

# PROPOSED RESOLUTION

Resolution W-5037  
DWA

AGENDA ID #13937 (Rev. 1)  
ITEM #19

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION W-5037  
May 21, 2015

### RESOLUTION

**(RES. W-5037) FRUITRIDGE VISTA WATER COMPANY.  
ORDERING AUTHORIZING REQUEST TO IMPLEMENT A  
SURCHARGE TO AMORTIZE AND RECOVER THE  
BALANCE OF \$74,102 RECORDED IN ITS SINGLE AUDIT  
ACT MEMORANDUM ACCOUNT.**

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### SUMMARY

By Advice Letter 109, filed on February 17, 2015, Fruitridge Vista Water Company, a Class B water utility, requests Commission authority to implement a monthly surcharge in the amount of \$0.55 per 5/8 x 3/4" meter equivalent for metered customers and a surcharge of \$0.95 per single residential flat rate unit over a period of 12 months.

The total costs accumulated in the Single Audit Act Memorandum Account, by Advice Letter 109, was \$74,102 whereby Fruitridge Vista Water Company requested that this amount be recovered through a surcharge over a one-year period. The Division of Water and Audits reviewed Advice Letter 109 and determined that these costs were reasonable for appropriate recovery. This resolution authorizes Fruitridge Vista Water Company to close the Single Audit Act Memorandum Account and establish a balancing account to collect surcharges, over a one-year period, to recover the amount of \$74,102 accumulated in the Single Audit Act Memorandum Account. Fruitridge Vista Water Company is authorized to implement the surcharges as shown on the rate schedules in Appendix A of this resolution. Fruitridge Vista Water Company's present rates became effective on February 9, 2015, pursuant to Resolution W-5017 whereby Fruitridge Vista Water Company was granted authority to increase its rates pursuant to a general rate case.

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## BACKGROUND

On April 27, 2006, the Commission issued Decision (D.) 06-04-073, which approved the “Settlement Agreement for a Comprehensive Solution to the Fruitridge Vista Water Supply Situation” (Settlement Agreement). The Settlement Agreement called for Fruitridge Vista Water Company (FVWC) to spend over \$12 million for system improvements and water purchases and also identified numerous funding sources. One of the funding sources was a loan from the State Revolving Fund (SRF loan). The funding agreement between the State of California Department of Health Services and FVWC contains a provision (A-32) that states:

### Article A-32. SINGLE AUDIT ACT

*If a Supplier received \$500,000 or more in federal awards in a year from any source, including funds disbursed under this Agreement, Supplier agrees to comply with all requirements of the Office of Management and Budget Circular A-133 issued pursuant to the Single Audit Act.*

Due to the State of California’s budget issues in 2009 and 2010, funding from the SRF was delayed. With the completion deadline for the projects identified in the Settlement Agreement firm, FVWC had to fast track the project to meet the deadline. This resulted in more than \$500,000 being spent in the 2011 year. This triggered the requirement that FVWC comply with all requirements of the Office of Management and Budget (OMB) Circular A-133 issued pursuant to the Single Audit Act.

On November 1, 2012, FVWC filed Advice Letter (AL) 103-A requesting authority to establish the Single Audit Act Memorandum Account (SAAMA). The purpose of this memorandum account was to track the actual cost for FVWC to undergo a single audit complying with the Single Audit Act Amendments of 1996 and OMB Circular A-133. FVWC was granted authority by the Commission to establish and implement the SAAMA, via AL 103-A, on November 9, 2012.

On February 7, 2015, FVWC filed AL 109 to request recovery of costs accumulated in the SAAMA by FVWC to undergo the single audit. As the Single Audit is now complete, and the cost of compliance is known, AL 109 is requesting to convert the previously authorized SAAMA to a Single Audit Act Balancing Account (SAABA) while closing the memorandum account, and impose a temporary surcharge to recover the costs accumulated in the memorandum account as FVWC incurred unanticipated

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additional costs of \$74,102 related to the single audit, including interest. As this is a one-time occurrence, the SAAMA is now a closed matter. The surcharge rate proposed will only recover the costs and interest accumulated in the Single Audit Act balancing account and will not provide net revenue for FVWC and will not result in any increase in its authorized rate of return.

## DISCUSSION

The criteria used by the Commission for amortization of memorandum accounts require the utility to demonstrate the following:

- 1) *The costs recorded in the memorandum account are not covered by other authorized rates;*

Article A-32, SINGLE AUDIT ACT, is a one-time occurrence and the costs incurred by FVWC were required to comply with the directives of the Office of Management and Budget Circular A-133.

- 2) *The utility acted prudently when it incurred these costs;*

In order to comply with the directives of the Office of Management, FVWC acted prudently.

- 3) *The utility paid reasonable amounts for these costs;*

Staff reviewed all invoices and accounting fees associated with the SAAMA and determined that the costs were reasonable.

- 4) *It is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates.*

As there was no authorization in FVWC's ongoing general rate cases to implement such costs, it is appropriate for ratepayers to pay for these costs accordingly.

Staff reviewed FVWC's request to recover the costs accumulated in the SAAMA and has determined that the costs have been reasonably incurred, accounted for, and meet each of the criteria noted above.

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There have been no other compensating changes in FVWC's revenues, remaining operating expenses, or ratebase that would offset the impact of earnings of these increases. It has been determined that a 2.45% increase in gross revenues amounting to \$72,102 annually is required to amortize the memorandum accounts. Accordingly, to amortize the memorandum account over 12 months, FVWC requests a surcharge of \$0.55 per <sup>5</sup>/<sub>8</sub>-inch meter equivalent per month for a period of 12 months for metered customers and a surcharge of \$0.95 per single residential flat rate unit per month. Staff has been provided with supporting workpapers showing the derivation of these quantities and has determined that the surcharge amounts are reasonable and should be adopted.

## NOTICE AND PROTESTS

AL 109-W was served on February 17, 2015, in accordance with General Order 96-B, including adjacent utilities and persons on the general service list. No protests were received.

## SAFETY

As this resolution authorizes a surcharge for recovery of amounts recorded in a memorandum account, there are no safety implications.

## COMMENTS

This is an uncontested matter that pertains solely to a water corporation. Accordingly, pursuant to Public Utilities Code Section 311(g)(3), this resolution is exempt from the 30-day public review period.

## FINDINGS AND CONCLUSIONS

1. Fruitridge Vista Water Company (FVWC) was granted authority by the Commission to establish and implement the Single Audit Act Memorandum Account (SAAMA), via Advice Letter No. (AL) 103-A, on November 9, 2012.
2. On February 7, 2015, FVWC filed AL 109 to request recovery of costs accumulated in the SAAMA by FVWC to undergo the Single Audit.

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3. As the Single Audit is now complete, and the cost of compliance is known, FVWC's request to convert the SAA Memorandum Account to a SAA Balancing Account, via AL 109, is reasonable and should be adopted.
4. The Single Audit Act is one one-time occurrence and the memorandum account established via AL 103-A is now closed.
5. FVWC's request to amortize its SAAMA complies with each of the four criteria used by the Commission for amortization of memorandum accounts.
6. FVWC should be allowed to collect a surcharge, over a one-year period, to recover the amount of \$74,102 accumulated in the Single Audit Act Balancing Account.
7. FVWC should be authorized to implement a monthly surcharge in the amount of \$0.55 per 5/8 x 3/4" meter equivalent for metered customers and a surcharge of \$0.95 per single residential flat rate unit over a period of 12 months.
8. FVWC should be authorized to implement a temporary surcharge as shown on the rate schedules in Appendix A of this resolution.

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### THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code, Section 454, for Fruitridge Vista Water Company to file a supplement to Advice Letter No. 109-A to incorporate the rate schedules (Appendix A), and to concurrently cancel its presently effective Rate Schedule. The effective date of the revised rate schedule shall be 5 days after the date of filing.
2. Fruitridge Vista Water Company is authorized to implement a temporary surcharge as shown in the rate schedules in Appendix A.

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 May 21, 2015; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director

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## APPENDIX A

### 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 Charge:

All Water used per 100 cu.ft                      \$1.3345

	<u>Per Meter Per Month</u>	<u>Memo Acct. Recovery (6)</u>	<u>Total Rate Per Meter Per Month</u>	
<u>Monthly Service Charge:</u>				
For 5/8 x 3/4-inch meter	\$10.12	\$0.55	\$10.67	(I)
For 3/4-inch meter	\$15.18	\$0.83	\$16.01	
For 1 - inch meter	\$25.31	\$1.38	\$26.69	
For 1-1/2-inch meter	\$50.60	\$2.75	\$53.35	
For 2 - inch meter	\$80.96	\$4.40	\$85.36	
For 3 - inch meter	\$151.78	\$8.25	\$160.03	
For 4 - inch meter	\$253.00	\$13.75	\$266.75	
For 6 - inch meter	\$506.01	\$27.50	\$533.51	(I)

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

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## APPENDIX A (cont.)

### 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" x 3/4" 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 Res. W-5037 the recovery of the Single Audit Act memorandum account shall be recovered over a period of 12 months, effective \*\*\*5 DAYS AFTER SUPPLEMENTAL ADVICE LETTER FILING PER RES. W-5037\*\*\*

(N)

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## APPENDIX A (cont.)

**FRUITRIDGE VISTA WATER COMPANY**  
Schedule No. 2  
FLAT RATE 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

	<u>Per Service Connection Per Month</u>	<u>Memo Acct. Recovery (6)</u>	<u>Total Rate Per Meter Per Month</u>	
1. For a single residential unit, including premises not exceeding 10,000 square feet in area	\$39.54	\$0.95	\$40.49	(I)
a. For each additional single family unit on the same premises and served from the same service connection	\$24.77	\$0.57	\$25.34	
b. For each 100 square feet of premises in excess of 10,000 sq. ft.	\$0.69	\$0.08	\$0.77	
2. For each automobile service station, including car wash rack, where service connection is not larger than one inch in diameter	\$81.59	\$1.90	\$83.49	(I)

(continued)

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## APPENDIX A (cont.)

### 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 serviced 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 Res. W-5037 the recovery of the Single Audit Act memorandum account shall be recovered over a period of 12 months, effective \*\*\*5 DAYS AFTER SUPPLEMENTAL ADVICE LETTER FILING PER RES. W-5037\*\*\* (N)

END APPENDIX A

## CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5037 on all parties in these filings or their attorneys as shown on the attached lists.

Dated May 4, 2015, at San Francisco, California.

/s/DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

# FRUITRIDGE VISTA WATER COMPANY

## ADVICE LETTER NO. 109 SERVICE LIST

Leah Walker  
Dept. of Public Health  
1615 Capital Avenue, MS7417  
P.O. Box 997377  
Sacramento, CA 95899-7377  
[leah.walker@cdph.ca.gov](mailto:leah.walker@cdph.ca.gov)

California American Water  
4701 Beloit Drive  
Sacramento, CA 95838  
[infoca@amwater.com](mailto:infoca@amwater.com)

State of California  
Department of Public Health  
Safe Drinking Water State Revolving Fund Program  
Attn: Section Chief, Drinking Water Infrastructure Financing Section  
Division of Drinking Water and Environmental Management  
1616 Capitol Mall, MS 7418  
P.O. Box 997377  
Sacramento, CA 95899-7377