:

Increase (decrease) _____ (May not be more than Worksheet Page 1, Line 33)
dollar amount

_____ (May not be more than Worksheet Page 1, Line 34)
percent

INSTRUCTIONS:

1. Have your latest annual report available.
2. Obtain a copy of your utility's latest GRC resolution or decision. (Water Branch will provide you a copy upon request)
3. Collect the information requested on the Standard Data Request Form.
4. Complete the entries in column A of page 1, using Schedule F of your latest annual report.
- 5. Do not include SDWBA surcharge funds or PUC reimbursement funds collected under Schedule UF.**
6. Complete page 2 using adopted quantities from the last GRC and the dollar value of investments made since the last GRC as recorded in your annual reports since the last GRC.
7. Using the proposed net revenue from page 2, estimate income tax using page 3
8. Complete the remainder of page 1. In choosing a Test Year, use the current calendar year if you file between January and June or the following year if you file between July and December. If any test year estimate differs sharply from the last recorded value, please include an explanation on a separate sheet.

STANDARD DATA REQUEST

This is the standard data request enclosed with the informal rate change workbook. The information requested herein is necessary for the staff to evaluate a rate increase request, so we are requesting it at the outset of the process. Please provide the filled-in forms and the following information if applicable. Call the Water Advisory Branch at (415) 703-1739 if you have any questions.

1. Copies of electric bills for the last twelve months;
2. Copies of purchased water bills for the last twelve months;
3. Employee salary records (or wage rates and hours worked) and job descriptions for all employees;
4. A copy of the latest liability, auto, and worker's compensation insurance premium bills;
5. A summary of property, payroll, and franchise taxes with copies of the latest tax statements;
6. A statement of whether the utility expects to require major changes in operating expense or plant investment due to water quality regulation and what those changes will consist of;
7. A statement of needed or completed major repairs; and
8. Any changes to rate structures you wish to propose in this rate case.

		Column	A	B	C
Line	Acct	Operating Revenue	19__ annual report	Is this a typical value? (If no, please attach explanation)	19__ Test Year Estimate (present rates)
1	460	Unmetered water revenue		yes <input type="checkbox"/> no <input type="checkbox"/>	
2	462	Fire protection revenue		yes <input type="checkbox"/> no <input type="checkbox"/>	
3	465	Irrigation revenue		yes <input type="checkbox"/> no <input type="checkbox"/>	
4	470	Metered water revenue		yes <input type="checkbox"/> no <input type="checkbox"/>	
5	480	Other water revenue		yes <input type="checkbox"/> no <input type="checkbox"/>	
6		Total Revenue			
7		Operating Expenses			
8	610	Purchased Water		yes <input type="checkbox"/> no <input type="checkbox"/>	
9	615	Power		yes <input type="checkbox"/> no <input type="checkbox"/>	
10	618	Other volume related expenses		yes <input type="checkbox"/> no <input type="checkbox"/>	
11	630	Employee labor		yes <input type="checkbox"/> no <input type="checkbox"/>	
12	640	Materials		yes <input type="checkbox"/> no <input type="checkbox"/>	
13	650	Contract work (excluding water testing)		yes <input type="checkbox"/> no <input type="checkbox"/>	
14		Water testing portion of contract work		yes <input type="checkbox"/> no <input type="checkbox"/>	
15	660	Transportation expenses		yes <input type="checkbox"/> no <input type="checkbox"/>	
16	664	Other plant maintenance		yes <input type="checkbox"/> no <input type="checkbox"/>	
17	670	Office salaries		yes <input type="checkbox"/> no <input type="checkbox"/>	
18	671	Management salaries		yes <input type="checkbox"/> no <input type="checkbox"/>	
19	674	Employee pensions & benefits		yes <input type="checkbox"/> no <input type="checkbox"/>	
20	676	Uncollectibles expense		yes <input type="checkbox"/> no <input type="checkbox"/>	
21	678	Office services and rentals		yes <input type="checkbox"/> no <input type="checkbox"/>	
22	681	Office supplies and expenses		yes <input type="checkbox"/> no <input type="checkbox"/>	
23	682	Professional services		yes <input type="checkbox"/> no <input type="checkbox"/>	
24	684	Insurance		yes <input type="checkbox"/> no <input type="checkbox"/>	
25	688	Regulatory Commission expense		yes <input type="checkbox"/> no <input type="checkbox"/>	
26	689	General expenses		yes <input type="checkbox"/> no <input type="checkbox"/>	
27		Total Operating Expenses (sum of Lines 8 thru 26)			
28	403	Depreciation expense		yes <input type="checkbox"/> no <input type="checkbox"/>	
29	408	Taxes other than income taxes		yes <input type="checkbox"/> no <input type="checkbox"/>	
30	409	Income tax on proposed net income (From Page 3, Line 4 OR Line 6 OR Line 8)			
31		Total Expenses at proposed rates (Lines 27 +28 + 29 + 30)			
32		Net Income (From Page 2, Line 21)			
33		Total Revenue Requirement (Line 31 + Line 32)			
34		Net Change in Revenue (Column C, Line 33 minus Column C, Line 6)			
35		Percent Change in Revenue (Column C, Line 34 divided by Column C, Line 6)			

line	Column	A	B	C	D
					Amount
1	Last Approved Rate Base	Authorized By Res. _____ or Dec. _____.			
2	Changes to ratebase by Year				
3	Year	New Plant Investment	Contributed or Advanced Portion	OPTIONAL: Depreciation Accrual *	Net Rate Base Change (Col A-Col B - Col C)
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18	Test Year Proposed				
19	Test Year Estimated Ratebase (Sum of entries in Column D)				
20	Requested Rate of Return (use rate provided in cover letter)				
21	Net Income (Line 19, Col. D multiplied by Line 20, Col. D)				

Copy to Page 1, Line 32

*** NOTE: The ratebase you are calculating is an approximation. Unless you have accurate records of depreciation accrual since the last GRC, you should enter -0- in Column C. This omission is made to simplify filing. The Commission's staff will calculate actual depreciation reserve and rate base during its investigation.**

Facilities Fees. A Facilities Fee is a connection charge for new customers that can be used to build new infrastructure or replace or repair existing infrastructure. Facilities fee revenues are not to be used for O&M expenses and cannot be booked to retained earnings.

Do you want a Facilities Fee? Yes ____ No ____ . If so, how much? \$_____.

Income Tax Calculations

(USE EITHER A, B, or C, DEPENDING ON YOUR NET INCOME, PAGE 2, LINE 21)

METHOD A

TO BE USED IF NET INCOME (PAGE 2, LINE 21) IS LESS THAN \$6,630

1	Net Income (Page 2, Line 21)	
2	Federal Tax (=Net Income X 0.177)	
3	State Tax	800
4	Total Tax (= Federal Tax + State Tax)	

Transcribe to Page 1, Line 30

OR

METHOD B

TO BE USED IF NET INCOME (PAGE 2, LINE 21) IS BETWEEN \$6,630 and \$38,500

5	Net Income (Page 2, Line 21)	
6	Total Tax (= Net Income X 0.291)	

Transcribe to Page 1, Line 30

OR

METHOD C

TO BE USED IF NET INCOME (PAGE 2, LINE 21) IS ABOVE \$38,500

7	Net Income (Page 2, Line 21)	
8	Total Tax (= Net Income X 0.313)	

Transcribe to Page 1, Line 30

(End of Appendix A)

APPENDIX B

Instructions for Development of Cash Flow Analysis to Determine whether Interim Rates are Necessary for a Class C or Class D Water Utility

1. Source for Data used in these calculations is the most recent Annual Report to the California Public Utilities Commission for the Class C or D Company as well as the Water Division Memorandum stating the CPI that will be used in the current year.
2. Cash Flow Model is shown as Table 1.
 - a. This Cash Flow Model adjusts Net Income (Loss) for Accrued Interest and changes in Depreciation, Depreciation on SDWBA Plant, Provision for losses on Accounts Receivable, SDWBA Trust Account, Accounts Receivable, Inventory, Prepaid Expenses, Accounts Payable, Accrued Expenses, Income Taxes Payable, Deferred Taxes, Deferred Credits, and Other Liabilities.
 - b. Staff shall verify Management Salaries shown in the Annual Report to those authorized in the company's last General Rate Case Decision or Resolution. The Management Salaries will be adjusted if they exceed the amount previously authorized adjusted for inflation.
3. Regardless of the Cash Flow figure, the company shall receive an Interim Rate Adjustment based on the CPI (referenced above). This Interim Rate Adjustment is consistent with the intent of PU Code 455.2, which allows Class A water utilities to recover interim rates (based on the rate of inflation) that are subject to refund, in cases where the Commission decision is not issued on a timely basis (PU Code 455.2 is attached). The method Water Division Staff shall follow in the determination of both a Cash Flow Adjustment and an Interim Rate Adjustment are as follows:
 - a. The Resolution Authorizing an Interim Rate Adjustment shall include the following items:
 - i. The Interim Rate Adjustment is Subject to Refund.
 - ii. The Institution of Final Rates is Retroactive to the Effective Date of the Interim Rate Adjustment.
 1. For example, the Interim Rate Adjustment (Dated March 1) is an increase of \$1 over existing rates and the Final Rate (Dated June 1) is an increase of \$5 over those original existing rates.

The company could then request recovery of \$4 for March, April, and May (\$5 - \$1 = \$4).

- b. If the Cash Flow is Negative, then an adjustment for both the Cash Flow and the Interim Rate Adjustment are necessary.
 - i. The Cash Flow Adjustment is equal to the negative amount determined in the Cash Flow Analysis.
 1. For example, if the result of the Cash Flow Analysis equals - \$100, then the Adjustment would equal +\$100.
 - ii. The Interim Rate Adjustment is calculated as follows:
 1. The interim rate is Subject to Refund.
 2. This Dollar Interim Rate Adjustment is calculated by multiplying the Gross Revenue from the most recent Annual Report filed with the CPUC times the CPI (from Water Division Memorandum).
 - a. $\text{Gross Revenue} * \text{CPI} = \text{Dollar Interim Rate Adjustment}$
 - iii. The dollar figures for both the Cash Flow Adjustment and the Interim Rate Adjustment (as well as the CPI figure used) are provided to Fred Curry, who then drafts a resolution ordering the institution of the Cash Flow Adjustment and the Interim Rate Adjustment.
- c. If the Cash Flow is Positive, then no adjustment for cash flow is necessary. Only an Interim Rate Adjustment is calculated:
 - i. The CPI used in this calculation is found in a Water Division Memorandum issued annually by the Water Branch.
 - ii. The interim rate is Subject to Refund.
 - iii. This Dollar Interim Rate Adjustment is calculated by multiplying the Gross Revenue from the most recent Annual Report filed with the CPUC times the CPI (from Water Division Memorandum).
 1. $\text{Gross Revenue} * \text{CPI} = \text{Dollar Interim Rate Adjustment}$
 - iv. The dollar figure as well as the CPI figure are used by Water Branch to draft a resolution ordering the institution of this Interim Rate Adjustment.

TABLE 1				
EXAMPLE WATER COMPANY				
Source: 2004/2003 Annual Report	Acct. #	2004	2003	Operations
Inc. (Dec.) in Cash and Cash Equivalents				
Cash flows from operating activities:				
A. Net Income (Loss) (Sch. F, Ln 43)		-6000		-6,000
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities				
Accrued Interest (Sch. A)	237	0	0	
Depreciation (Sch. A) Inc./Dec.)	108	150,000	145,000	5,000
Depr. SDWBA Plant (Sch. A) Inc./Dec.)	108.1	0	0	
Provision for Losses on Accts. Receivable		0	0	0
SDWBA Trust Acct. (Sch. A) (Inc.)/Dec.	132	0	0	
Accounts Rec. (Sch. A) (Inc.)/Dec.	141,142,143	900	6,000	5,100
Inventory (Sch. A) (Inc.)/Dec.	151	0	0	0
Prepaid Expenses (Sch. A) (Inc.)/Dec.	174,180	0	0	0
Accts. Pay. & Acc. Exp. (Sch. A) Inc./Dec.)	231	0	0	0
Income Taxes Pay. (Sch. A) Inc./Dec.)	236	0	0	0
Deferred Taxes (Sch. A) Inc./Dec.)	255,282,283	0	0	0
Deferred Credits (Sch. A) Inc./Dec.)	253	0	0	0
Other Liabilities (Sch. A) Inc./Dec.)	233,241	0	0	0
B. Total Adjustments				10,100
C. Cash Inflow Fr. Operating Activities (A.+B.)				\$ 4,100
Cash Flows Fr. Investing Activities:				
Plant (Sch. A, Ln 6) (Inc.)/Dec.	100	165,000	160,000	5,000
D. Cash Outflow Fr. Investing Activities				5,000
Cash Flows Fr. Financing Activities:				
Advances (Sch. A) Inc./Dec.)	252		0	0
Contributions (Sch. A) Inc./Dec.)	271	0	0	0
CIAC Amortization (Sch. A-3, Ln 4)	272	0	0	0
Pymnt. of Loan (Sch. A, Ln 12&16) Inc./Dec.)	224	15,000	10,000	5,000
Dividends Paid			0	0
Advances Fr. Asso. Co. (Sch. A) Inc./Dec.)	225		0	0
E. Cash Outflows Fr. Financing Activities				5,000
F. Net Changes in Cash and Cash Equivalents (C.+D.+E.)				\$ 14,100
G. Cash and Cash Equivalents at Beg. of Yr. (Sch. A(d) Balance Sheet, Ln 19)				45,000
H. Cash and Cash Equivalents at End of Yr. (F.+G.)				59,100
End Cash per Balance Sheet				44,000
Trinity Village Water Company				
AL # 10 6/11/01 - Authorized ROR	11%			
CPI Increase of 3.4% times \$55,000 (Gross Rev from 2004 Annual Report)				1,887.00
		2004		
Utility Operating Income		-5,940		
Add:				
Depreciation		5,000		
Positive (Negative) Cash Flow		\$ (940)		
Cash Flow from Operating Activities		\$ 4,100		
RECOMMENDATION:				
Cash flow from operating activities is -\$4,227.				
Recommends an rate increase based on cash flow analysis (subject to refund) of \$4,300				
Recommends an interim rate adjustment to account for CPI of \$1,900.				

APPENDIX C

_____ Water Company
_____ County

(DATE)

Advice Letter No. _____

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

_____ Water Company hereby transmits the following changes in its tariff schedules which are attached hereto:

<u>Cal P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
_____	Schedule No. ____, General Metered Service	_____
_____	Schedule No. ____, Flat Rate Service	_____
_____	Table of Contents	_____

The present rates became effective on _____, 20__ pursuant to Resolution W-____ (or Decision No.____) which authorized a _____ (type of increase: CPI, offset, etc.) of \$_____ or ____%. The last general rate increase became effective _____, 20__ pursuant to Resolution W-____, which authorized a general rate increase of \$_____ or ____%, and a rate of return of ____%.

These tariffs are submitted pursuant to Ordering Paragraph No. 1 of Resolution W-4540, dated June 16, 2005. The resolution authorizes Class B, C, or D water or sewer system utilities, upon filing a general rate case, to request a CPI-U increase, subject to refund or increase to the rates found reasonable in the general rate case resolution or decision, for the requested year. This advice letter will require a Commission resolution.

_____ Water Company has filed a general rate case with the Water Division for Test Year _____. _____ Water Company requests permission to increase the present monthly quantity and service charge rates by \$_____, or __%, CPI-U for (Test Year), subject to refund or increase to the rates which will be established in the general rate case resolution or decision. (Note: Use CPI-U for most recent year available.)

This filing is made under the provisions of General Order No. 96-A.

_____ Water Company mailed notice of the general rate increase request to each customer on ____, 20__. A copy of the notice is attached. Since the increase requested in this advice letter is a component of the general rate increase, no separate notice is required.

This filing will not cause withdrawal of service, nor conflict with any other schedule or rule.

Since this advice letter is authorized by Resolution W-4540, further "Notice" in accordance with Section III-G of General Order No. 96-A is not deemed necessary.

_____ Water Company, Inc.

By: _____
(Title)

Attachments

APPENDIX D

August , 2004

**NOTICE OF PROPOSED RATE INCREASE AND PUBLIC MEETING
WITH THE PUBLIC UTILITIES COMMISSION STAFF**

_____ Water Company Corporation (___ WC), has requested authority from the CALIFORNIA PUBLIC UTILITIES COMMISSION to increase its water rates by \$_____ or _____% in test year 20__ and by an additional \$_____ or _____% in test year 20__ over present rates, which have been in effect since _____, 20__. The increase is necessary to offset increased operating expenses and to provide an adequate rate of return.

The Commission staff will hold a public meeting on _____, _____, 20__ at 7pm at the _____, _____, _____, CA, to explain the increase process and received public input.

If the Commission determines that _____ Water Company is operating in the red on a cash flow basis, or needs a cost of living increase, the Commission may consider authorizing an interim rate increase. This interim increase is subject to refund pending the final resolution of the general rate increase request.

The company proposes to increase rates as follows:

Quantity Rate:

	<u>Present Rates</u>	<u>Proposed Rates</u>
All usage per 100 cu.ft.	\$ _____	\$ _____

Service Charge:

Per Meter Per Month

	<u>Present Rates</u>	<u>Proposed Rates</u>
For 5/8x3/4-inch meter	\$ _____	\$ _____
For 3/4-inch meter	_____	_____
For 1-Inch meter	_____	_____
For 1-1/2-inch meter	_____	_____
For 2-inch meter	_____	_____
For 3-inch meter	_____	_____
For 4-inch meter	_____	_____

The Service Charge is a readiness to serve charge, which is applicable to all metered service and to which is added the utility charge computed at Quantity Rates.

APPENDIX D (cont.)

Fire Protection Service:

Monthly Service Charge:

	<u>Present Rates</u>	<u>Proposed Rates</u>
For 4-inch meter	\$ _____	\$ _____
For 6-inch meter	\$ _____	\$ _____

The Commission staff will make a thorough investigation of the utility’s request. Following the investigation, the Commission may grant the utility’s request in whole or in part, or may deny it. It may also order the utility to charge rates different from those shown in this notice.

The public meeting is informal and affords customers the opportunity to ask questions and express their views. __WC will have representatives there to explain the reasons for the proposed increase. Likewise there will be a Commission Staff representative who will conduct the meeting and explain how the staff will analyze the proposed rates and fee increases.

California law requires the company to show to the Commission’s satisfaction that an increase is justified before it may raise its rates. Customers who would like to call the Commission’s attention to any problems concerning their water service, or who would like to provide any other information or comments regarding this requested increase should do so at the public meeting and/or should write to the Commission.

There are two ways to respond to this notice. You may send a protest to the CPUC and, if you do, you must send a copy of the protest to the utility, or you can send a response to the CPUC.

Protests and Responses

A protest is a document objecting to the granting in whole or in part of the authority sought in this advice letter filing. A response is a document that does not object to the authority sought, but nevertheless presents information that the party tendering the response believes would be useful to the Commission in acting on the request.

A protest must be mailed within 20 days of the date of this notice. A protest must state the facts constituting the grounds for the protest, the effect that approval of the advice letter might have on the protestant, and the reasons the protestant believes the advice letter or part of it, is not justified. If the protest requests an evidentiary hearing, the protest must state the facts the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the advice letter.

APPENDIX D (cont.)

All protests or responses to this filing should be sent to both of the following addresses and should mention that they pertain to _____ **Water Company**:

California Public Utilities Commission
Division of Water and Audits, Room 3106
Fax: (415) 703-4426
505 Van Ness Avenue
San Francisco, CA 94102
E-mail: *water_division@cpuc.ca.gov*

Comments must be sent no later than twenty (20) days after the date of this notice was sent.

And to this utility at:

_____ Water Co.

Fax: _____

If you have not received a reply to your protest from the utility within 5 business days, contact _____ Water Company at (____) _____.

A copy of _____ Water Company filing may be inspected in its business office at: _____, _____, CA _____. By calling _____, you may request a copy to be mailed to you. You will be billed for the copies at \$0.____ per page.

Further information may be obtained from the utility at its business office or from the Commission at the above address.

NOTE: THE MEETING PLACE IS ACCESSIBLE TO THE HANDICAPPED

(End of Appendix D)