STATE OF CALIFORNIA EDMUND G. BROWN JR., Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

March 8, 2016

Proposed Resolution W-5084

Agenda ID: 14711

To: All Interested Persons

Enclosed is Proposed Resolution W-5084 of the Division of Water and Audits, which authorizes California Hot Springs Water and Sewer Company a general rate increase producing additional annual revenues of $8,799, or 91.64%, for water services and $9,469, or 98.61%, for sewer services for Test Year 2015. Proposed Resolution W-5084 is scheduled to appear on the **April 7, 2016** Commission Meeting Agenda (ID#14711).

The Commission may act on this resolution or it may postpone action until later. When the Commission acts on a proposed resolution, the Commission may adopt all or part of the proposed resolution, as written, or amend or modify the proposed resolution; or the Commission may set the proposed resolution aside and prepare a different resolution. Only when the Commission acts does the resolution become binding.

Interested persons may submit comments on Proposed Resolution W-5084 via email to Water.Division@cpuc.ca.gov on or before **March 28, 2016**. **Please reference "Proposed Resolution W-5084" in the subject line.**

Interested persons must also serve a copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits. If email is unavailable, please submit comments to:

California Public Utilities Commission
Division of Water and Audits
505 Van Ness Avenue
San Francisco, CA 94102

Comments should focus on factual, legal, technical errors, or policy issues in the proposed resolution.

Persons interested in receiving comments submitted may contact the Division of Water and Audits at Water.Division@cpuc.ca.gov or (415) 703-1133. Please reference "Proposed Resolution W-5084."

/s/RAMI S. KAHLON
Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Proposed Resolution W-5084
Certificate of Service
Service List

PROPOSED RESOLUTION

AGENDA ID #14711

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS **RESOLUTION W-5084**
Water and Sewer Advisory Branch **April 7, 2016**

R E S O L U T I O N

(RES. W-5084) CALIFORNIA HOT SPRINGS WATER AND SEWER COMPANY. ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUES OF $8,799, AN INCREASE OF 91.64% FOR WATER SERVICES AND $9,469, AN INCREASE OF 98.61% FOR SEWER SERVICES FOR TEST YEAR 2015.

SUMMARY

By Advice Letter 15-W and Advice Letter 10-S, filed on April 15, 2015, California Hot Springs Water and Sewer Company requests increases of $12,263, or 127.7% over annual gross revenue for water service, and $12,263, or 127.7% over annual gross revenue for sewer service for Test Year 2015. California Hot Springs Water and Sewer Company also requests establishment of a water Facilities Fee and a water and sewer Late Fee, and requests increasing the water Reconnection Fee.

For Test Year 2015, this Resolution authorizes an increase of $8,799, or 91.64% over revenues earned under current rates for water service, and an increase of $9,469, or 98.61% over revenues earned under current rates for sewer service. These increases are estimated to provide a Rate of Margin of 21.34%. This Resolution also authorizes Facilities Fees of $3,000, $5,000, and $7,500, for 5/8″ x ¾,″ ¾,″ and 1″ water meters, respectively, and Late Fees of 1.5 % for unpaid water and sewer service balances. Lastly, this Resolution authorizes an increase of 50% for Reconnection Fees, resulting in rates of $15 and $23 for reconnection of water and sewer service during working and nonworking hours, respectively.

BACKGROUND

By Advice Letter (AL) 10-S and AL 15-W, California Hot Springs Water and Sewer Company (CHS), a Class D water and sewer utility, has requested authority under Rule 7.6.2 of General Order (G.O.) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the

Public Utilities Code to increase revenue for water service by $12,263, or 127.7%, and to increase sewer service by $12,263, or 127.7%, over current rates for Test Year (TY) 2015.

The last General Rate Case (GRC) for CHS became effective on February 2, 2012, pursuant to Resolution W-4901, which authorized an increase in revenues of $8,118 or 83.46% for water services, and $8,784 or 90.31% for sewer services. Due to unreliable water use data, in W-4901, the Division of Water and Audits (DWA) ordered CHS to implement an interim flat rate and file a Tier 3 Advice Letter (AL) the following year to establish metered rates. CHS neglected to put the interim flat rate in place, but did record water usage for a year. On February 22, 2013, CHS filed AL 14 requesting to implement metered rates. However, CHS filed AL 14 improperly as a petition for modification of W-4901, as opposed to a Tier 3 AL, as directed by the Commission in W-4901. Thus, DWA rejected without prejudice CHS's AL 14 on the basis that AL 14 was filed incorrectly. Following the rejection of AL 14, CHS did not implement the rates approved in W-4901 and CHS did not re-file an AL requesting the implementation of metered rates.

Therefore, the present rates currently charged by CHS became effective on December 30, 2011, by approval of AL 12-W and AL 8-S, which authorized a Consumer Price Index (CPI) rate increase of $291.44 for water services, and $224.36 for sewer services, or 1.5%, over Test Year 1996 rates established in Resolution (Res.) W-4008.

CHS is owned by Ronald Gilbert, who manages and maintains both the sewer and water systems. CHS provides water and sewer service to the community of California Hot Springs and its vicinity, which is located approximately 25 miles southeast of Porterville in Tulare County. CHS's domestic water supply permit states that CHS is a transient non-community system[1]. CHS provides regulated potable water service to 27 service connections, and sewer service to 26 connections. CHS also provides water and sewer service to other properties owned by Mr. Gilbert, who covers the costs of supplying such service to those additional properties.

CHS's water system is supplied by a set of two developed springs, an east set (Springs 01) and a west set (Springs 02). Water from Springs 01 flows into catchment basins, and is subsequently pressurized by a 1.5 HP pump to supply hot water at approximately 120°F to the ratepayers and several other entities. From there, excess water is stored in a wood storage/cooling reservoir. Water stored in the wood reservoir provides cooled water to several connections owned by Mr. Gilbert. Overflow from the wooden

[1] Water Code §116275 defines a transient non-community water system as a non-community water system that does not regularly serve at least 25 of the same persons over six months per year.

reservoir is stored in a PVC storage tank, which provides cooled water to the ratepayers and several other entities. Water from Springs 02 provides hot water at approximately 120°F to properties owned exclusively by Mr. Gilbert.

For CHS's sewer system, a packaged aeration plant is situated at the lowest point in CHS's service territory to collect and treat wastewater. The treated effluent is pumped to a higher elevation and is sprayed on a set of ponds, where the effluent percolates and evaporates. The remaining sludge is hauled off annually to the Tulare County treatment plant.

NOTICE AND PROTESTS

This GRC is an outreach filing[2]. AL 10-S, AL 15-W, and the corresponding workpapers were prepared internally by DWA staff. The proposed rate increase is based on CHS's expenses reported in their 2014 Annual Report, escalated to TY 2015 dollars using inflation factors issued by the Office of Ratepayers Advocates (ORA)[3]. In accordance with G.O. 96-B, CHS properly filed AL 10-S and AL 15-W on April 15, 2015. A notice of the proposed rate increase was mailed to CHS's customers on May 29, 2015.

DWA staff received 10 protests, six phone calls, and several forms from CHS customers. The letters and e-mails protest AL 10-S and AL 15-W on the grounds that (1) the utility did not properly serve or give notice of the advice letter, (2) the analysis, calculations, or data in the advice letter contain material errors or omissions, and (3) the relief requested in the advice letter is unjust and unreasonable.

CHS customers recommend rejection of AL 10-S and AL 15-W for the following reasons:

1) CHS customers were not given sufficient due process since several customers were not notified of the increase;

2) CHS's reported expenses given in their Annual Reports are intermingled with expenses from affiliated companies and do not accurately reflect the cost of service to customers; and

[2] An outreach filing is an AL filing that DWA staff has prepared for a Class D utility. In the event that a Class D utility does not have financial means or the knowledge required to file an AL, DWA staff will draft an advice letter and corresponding workpapers on the utility's behalf and send the draft to the utility for confirmation. Once the utility is in concurrence with the proposed AL, the utility will sign the AL and send it to DWA for analysis. Once DWA has reviewed the AL, DWA will approve the AL, reject the AL, or reject the AL without prejudice.
[3] *See*, ORA December Escalation Memos for 2014

3) CHS customers have severe financial limitations.

Upon review, DWA staff determined that CHS does provide water and sewer service to their affiliated companies, but does not burden ratepayers with the cost of doing so. Additionally, DWA found that CHS included some expenses from their affiliated companies in their Annual Reports, so DWA adjusted CHS's operating expenses accordingly. DWA staff also extended the protest period to allow time for CHS customers to protest. In consideration of CHS customers on limited fixed incomes, DWA staff determined that low-income rates would be extremely difficult due to a small customer base. DWA's proposed rate design balances the financial requirements of CHS with the rate concerns of its customers.

No public meeting was held. DWA staff determined that a public meeting was unnecessary, since no meeting was requested. Nevertheless, DWA staff spoke with multiple CHS customers and encouraged comments and suggestions.

DISCUSSION

The DWA analyzed CHS's operating expenses and investigated CHS's accounts. Appendix A shows CHS's and the DWA's estimated summary of earnings at present, proposed, and recommended rates for TY 2015. Appendix B contains tariff sheets amended to reflect the recommended rates.

In general, DWA escalated the recommended expenses proposed in Resolution W-4901 to TY 2015 dollars, determined the portion of the escalated expenses payable by ratepayers, and verified these estimates against invoices, Annual Reports, and other means of analysis. DWA staff disagreed with several of CHS's requested operating expenses. CHS has been informed of such differences and agrees with DWA's findings.

Operating Expenses

CHS charges 27 ratepayers for water service, and 26 ratepayers for sewer service, as the rest of the connections are owned by Mr. Gilbert and the costs borne by him. The expenses proposed in this resolution reflect the customers' portion of use from CHS's water and sewer systems and not the properties owned by Ronald Gilbert.

In CHS's 2014 Annual Report, CHS reported purchased water expenses of $14,108 for the water system. CHS explained that it cost $14,108 to acquire 6,412,320 gallons of water from an affiliated company in 2014, even though ratepayers only consumed 623,466 gallons in 2014. CHS states that 6,412,320 gallons must be purchased annually in order to pump water constantly from the springs to provide hot water directly from the springs to ratepayers. DWA disagrees with CHS's purchased water expenses. Under CHS's Tariff Schedules filed with the Commission, CHS does not need to supply its customers with hot water directly from the springs. CHS is simply required to provide safe and reliable water to ratepayers. Additionally, pumping water continuously wastes water, uses excessive power, and shortens the life of the pumps used. DWA staff determined that ratepayers should only pay for the portion of water they use and therefore estimates $1,372 for water system's purchased water expense. CHS has been informed of such differences and agrees with DWA's findings.

Similarly, DWA determined that the purchased power expense should reflect the quantity of purchased water consumed. Using CHS's Southern California Edison bills from 2014 and 2014 water consumption data, DWA estimated the portion of the purchased power expense that should be charged to water service ratepayers. DWA estimates purchased power expenses of $305 and $1,949 for the water and sewer systems, respectively.

Operating Revenue and Rate Design

In accordance with the Commission's ratemaking policy adopted by Decision (D.) 92-03-093, two methods are available to determine revenue requirement for Class C and D water utilities, the Rate of Return (ROR) and Return on Margin (ROM) methods.[4] D. 92-03-093 directs DWA to calculate the company's rates and revenue requirement using both of these methods and to recommend the ratemaking method resulting in the greater return.[5] DWA determined that the ROM method produced the higher revenue requirement and therefore recommends that the ROM method be used for CHS' TY 2015 GRC.

[4] The revenue requirement and rates using the ROR method are based on company's rate base and under the ROM method the revenue requirement is based on the company's overall expenses which include operating and maintenance and depreciation expenses, income and other taxes, and an operating margin.
[5] D. 92-03-093, Ordering Paragraph 8.

For 2015, the Division's recommended ROM for a class D water utility is 21.34%.[6] DWA's analysis was therefore based on a ROM of 21.34%. Using this ROM, DWA calculates a revenue requirement of $18,401 and $19,071 for CHS's water and sewer services, respectively.

Water Service

Standard Practice U-7-W (p. 4) provides that Class D utilities are allowed to recover up to 100% of fixed costs in the service charge. However, allocating 100% of the fixed charges to CHS water customers significantly increases minimum monthly bills which will burden low and fixed income customers. By comparison the increase in volumetric charges would be moderate. In order to provide a better balance between fixed charges and volumetric charges, DWA staff recommends that 90% of fixed charges be recovered in the service charge, and 10% be allocated to volumetric charges. We agree. Based on a 90% fixed cost recovery, the water service charge would be $45.91/month for a ¾" metered customer and the volumetric charge would be $3.74/CCF.

CHS's current rate structure for water service consists of two tariff schedules: Schedule No. 1, Metered Service, and Schedule No. UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee. At DWA's recommended rates shown in Appendix B, the monthly water bill for an average metered customer will increase from approximately $29.81 to $57.14, which is an increase of $27.33, or 91.7%. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

AL 15-W also requests the establishment of Schedule No. F, Facilities Fees. For a 5/8" x 3/4", 3/4", and 1" meter, AL 15-W requests Facilities Fees of $3,000, $5,000, and $7,500, respectively. Such fees are reasonable and comparable to other nearby Class D utilities.

In addition, AL 15-W requests a late fee of $30.00 on unpaid balances. After AL 15-W was filed on April 15, 2015, CHS requested that the late fee be changed to 1.5% of the unpaid balance. DWA staff finds CHS's requested modification reasonable.

[6] Division of Water and Audits' March 12, 2015, memorandum regarding Rates of Return and Rates of Margin for Class C and D Water Utilities: http://www.cpuc.ca.gov/NR/rdonlyres/B0B16EBF-3955-4C03-BDE7-C74A83462991/0/2015DWAMemoROR.pdf.

Lastly, CHS requested that the Rule 11, Section C, Restoration of Service, be modified to increase the reconnection fee from $10.00 during working hours and $15.00 during non-working hours, to $250.00. Since many CHS customers are seasonal customers, DWA staff found CHS's requested increase unjust and unreasonable. Since the reconnection fees became effective April 7, 1997, DWA staff proposes escalating the reconnection fees to TY 2015 dollars, resulting in fees of $15.00 and $23.00 for working and non-working hours, respectively. CHS has been informed of such differences and agrees with DWA's recommendation.

Sewer Service

CHS bills sewer service as a flat rate to its customers since no meters for sewer service are in place. At DWA's recommended rates shown in Appendix B, the monthly sewer bill for an average metered customer will increase from approximately $36.24 to $61.13, which is an increase of $24.89, or 68.7%. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

Like CHS's water services, CHS's current rate structure for sewer service consists of two tariff schedules: Schedule No. 1, General Residential Service, and Schedule No. UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee. DWA's recommended rates will result in changes to Schedule No. 1 as given in Appendix B.

AL 10-S also requests a late fee of $30.00 on unpaid balances. CHS requested that the late fee be changed to 1.5% of the unpaid balance after AL 10-S was initially filed. DWA staff finds CHS's requested modification reasonable.

Lastly, in order to bring CHS's sewer service in compliance with CPUC standards, CHS should update its sewer tariff book with all the necessary rules to meet current commission standards.

SAFETY, COMPLIANCE, AND WATER CONSERVATION

User Fees

CHS is up to date on its User Fee payments to the CPUC.

Water System

In accordance with the California Code of Regulations, Sections 64400 and 64401.85, CHS is defined as a Transient Non-Community Water System, which is not required by law to be operated by a certified operator. Additionally, since CHS is a transient water system, potable water supplied by CHS must be tested for secondary constituents, such as alkalinity and hardness, only once. The State Water Resources Control Board's (SWRCB) Division of Drinking Water (DDW) mandates that CHS must test its potable water for nitrite every three years and nitrate annually. DDW also mandates that CHS must submit a water sample every quarter to test for Total Coliform and E. coli bacteria. DWA staff contacted DDW and DDW staff reported that CHS's potable water supply meets nitrate, nitrite, and bacteriological standards.

Sewer System

On November 18, 1997, SWRCB issued Water Quality Order No. 97-10-DWQ, outlining general waste discharge requirements for discharges to land by small domestic wastewater treatment systems. On March 8, 2011, CHS submitted an application requesting coverage of its discharge under 97-10-DWQ. SWRCB approved CHS's request and sent CHS a Notice of Applicability on May 23, 2011.

The Notice of Applicability issued by SWRCB states that in accordance with Order 97-10-DWQ, CHS must monitor its activated sludge systems and aerated pond systems. For influent monitoring for both systems, CHS must submit flow rates (gals/day) daily, and 20°C BOD5 results (mg/l) and total suspended solids test results (mg/l) monthly. For effluent monitoring for both systems, CHS must submit 20°C BOD5 results (mg/l), total suspended solids test results (mg/l), nitrate results (mg/l), total nitrogen results (mg/l), and total coliform results (MPN/100 ml), all on a weekly basis.

DWA staff contacted the California Regional Water Quality Control Board (RWQCB) on June 23, 2015. RWQCB staff reported that CHS has not been complying with the requirements of 97-10-DWQ. Additionally, at the time, RWQCB reported that CHS had

not hired a certified operator to oversee the sewer system, even though CHS is required to do so.

As of October 2015, CHS complied with RWQCB wastewater testing requirements. Additionally, CHS has hired a Grade 3 Treatment Operator to oversee the sewer system. CHS estimates that under the RWQCB 97-10-DWQ requirements, their operating expenses will increase by approximately $37,268 per year for wastewater testing costs, transportation costs, clerical labor, field labor, and treatment operator expenses.

In accordance with Standard Practice U-27-W (pages 4-5), CHS may file a Tier 1 AL to request an expense offset[7]. Under the items eligible for recovery through an expense offset, CHS should file a Tier 1 Advice Letter to request an expense offset for labor and treatment operator expenses associated with RWQCB wastewater testing requirements.

Similarly, in order to recover wastewater testing costs, DWA staff recommends that CHS record the wastewater testing costs in the Water Quality Balancing Account. When the balance in the account exceeds 2% of the most recently authorized revenue requirement, CHS may file a Tier 1 AL to implement a surcharge on its sewer rates to recover the costs incurred in the balancing account.

Water and Sewer System Infrastructure and Service Quality

CHS's water and sewer plants have fully depreciated. Nevertheless, based on DWA staff's field inspection, CHS's piping infrastructure meets General Order 103-A standards.

CHS does not meet General Order 103-A's Telephone Performance Standards, as outlined in Section VIII (3). CHS does not have emergency telephone access, after-hours access, or a message recording device for customers. DWA staff recommends that CHS purchase an answering machine and provide a phone number to CHS customers in the event of an emergency.

[7] Standard Practice U-27-W (p. 3-5) defines an expense offset as a change in rates that allows a utility to pass on to the customers changes in certain costs that are considered to be beyond the utility's control and that are in the public interest to allow the utility to recover. Categories of expenses that are eligible to be offset include, for all water and sewer system utilities, are purchased power, purchased water, and groundwater extraction charges (pump taxes). In addition, Class C and D utilities may request an expense offset for employee labor, payroll taxes, and unanticipated repair costs. Lastly, only Class D utilities are eligible to request an expense offset for a portion of contract work used for the operation and maintenance of plant facilities.

Several CHS customers reported that the water pressure and temperature are insufficient and inconsistent. CHS protests stated that the water pressure drops frequently and the current water pressure would be insufficient in the event of a fire. As DWA staff recommended in Resolution W-4901, CHS should hire a consultant to provide an assessment of upgrades to its water plant in order to provide reliable and safe service. CHS should record costs incurred with the consultant under its Contract Labor Memorandum Account[8]. When the balance exceeds 2% of the most recently authorized revenue requirement, CHS should file a Tier 3 AL to request amortization of the Contract Labor Memorandum Account. When CHS files for amortization of this expense, CHS shall have the burden of proving that: (1) the costs recorded in the memorandum account have not been recovered through otherwise authorized rates; (2) recovery of the types of costs recorded in the account is appropriate; (3) the utility acted prudently when it incurred these costs; and (4) the level of costs is reasonable.

Water Supply and Conservation

Despite the drought, CHS has an adequate supply of water. Ronald Gilbert stated that for the past several years, CHS has been receiving a consistent volume of water from the springs.

In light of the drought, on May 7, 2015, the CPUC issued Resolution W-5041, Resolution Ordering Water Utility Compliance with the Restrictions Set Forth Herein to Achieve a 25% Reduction in Potable Urban Water Use Consistent with Restrictions Imposed by the State Water Resources Control Board's Resolution No. 2015-0032, Adopted May 5, 2015. Resolution W-5041 orders Class D utilities to take one or more of the following actions to achieve a 25% reduction in potable water consumption relative to the amount consumed in 2013:

- *Limit outdoor irrigation of ornamental landscapes or turf with potable water by the persons it serves to no more than two days per week; or*
- *Implement another mandatory conservation measure or measures (e.g. file Tariff Rule 14.1 and add Schedule 14.1;*
  And
- *Shall submit a report by December 15, 2015 to the Water Board, on a form provided by the Board that includes:*

[8] W-4467, effective April 28, 2004, authorizes Class C and D water and sewer utilities to establish a memorandum account to track unanticipated changes, beyond the utility's control in contract work that is for operation and maintenance of the plant facilities.

(2) Total potable water production, by month, from June through November 2015 and total potable water production, by month, for June through November 2013.

CHS's customers are primarily seasonal users that use little to no water for outdoor irrigation. Therefore, in order to comply with Resolution W-5041, DWA staff recommends that CHS file Tariff Rule 14.1 and add Schedule 14.1 to CHS's water tariff schedules, and submit a report to the SWRCB stating total potable water production by month from June to November for both 2013 and 2015.

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, the draft resolution was mailed to the utility, all protestants, and those requesting service, and made available for public comment on March 8, 2016.

FINDINGS

1. The Summary of Earnings (Appendix A) recommended by the Division of Water and Audits is reasonable and should be adopted.

2. California Hot Springs Water and Sewer Company agrees with the Division of Water and Audits' recommended Summary of Earnings (Appendix A).

3. The rates (Appendix B) recommended by the Division of Water and Audits are reasonable and should be adopted.

4. California Hot Springs Water and Sewer Company agrees with the Division of Water and Audits' recommended rate designs (Appendix B).

5. The late fees and facilities fees (Appendix B) recommended by the Division of Water and Audits are reasonable and should be adopted.

6. California Hot Springs Water and Sewer Company agrees with the Division of Water and Audits' recommended late fees and facilities fees (Appendix B).

7. The Division of Water and Audits' recommended reconnection fees and adoption of sewer rules are just and reasonable.

8. The quantities (Appendix D) used to develop the recommendations of the Division of Water and Audits are reasonable and should be adopted.

9. The water and sewer rate increases authorized herein are justified and the resulting rates are just and reasonable.

10. California Hot Springs Water and Sewer Company should hire a consultant to provide the Company with an assessment of upgrades to its water plant in order to provide reliable service. CHS should record costs incurred with the consultant under its Contract Labor Memorandum Account and file a Tier 3 Advice Letter requesting to implement a surcharge to recover the costs incurred in the Contract Labor Memorandum Account.

11. California Hot Springs Water and Sewer Company is complying with Water Quality Order 97-10-DWQ issued by the California Regional Water Quality Control Board. As a result, California Hot Springs Water and Sewer Company estimates that its sewer system expenses will increase by approximately $37,268 annually.

12. In order to recover the increase in sewer system expenses due to compliance with Water Quality Order 97-10-DWQ, California Hot Springs Water and Sewer Company should file a Tier 1 Advice Letter requesting an expense offset for associated employee labor costs and contract labor costs related to the operation and maintenance of the sewer system. Similarly, in order to recover wastewater testing costs associated with Water Quality Order 97-10-DWQ, California Hot Springs Water and Sewer Company should record all testing costs in the Water Quality Balancing Account.

13. In light of the ongoing drought, California Hot Springs Water and Sewer Company should file a Tier 2 Advice Letter to request to add Rule 14.1 and/or Schedule 14.1 to its tariffs.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to California Hot Springs Water and Sewer Company to file a supplemental Advice Letter with the revised water and sewer rate schedules attached to this Resolution as Appendix B and concurrently cancel its presently effective rate Schedules: Schedule No. 1 (Water), Metered Service, and Schedule No. 1 (Sewer), General Residential Service. The effective date of the revised schedules shall be five days after the date of filing.

2. Authority is granted under Public Utilities Code Section 454 to California Hot Springs Water and Sewer Company to file a supplemental Advice Letter with the new water late fee schedule, the new water facilities fee schedule, and the new sewer late fee schedule. The new schedules are attached to this Resolution as Appendix B. The effective date of the schedules shall be five days after the date of filing.

3. Authority is granted under Public Utilities Code Section 454 to California Hot Springs Water and Sewer Company to file a supplemental Advice Letter adding all the applicable sewer rules to the sewer tariff schedules. The effective date of the 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 a conference of the Public Utilities Commission of the State of California held on April 7, 2016; the following Commissioners voting favorably thereon:

_____
TIMOTHY J. SULLIVAN
Executive Director

PROPOSED RESOLUTION

Resolution W-5084 **April 7, 2016**
DWA

APPENDIX A
CALIFORNIA HOT SPRINGS WATER AND SEWER COMPANY

Summary of Earnings – Test Year 2015

		Utility Estimated Rates		Branch Estimated Rates		
		Present	Requested	Water and Sewer Present	Water Recommended	Sewer Recommended
	OPERATING REVENUE					
	Metered Rate Water Sales	9,602	21,865	9,602	18,401	0
	Flat Rate Sewer Sales	9,602	21,865	9,602	0	19,071
	Subtotal	19,204	43,730	19,204	18,041	19,071
	OPERATING EXPENSES					
610	Purchased Water	13,925	13,925	1,372	1,372	0
615	Purchased Power	5,216	5,216	2,253	305	1,949
618	Other Volume Related Expenses	148	148	365	32	333
630	Employee Labor	0	0	0	0	0
640	Materials	1,393	1,393	1,455	728	728
650	Contract Work - General	0	0	697	349	349
	Water Testing	0	0	2,384	1,192	1,192
660	Transportation Expenses	2,725	2,725	1,405	702	702
664	Other Plant Maintenance	3,067	3,067	1,049	543	506
670	Office Salaries	0	0	0	0	0
671	Management Salaries	0	0	8,000	4,000	4,000
674	Employee Pensions & Benefits	0	0	0	0	0
676	Uncollectibles Expense	1,438	1,438	1,438	719	719
678	Office Services & Rentals	0	0	0	0	0
681	Office Supplies & Expenses	1,148	1,148	367	183	183
682	Professional Services	0	0	927	463	463
684	Insurance	871	871	2,562	1,281	1,281
688	Regulatory Commission Expense	3,604	3,604	3,149	1,575	1,575
689	General Expenses	118	118	605	302	302
	Subtotal	33,652	33,652	28,028	13,747	14,282
	Depreciation	0	0	0	0	0
	Taxes Other than Income Taxes	807	807	807	403	403
	Income Taxes	0	2,090	0	1,318	1,338
	Interest	0	0	0	0	0
	TOTAL DEDUCTIONS	34,459	36,549	28,835	15,468	16,023
	NET REVENUE	-15,255	7,181	-9,631	2,933	3,048
	RATE BASE					
	Average Plant	62,443	62,443	62,443	62,443	62,443
	Average Accumulated Depreciation	62,443	62,443	62,443	62,443	62,443
	Net Plant	0	0	0	0	0
	Less Advances	0	0	0	0	0
	Contributions	0	0	0	0	0
	Plus Working Cash	4,798	4,798	4,296	2,240	2,056
	Materials & Supplies	0	0	0	0	0
	Rate Base	4,798	4,798	4,296	2,240	2,056
	RATE OF MARGIN	-45.33%	21.34%	-34.36%	21.34%	21.34%

END OF APPENDIX A

APPENDIX B (Page 1/4)
CALIFORNIA HOT SPRINGS WATER AND SEWER COMPANY

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	$3.74

Service Charge:

Per meter per month

For 5/8x3/4-inch meter	$30.61
For 3/4-inch meter	$45.91
For 1-inch meter	$76.52

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

SPECIAL CONDITIONS

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

(cont.)

APPENDIX B (Page 2/4)
CALIFORNIA HOT SPRINGS WATER AND SEWER COMPANY

Schedule No. 1

GENERAL RESIDENTIAL SERVICE

APPLICABILITY

Applicable to General Residential Sewer Service.

TERRITORY

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

RATES

	Per Service Connection Per Month
For a single family residence	$61.13

SPECIAL CONDITIONS

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

(cont.)

APPENDIX B (Page 3/4)
CALIFORNIA HOT SPRINGS WATER AND SEWER COMPANY

Schedule No. LC

LATE PAYMENT CHARGE

APPLICABILITY

Applicable to all metered service.

TERRITORY

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

RATES

Late Charge: A late charge of 1.5% times the unpaid balance is subject to special conditions below.

SPECIAL CONDITIONS

1. The balance is unpaid and subject to a late charge if the bill is past-due, or delinquent, as defined in Rule No. 11, Section B.1.a.

2. The late charge should be imposed only once on a delinquent bill since the account would be shut-off before a subsequent bill and then subject to the reconnection fee as authorized by Tariff Rule No. 11.

3. All bills shall be subject to the reimbursement fee as set forth on Schedule No. UF.

(cont.)

APPENDIX B (Page 4/4)
CALIFORNIA HOT SPRINGS WATER AND SEWER COMPANY

Schedule No. F

FACILITIES FEE

APPLICABILITY

Applicable to all customers applying for service from the utility in the territory served not previously connected to its distribution mains, not disconnected for more than ninety days, or for additional service connections to existing premises, and for increase in size or change in use. The Utility may waive facilities fees for new connections not yet installed for which service has been committed by the Utility prior to the effective date of Schedule No. F.

TERRITORY

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

RATES

Initial Fee for each Service Connection	
For 5/8 x 3/4 inch meter	$3,000
For 3/4 inch meter	$5,000
For 1 inch meter	$7,500

SPECIAL CONDITIONS

1. Facilities Fees are payable in addition to and do not limit any charges for extension of mains that may be required under Rule 15, Main Extensions.

2. Payments made under this schedule are not subject to reimbursement as set forth in Schedule No. UF.

3. Facilities Fees shall be deposited within ten days of receipt in a separate interest bearing bank account.

4. Facilities Fees shall be treated as contributions in aid of construction and follow the requirements as specified in Internal Revenue Code Section 118 to qualify as such.

5. When actually used, Facilities Fees shall be accounted for as contributions in aid of construction in accordance with the Commission's prescribed Uniform System of Accounts. The plant constructed with Facilities Fees shall be excluded from rate base for rate making purposes.

6. The Utility shall annually report Facilities Fees collected, utilized, and the remaining account balance, including interest. This report shall accompany the submission of the Utility's Annual Report.

END OF APPENDIX B

APPENDIX C
CALIFORNIA HOT SPRINGS WATER AND SEWER COMPANY

Comparison of Rates – Test Year 2015

METERED WATER SERVICE

Per meter per month

	Present Rates	Staff Recommended Rates	Percent Increase
For 5/8x3/4-inch meter	$17.26	$30.61	77.33%
For 3/4-inch meter	$25.88	$45.91	77.40%
For 1-inch meter	$43.04	$76.52	77.79%

WATER QUANTITY RATES

All water, per 100 cu. ft.

Present Rates	Staff Recommended Rates	Percent Increase
$1.31	$3.74	185.65%

FLAT RATE SEWER SERVICE

Per connection per month

Present Rates	Staff Recommended Rates	Percent Increase
$36.24	$61.13	68.67%

Comparison of a monthly typical bill for residential metered customer with a 3/4" meter and flat rate sewer service is shown below at current rates and recommended rates for TY 2015.

Usage (Ccf)	Present Rates	Staff Recommended Rates	Percent Increase
0	$62.12	$107.04	72.31%
1	$63.43	$110.78	74.65%
2	$64.74	$114.52	76.89%
3 (Avg)	$66.05	$118.26	79.05%
4	$67.36	$122.00	81.12%
5	$68.67	$125.75	83.12%

END APPENDIX C

PROPOSED RESOLUTION

Resolution W-5084 **April 7, 2016**
DWA

APPENDIX D (Page 1/2)
CALIFORNIA HOT SPRINGS WATER AND SEWER COMPANY

Adopted Quantities – Test Year 2015

		Water Per Year	Sewer Per Year
1.	**Purchased Power**		
	Southern California Edison		
	Quantity (kWh):	1,421	5,270
	Average Cost ($/kWh):	$0.21434	$0.36973
	Total Purchased Power:	$305	$1,949
2.	**Purchased Water**	$1,372	$0
3.	**Payroll**		
	Employee Labor:	$0	$0
	Office Salaries:	$0	$0
	Management Salaries:	$4,000	$4,000
4.	**Payroll Taxes**	$0	$0
5.	**Property Taxes**	$403	$403
6.	**Service Connections**		

General Water Metered Sizes	Number of Connections
5/8 x 3/4" meters:	0
3/4" meters:	27
1" meters:	0
1-1/2" meters:	0
Total Metered:	**27**

General Sewer Service	Number of Connections
Per Connection per month	**26**

7.	**Water Sales (CCF)**	942.16	0

(cont.)

APPENDIX D (Page 2/2)
CALIFORNIA HOT SPRINGS WATER AND SEWER COMPANY

Adopted Quantities – Test Year 2015

		Water	Sewer
1.	Operating Revenue	$18,401	$19,071
2.	Operating Expenses	$13,747	$14,282
3.	Property Taxes	$403	$403
4.	Payroll Taxes	$0	$0
5.	Depreciation	$0	$0
6.	Taxable Income for State Tax	$1,098	$4,386
7.	State Tax ($800 minimum)	$800	$800
8.	Taxable Income for FIT	$3,451	$3,586
9.	Federal Income Tax	$518	$538
10.	Total Tax	$1,721	$1,741

Federal Tax Rate: 15% for 1st $50,000 of Taxable Income
25% for next $25,000 of Taxable Income
34% for next $25,000 of Taxable Income
39% for next $235,000 of Taxable Income

State Tax Rate: 8.84%

END APPENDIX D

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-5086 on all parties in these filings or their attorneys as shown on the service list.

Dated March 8, 2016 at San Francisco, California.

/s/DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, 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.

CALIFORNIA HOT SPRINGS WATER AND SEWER COMPANY
ADVICE LETTER NO. 15-W & 10-S SERVICE LIST

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Safe Drinking Water Program
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Sacramento, CA 95899-7377

CA Regional Water Quality Control Board
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Fresno, CA 93706

California Hot Springs Water Co.
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