

PROPOSED RESOLUTION

Resolution W-5067
DWA

AGENDA ID #14284

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5067
October 1, 2015

RESOLUTION

**(RES. W-5067) AGATE BAY WATER COMPANY. ORDER
AUTHORIZING A RATE BASE OFFSET REVENUE
INCREASE, PRODUCING AN INCREASE IN GROSS
ANNUAL REVENUES OF \$17,278, OR 4.51%.**

SUMMARY

By Advice Letter 38-A, filed on July 21, 2015, Agate Bay Water Company seeks a rate base offset of \$93,979 for the completion of rebuilding the electrical and computer components of a two-stage filter and the installation of eleven meter boxes which would result in an increase in annual revenues of \$22,825, or 5.96%.

This Resolution grants Agate Bay Water Company an increase of \$17,278, or 4.51%, over revenues earned under current rates, which is estimated to provide a rate of return of 11.20%.

BACKGROUND

Agate Bay Water Company (ABWC), a Class C water utility, requests authority under General Order (G.O.) 96-B, Water Industry Rules 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$22,825 or 5.96% for a rate base offset of \$93,979 for the rebuilding of the electrical and computer components of a two-stage filter and the installation of eleven meter pits that were performed since the last general rate case (GRC).

The present rates became effective on April 9, 2015 by Resolution W-5031, which authorized a rate increase of \$7,157, or 2.0%, with a 20.54% return on margin.

ABWC presently provides service to approximately 580 flat rate service connections in Agate Bay View and Agate Bay Shore Subdivisions and vicinity near Lake Tahoe, Placer County.

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NOTICE AND PROTESTS

Advice Letter (AL) 38 was filed in accordance with G.O. 96-B on July 3, 2015. ABWC has notified its customers of AL 38 by bill insert. In accordance with G.O. 96-B, AL 38 was also served on competing and adjacent water utilities, nearby governmental agencies, and other interested parties on the service list. Supplemental AL 38-A was filed on July 21, 2015 amending ABWC's requested increase.

No protests were received by the Division of Water and Audits (DWA).

DISCUSSION

Resolution W-4906, authorized on February 16, 2012, directed ABWC to install meter boxes each year for ten to twelve years until all ABWC connections are prepared to receive meters. ABWC is required by PU Code 781, Section (a) (2), to install a meter upon each unmetered service connection by January 1, 2025¹. Resolution W-4906 allows ABWC to place the meter boxes into rate base by rate base offset or general rate increase request after each batch is installed, subject to reasonableness review. As of July 3, 2015, eleven new meter boxes have been installed. DWA staff finds these plant additions reasonable and just.

In January of 2015, ABWC began rebuilding the electrical and computer components of its two-stage filter, since such components were reaching the end of their useful lives. Such components include the parts required for the installation of a variable frequency drive, in order to control water flow. ABWC stated that the variable frequency drive has been instrumental in ensuring sufficient levels of water for ratepayers. Currently, ABWC is upgrading the computer controller for internet access. Doing so will enable remote access and monitoring capabilities for ABWC. DWA staff finds the plant additions reasonable and just.

DWA determined that the requested cost recovery associated with the plant additions does not pass the Earnings Test, as outlined in Standard Practice U-27-W. Nevertheless, ABWC is still allowed to earn a return on a portion of their added plant, given that the last authorized rate of return is not exceeded.

¹ Resolution W-4906, effective February 16, 2012.

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Since ABWC's last authorized revenues were calculated using the Return on Margin method in its previous GRC, DWA staff followed application of the earnings test procedure as outlined in Standard Practice U-27-W. Using this procedure, DWA staff calculated that ABWC is overearning according to the earnings test, so DWA staff calculated what the revenues should be for the offset to meet the last authorized Rate of Return of 11.20%. With this calculation, DWA recommends an increase of \$17,278 or 4.51% over the last authorized gross revenues for a rate base offset of \$93,979. The resulting rates are found in Appendix B.

SAFETY, COMPLIANCE, AND CONSERVATION

In terms of safety and water conservation, ABWC's plant additions are necessary for insuring adequate amounts of water for safe and reliable service.

ABWC has been filing annual reports as required.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public Utilities Code 311(g)(2), the otherwise 30-day period for public review and comment is being waived.

FINDINGS

1. 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.
2. Agate Bay Water Company should request to recover all plant additions associated with the installation of the electrical controller and two-stage filter during its next General Rate Case.
3. The increase in rate base of \$93,979 and the resulting annual revenue requirement increase of \$17,278 or 4.51% is reasonable and should be adopted.
4. The Summary of Earnings (Appendix A) recommended by the Division of Water and Audits is reasonable and should be adopted.
5. Agate Bay Water Company, Inc. agrees with the Division of Water and Audits' recommended Summary of Earnings (Appendix A).

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6. The rates (Appendix B) recommended by the Division of Water and Audits are reasonable and should be adopted.
7. Agate Bay Water Company, Inc. agrees with the Division of Water and Audits' recommended rate design (Appendix B).

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Agate Bay Water Company, Inc. to file a supplemental Advice Letter with the revised rate schedules attached to this Resolution as Appendix B and concurrently cancel its presently effective rate Schedules: Schedule No. 1, General Metered Service, Schedule No. 2, Annual Flat Rate Service, Schedule No. 2AL, Limited Annual Flat Rate Service, and Schedule No. 4, Private Fire Protection Service. The effective date of the revised schedules shall be five days after the date of filing.
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 October 1, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A AGATE BAY WATER COMPANY, INC.

Summary of Earnings - Test Year 2015

	Adopted Resolution W-5031	TY 2014 Requested	Rate Base Offset	Adopted Rates
<u>OPERATING REVENUE</u>				
Flat Rates	380,224	380,224	17,167	397,391
Metered Water Sales	0	0	0	0
Fire Protection	2,466	2,466	111	2,577
Subtotal	382,690	382,690	17,278	399,968
<u>OPERATING EXPENSES</u>				
615 Purchased Power	19,500	19,500		19,500
618 Other Volume Related Expenses	8,418	8,418		8,418
630 Employee Labor	31,000	31,000		31,000
640 Materials	3,233	3,233		3,233
650 Contract Work - General	27,194	27,194		27,194
660 Transportation Expenses	12,035	12,035		12,035
664 Other Plant Maintenance	13,029	13,029		13,029
670 Office Salaries	11,750	11,750		11,750
671 Management Salaries	20,000	20,000		20,000
674 Employee Pensions & Benefits	7,619	7,619		7,619
676 Uncollectibles Expense	0	0		0
678 Office Services & Rentals	30,376	30,376		30,376
681 Office Supplies & Expenses	3,130	3,130		3,130
682 Professional Services	7,363	7,363		7,363
684 Insurance	11,750	11,750		11,750
688 Regulatory Commission Expense	10,203	10,203	113	10,316
689 General Expenses	2,048	2,048		2,048
Subtotal	218,649	218,649	113	218,761
Depreciation	35,284	35,284	2,517	37,801
Taxes Other than Income Taxes	11,736	11,736	1,052	12,788
Income Taxes	35,198	35,198	0	41,234
TOTAL DEDUCTIONS	300,866	300,866	3,682	310,585
NET REVENUE	81,824	81,824	13,596	89,383
<u>RATE BASE</u>				
Average Plant	1,317,332	1,317,332	93,979	1,411,311
Avg. Accumulated Depreciation	619,172	619,172		619,172
Net Plant	698,160	698,160		792,139
Less Advances	0	0		0
Contributions	0	0		0
Plus Working Cash	0	0		0
Materials & Supplies	5,926	5,926		5,926
Rate Base:	704,086	704,086		798,065
RATE OF RETURN	11.62%	11.62%		11.20%

END OF APPENDIX A

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APPENDIX B (Page 1/4)

AGATE BAY WATER COMPANY, INC.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a monthly basis.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES

Quantity Rate:

For all water, per 100 cubic feet	\$1.79
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Service Charge:

	<u>Per Meter Per Month</u>
For 3/4-inch meter	\$32.20
For 1-inch meter	\$53.69
For 1 1/2-inch meter	\$107.36
For 2-inch meter	\$171.78

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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AGATE BAY WATER COMPANY, INC. Schedule No. 2A ANNUAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished on an annual basis.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES

For a single family residential unit, including premises, for residential use, payable in advance on or before January 1 of each year.

For ¾-inch service connection	\$651.29
For 1-inch service connection	\$754.19
For 1 ¼-inch service connection	\$796.15
For 1 ½-inch service connection	\$837.78
For 2-inch service connection	\$927.14
For additional buildings on the same premises and served from the same service connection	\$452.49

SPECIAL CONDITIONS

For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum metered charge for the same period shall be made on or about that same day.

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AGATE BAY WATER COMPANY, INC.
Schedule No. 2AL
LIMITED ANNUAL FLAT RATE SERVICE

APPLICABILITY

Applicable to flat rate service only to the Sun Club furnished on an annual basis.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES

Annual Flat Rate

Recreation Private Club use, five services plus one swimming pool, payable in advance on or before January 1 of each year	\$2,002.31
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SPECIAL CONDITIONS

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum metered charge for the same period shall be made on or about that same day.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

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AGATE BAY WATER COMPANY, INC.
Schedule No. 4
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to water service furnished for private fire protection systems and to private fire hydrants.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES

	<u>Per Month</u>
For each inch of diameter of service connection	\$13.52

SPECIAL CONDITIONS

1. The facilities for service connection to a privately-owned fire protection system will be installed by the utility or under the utility's direction and the cost paid by the applicant. Such cost shall not be subject to refund. The facilities paid for will be the sole property of the applicant.
2. The minimum diameter for fire protection services will be 4 inches. A customer who has a private fire protection service connection less than the minimum 4 inches is exempt from the minimum diameter size of 4 inches if the installation has been approved by the local fire department. The maximum diameter will not be larger than the diameter of the water main to which the service is connected.
3. If a main of adequate size to serve a private fire protection system in addition to all other normal service does not exist adjacent to the premises to be served, then a new main from the nearest existing main of adequate capacity will be installed by the utility and the cost paid by the applicant. Such cost shall not be subject to refund. The main where located in the public right-of-way or utility easement will be the sole property of the utility.

END OF APPENDIX B

AGATE BAY WATER COMPANY, INC.

ADVICE LETTER NO. 38 SERVICE LIST

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