

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 24, 2020

Proposed Resolution W-5217

Agenda ID: 18194

To: All Interested Persons

Enclosed is Proposed Resolution W-5217 of the Water Division, which authorizes Bakman Water Company a general rate increase producing an additional annual revenue of \$899,091 or 40.00%, for Test Year 2019 to be paid by the Ratepayers. Proposed Resolution W-5217 is scheduled to appear on the March 26, 2020 Commission Meeting Agenda (ID# 18194).

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-5217 via email to Water.Division@cpuc.ca.gov on or before **March 16, 2020**. Please reference **"Proposed Resolution W-5217"** 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 Water Division. If email is unavailable, please submit comments to:

California Public Utilities Commission
Water Division
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 Water Division at Water.Division@cpuc.ca.gov or (415) 703-1133. Please reference "Proposed Resolution W-5217."

/s/ BRUCE DEBERRY

Bruce DeBerry, Program Manager
Water Division

Enclosures: Proposed Resolution W-5217
Certificate of Service
Service List

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Agenda ID #18194 (Rev. 1)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5217

March 26, 2020

RESOLUTION

**(RES. W-XXXX) BAKMAN WATER COMPANY, INC. ORDER
AUTHORIZING A GENERAL RATE INCREASE
PRODUCING AN ADDITIONAL ANNUAL REVENUE OF
\$886,707 OR 39.45%, FOR TEST YEAR 2019.**

SUMMARY

By Advice Letter (AL) 94-W, filed on June 25, 2019, Bakman Water Company (BWC) seeks a general rate increase producing additional annual revenues of \$899,091, or 40.00%, to recover increased operating expenses and earn an adequate return on margin over current rates.

This Resolution grants Bakman an increase in gross annual revenues of \$886,707 or 39.45%, for Test Year (TY) 2019, which is estimated to provide a Rate of Margin (ROM) of 21.60%.

BACKGROUND

Bakman has requested authority under General Order (GO) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by \$899,091 or 40.00% for TY 2019 which is estimated to provide a ROM of 21.86%.

The last general rate increase was granted on May 3, 2007 by Commission Resolution (Res.) W-4640, which authorized a rate increase of \$419,548, or 37.80%, resulting in a ROM of 23.00% for TY 2007. The present rates became effective on July 12, 2019, by Advice Letter 95-W, which authorized a 2018 Consumer Price Index (CPI) rate increase of \$29,037, or 1.90%.

Bakman is a Class B water utility which provides domestic water service to 97 flat rate connections and 2,528 metered customers. Bakman also provides private and public fire

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protection water service to 181 and 171 fire hydrants, respectively. The Bakman service territory is located approximately 1.5 miles east of the City of Fresno in Fresno County.¹ California Assembly Bill 2572 (AB-2572), effective September 29, 2004, requires water utilities to install water meters on all customer connections by January 2025. Bakman is in the process of converting the 97 flat rate connections to metered and intends to meet the January 2025 deadline.

The system began its operations in the 1940s to serve seasonal and annual residents in the Subdivision. In 1953, when Bakman was granted a Certificate of Public Convenience and Necessity, the system's 20 customers were served by two wells through 2-inch and 4-inch mains. The system now includes approximately 366 feet of two-inch mains, 40,326 feet of 4-inch mains, 5,340 feet of 6-inch mains, 2,112 feet of 8-inch mains, 40 feet of 10-inch mains, and 5,925 feet of 12-inch mains.

Bakman obtains its water from a groundwater basin that is not adjudicated or restricted. The system has a total of 12 wells with five currently active and seven on standby. The active wells are Well #4A, 7, 8, 12, and 16 while the standby wells are Well #8A, 9, 10, 11, 13A, 14, and 15A. Wells #1, #2, #6, and #13 are inactive sources but locked out from the distribution system. Bakman has retained the wells due to possible redevelopment in the future.

In the system's current configuration, the total capacity of the system is 4,510 gallons per minute (gpm) with an additional 4,737 gpm including standby sources.² The system is able to meet the maximum day demand (MDD) of approximately 4,125 gpm on active sources alone. California Water Works Standards require a system supplying more than 1,000 service connections must be able to meet four hours of peak hour demand (PHD) using active sources, standby sources, and storage.³ The system is able to meet the calculated PHD of 6,187 gpm utilizing active and standby sources.⁴

Commission Res. W-5184, issued on January 31, 2019, granted Bakman the authority to acquire the Rolling Hills Water System (Rolling Hills) and related assets under the

¹ This excludes Bakman's recent acquisition of the Rolling Hills Water System. See Commission Res. W-5184.

² Per SWRCB, standby sources can only be utilized in emergency situations and only for up to 15 days per year.

³ See California Code of Regulations (CCR) Title 22 § 64554.

⁴ The MDD and PHD were estimated by SWRCB using peaking factors.

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terms and conditions set forth in the October 23, 2018 Asset Purchase and Sale Agreement (APSA) between Bakman and Madera County and to add the new district, Rolling Hills, to its utility service tariffs. The Rolling Hills distribution system serves approximately 361 lots and consists of two supply sources: Wells #2 and #3. The system also utilizes a 330,000 gallon storage tank equipped with booster pumps. Well #3 supplies water to an Arsenic Treatment Plant.

Under the APSA, Bakman intends to operate Rolling Hills as a separate subsystem until meters are installed with customers subject to a metered rate schedule once the conversion is complete. The estimated completion date for the meter conversion is December 2021.

As specified in the APSA, Bakman is using the agreed upon "Full Purchase Price," which is the sum of the Purchase Price of \$1.00 and the Debt Payoff Payment, approximately \$297,170.93 when the APSA was established, as Rolling Hills' rate base amount. For the purpose of this GRC, the Rolling Hills subsystem is excluded from rate base. In addition, any revenues, expenses, plant and depreciation associated with the Rolling Hills subsystem are excluded.

UTILITY SAFETY

Bakman has several water sources on standby or inactive due to groundwater contamination. The utility is actively implementing water treatment and increased monitoring, reporting, and sampling as required by DDW.

Well #8 produces water with 1,2-Dibromo-3-chloropropane (DBCP) and 1,2,3-Trichloropropane (TCP)⁵ concentrations exceeding Maximum Contaminant Levels (MCL).⁶ Bakman utilizes Granular Activated Carbon (GAC) treatment⁷ to reduce the DBCP to within the MCL. The treated water is then subjected to chlorination treatment

⁵ 1,2,3-TCP is a man-made chlorinated hydrocarbon commonly used as an industrial solvent, cleaner, and degreaser and utilized in the production of paint thinners. TCP is listed by the State of California to be a known carcinogen.

⁶ DBCP was utilized in agriculture as a soil fumigant. Although banned in 1979 due to significant health effects, DBCP continues to persist in contaminated soil and groundwater.

⁷ Granular activated carbon treatment is a process that removes a variety of contaminants from water or air by absorption. GAC treatment is most commonly used to separate organic contaminants.

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and nitrate removal. Nitrate removal is performed using an ion exchange system called the Ionex treatment plant.⁸ Well #8 is the only source in the system to undergo GAC and chlorination treatment and nitrate removal.

Wells #8A, #9, 13A, and 14 were placed on standby in 2018 due to concentrations of TCP exceeding the MCL detected during sampling. Wells #9, #15A, and #16 showed detections for TCP, but were not yet determined to be out of compliance. These were placed on standby in 2019 due to being mechanically down and unable to be sampled. Presently, Well #16 is an active supply source.

On March 19, 2019, the SRWCB Division of Drinking Water (DDW) issued Order No. 03 12 19M 001 1010001 to Bakman requiring testing for Per- and polyfluoroalkyl substances (PFAS), specifically perfluorooctane sulfonic acid (PFOS) and perfluorooctanoic acid (PFOA).⁹ The order was issued due to the utility's proximity with an airport which is known to have used aqueous film forming foams, which contain PFAS, for fire suppression and training. DDW believes that the PFAS migrated to the groundwater aquifers near the airport.

In April 2019, six of Bakman's wells were selected by the DDW as part of its Phase I investigation of PFOA and PFOS contamination in drinking water sources.

Assembly Bill 756 (AB-756), effective July 31, 2019, granted DDW the authority to order a public water system to monitor for PFOA and PFOS. In August 2019, DDW established notification levels for PFOA and PFOS at 5.1 and 6.5 parts per trillion, respectively. With the introduction of more stringent notification levels for PFOA and PFOS, Bakman must do additional testing and sampling to monitor for PFOA and PFOS.

In addition, due to the presence of TCP and DBCP in its system, Bakman has been required to conduct more frequent sampling of its wells to ensure compliance and to monitor contaminant levels. From June through November 2019, DDW required samples of Well #16 every month. Bakman is required to provide annual reports to

⁸ The ion exchange process uses a Strong Base Anion (SBA) resin to capture nitrates from water entering the system.

⁹ PFAS, and subsequently PFOA and PFOS, are man-made substances that have been used in surface coating and protectant formulations. PFAS have been linked to adverse health effects in animals and humans.

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DDW regarding operations, monitoring, and effectiveness of its GAC and Ionex treatment plants.

NOTICE, PROTESTS, AND PUBLIC MEETING

In accordance with GO. 96-B, Bakman served a copy of AL 94-W to its service list on June 27, 2019. A notice of the proposed rate increase and public meeting was mailed to each customer and to the general service list on August 30, 2019.

One customer protest was timely received on Bakman's rate increase request with the utility replying to the protest. The protest contended that the proposed metered rates exceeds the proposed 40% increase, are poorly distributed between meter sizes and puts metered customers at a disadvantage. The customer partially objects to Bakman's rate increase, suggesting that the rate increases need to be revised and distributed fairly.

Bakman, in its responses to the protests, explains that the 40% increase applies to the total gross revenue to offset increased operating expenses and not to a per customer rate increase. Bakman also explains that the proposed increase in gross revenues may impact each customer differently depending on historical and anticipated water consumption.

An informal public meeting was held on September 30, 2019 at 6:00 PM, at Bakman Elementary School located at 588 North Helm Avenue in Fresno, California. The meeting began at 6:00 PM and approximately eight customers attended the meeting. Staff from the WD provided an overview of the Commission's General Rate Case (GRC) process for Class B water utilities and Bakman's representatives provided an overview of its proposed rate increase, the reasoning for the rate increase and identified additional present expenses such as increased power costs and more stringent water testing requirements.

Customers in attendance mainly expressed concerns over the magnitude of the rate increase and the impact on affordability of service for residents in the community that are on a fixed income and/or retired, elderly or physically disabled. Several customers noted the difference in cost as metered customers versus paying flat rate in previous years. Bakman explained that AB 2572 requires meters to be installed on all water service connections by January 1, 2025. In addition, the WD staff explained that currently there is no low-income assistance program offered for customers obtaining

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water service from small water utilities like Bakman, but that the Commission and the State are currently considering various options for developing and providing a statewide low-income assistance program for water service.

In setting rates in this resolution, the WD has balanced the financial requirements of Bakman with the rate concerns of its customers.

DISCUSSION

In reviewing Bakman's rate increase request, the WD made an independent analysis of the utility's rate increase request and its operations. Appendix A provides Bakman's and the WD's estimated Summary of Earnings (SOE) at present, requested and recommended rates, which is further discussed below. Bakman was informed of the differing views of revenues, expenses and rate base, and the company agrees with the WD's recommended revenue requirement and rates shown in Appendix B.

Operating Expenses

The WD reviewed operating revenue and expenses including purchased water, purchased power, employee labor, materials, contract work, transportation expenses, other volume related expenses, other plant maintenance, office and management salaries, office supplies and expenses, insurance, general expense, depreciation, and taxes other than income. The WD verified the operating expenses by reviewing supporting documentation for substantiation and accuracy and included the amounts that were deemed reasonable and prudent.

For materials, transportation, other plant maintenance, office services and rentals, employee pensions and benefits, office supplies and expenses, and general expenses, Bakman used the recorded amounts from 2016 to 2018, escalating each amount to TY 2019 by applying the CPI-U increase for each year, and then taking the three-year average of the escalated amounts. Based on the WD analysis of Bakman's operating expenses, the WD found the company's approach and expense estimates reasonable for the size and complexity of the utility's operations.

Other Volume Related Expenses

Bakman's requested amount of \$76,800 for other volume related expenses stems from the utility incurring costs starting in 2019 related to the operation of Well #8 and the

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GAC and Ionex treatment plants. Historically, Bakman has not recorded costs under this expense. Bakman provided the following cost breakdown:

	Unit Cost	Annual Units	Annual Cost
Salt	\$2,000	12	\$24,000
Bi-weekly Brine Hauling	\$674	60	\$40,440
Chlorine	\$70	48	\$3,360
Carbon Media changeouts	\$18,000	0.5	\$9,000

Salt and chlorine are utilized in the ion exchange process. Brine is a byproduct of the ion exchange process; brine is collected, stored, then removed and disposed of on a bi-weekly basis. Carbon media is utilized in the GAC treatment plant.

The WD toured the GAC and Ionex treatment plants, interviewed personnel on the ion exchange process, and verified that the listed items are necessary for daily operation of the treatment plants. The WD finds the requested amount to be reasonable.

Contract Work

The WD's recommended amount of \$41,624 is lower than Bakman's requested amount of \$44,488 because the utility included brine removal in Contract Work and Other Volume Related Expenses. The utility's requested amount included laboratory testing at \$4,056 and brine removal at \$40,432. Due to increased water testing and sampling as a result of existing contaminants, GAC and Ionex treatment, and revised standards regarding PFAS, Bakman has proposed a revised amount of \$37,568 for laboratory testing. The WD reviewed supporting documentation for these revised costs including invoices, Bakman's 2019 sanitary survey, and DDW issued orders.

Professional Services

Bakman's requested amount of \$100,132 for professional services is based on the following breakdown of accounting, Information Technology (IT), engineering, and communications services:

1. Accounting & Legal – Bakman utilizes two CPA firms which assist with the annual CPUC report, tax planning, and tax returns. Bakman engaged another CPA firm during 2018 to complete the GRC. Legal expenses are primarily

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utilized for contract management and general counsel services on an as needed basis.

2. Information Technology – Bakman employs a third-party networking/IT firm for all of their malware/virus/email protection, network monitoring, data backup, and Voice over IP (VOIP) phone system. Bakman also has service and maintenance contracts for its customer database software and outsources all of its graphic design/website management.
3. Engineering – Engineering work includes water management planning, grant solicitation and writing, water quality feasibility studies, conservation management, infrastructure planning, new construction, hydraulic monitoring and capacity verification. Bakman also consults with an electrical engineer related to SCADA programming, automation, and controls implementation.
4. Communications – Bakman outsources its communications representative who performs customer engagement, public outreach strategies, emergency disaster notification preparation, industry advocacy engagement, and promotional activities.

Bakman utilized the three-year average including escalation method as mentioned earlier but adjusted the 2018 amount from \$216,881 to \$114,889. In its calculations, Bakman removed non-recurring legal and temporary services costs totaling \$89,931 and \$12,061, respectively.

The WD reviewed historical costs for each service category. The WD finds the requested amounts to be reasonable based on the level of service and relative costs of each professional firm.

Regulatory Compliance Expense

For Regulatory Compliance Expense, Bakman requests \$24,910 due to the following fees:

1. SWRCB annual fee - \$4,910
2. Fees incurred for GRC preparation which are being amortized across three years. The total amount is \$27,000 which is \$9,000 per year across the amortization period - \$9,000

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3. Fees incurred on assisting with recording Balancing Account expenses and reporting to the Commission on a semi-annual basis. The estimate also includes future Advice Letter filings for recovery on the Balancing Account - \$4,000
4. Fees associated with CPI-U increase filings - \$1,500
5. Miscellaneous fees. Bakman explains that these are estimated costs for filing additional Advice Letters throughout the year such as the SB 998 and GO 96-B language updates, tax gross-up modifications, and Tax Cuts and Job Act (TCJA) memorandum accounts - \$5,500

The WD reviewed the filings listed in each fee item and the reasonability of the costs incurred for preparation of the different Commission filings. The WD finds the requested amounts to be reasonable.

Employee Labor

Bakman's requested amount of \$251,384 is significantly lower than the recorded 2018 amount of \$352,861. Historically, the Vice President's salary was listed under employee labor but for this GRC, has been reclassified to management salaries. The requested amount includes a 10% reduction of estimated labor associated with the Rolling Hills system.

Office Salaries

Bakman's calculation of office salaries also includes the 10% reduction associated with the Rolling Hills system.

Management Salaries

Bakman has reclassified the Vice President from employee labor to management salaries. The inclusion of the Vice President adds an additional \$78,000 to management salaries expense account.

Insurance

Bakman's requested amount of \$48,500 for its insurance expense is based on estimated quotes provided by the insurance company. Insurance is comprised the following policies: Vehicle, General Liability, Workers' Compensation, Errors and Omissions

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(E&O) and Employee Practices Liability Insurance (EPLI). The WD finds the requested amount to be reasonable.

General Expenses

General expenses increased between 2016 and 2017 from \$64,857 to \$123,227. Bakman attributed the majority of this increase due to the utility's required engagement in the North Kings Groundwater Sustainability Agency (GSA).

The North Kings GSA is a Joint Powers Authority formed in December 2016 through the adoption of a Joint Powers Agreement (JPA) by the following public agencies: Fresno Irrigation District, the County of Fresno, the City of Fresno, the City of Clovis, the City of Kerman, Biola Community Services District, Garfield Water District, and International Water District. Following adoption of the JPA, membership was approved for Bakman.

The North Kings GSA was established as a result of the Sustainable Groundwater Management Act (SGMA) which went into law on September 16, 2014.¹⁰ The SGMA requires governments and water agencies of high and medium priority groundwater basins to implement sustainability plans and to eliminate overdraft. The SGMA also authorizes local agencies to establish GSAs to accomplish and manage basin sustainability and requires GSAs to adopt Groundwater Sustainability Plans (GSP).

The costs for membership and participation in the North Kings GSA began in 2017 and will continue to be an ongoing expense.

Taxes

The WD applied the 2019 corporate tax rates for Federal and State income at 21.00% and 8.84%, respectively. The tax calculations are shown in Appendix D for TY 2019.

Utility Plant and Rate Base

For TY 2019, the WD's analysis of Bakman's rate base estimate included examining utility plant-in-service since the company's last GRC, authorized on May 3, 2007, by

¹⁰ See California Assembly Bill (AB) 1739, California Senate Bill (SB) 1168, and SB 1319.

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Res. W-4640, utility plant additions, materials and supplies, working cash, and depreciation reserve.

Average Plant

Bakman's average plant estimate for TY 2019 is \$10,525,416 includes an estimated addition of \$210,000 to non-depreciable plant as other equipment. The addition is for the installation and operation of SCADA at 10 wells with the amount based on quotes provided to the utility. The WD's analysis included a review of these quotes and any additional documentation provided for substantiation of the project's scope and costs.

Working Cash

The WD's recommended amount of \$183,129 is lower than Bakman's estimated amount of \$183,376 due to the difference in operating expenses between Bakman and the WD's calculations. The working cash is derived by taking the operating expenses and dividing by 12.

Rate of Return vs. Rate of Margin

Commission Decision D.92-03-093, effective April 30, 1992, directed the WD to utilize both the return-on-rate base (ROR) and ROM methods of ratemaking for Class C and Class D water utilities requesting new rates and recommend the ratemaking method that produces the higher revenue requirement.¹¹

The WD's 2019 memorandum for the recommended ROR and ROM for Class C and D water utilities was issued on February 25, 2019. In determining the recommended ROR and ROM for Class C and D water utilities, the WD considered the Class B water utilities' most recent authorized average ROR of 10.07% and average ROM of 21.86%.¹²

Bakman, in its general rate increase request, utilized the ROM method to determine its requested revenue requirement of \$3,146,833 yielding a ROM of 21.86%. Utilizing the ROR method yields a lower revenue requirement of \$2,619,315. Therefore, the WD

¹¹ See Ordering Paragraph 8, D.92-03-093.

¹² The ROR/ROM memorandum can be found at <https://www.cpuc.ca.gov/General.aspx?id=1404>

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recommends the ROM method be used for Bakman’s TY 2019 GRC yielding an ROM of 21.60% and a revenue requirement of \$3,134,434.

Rates and Rate Design

Bakman’s rate structure consists of four rate schedules: Schedule No. 1, General Metered Service, Schedule No. 2, General Flat Rate Service, Schedule No. 4, Private Fire Protection Service and Schedule No. 5, Public Fire Protection Service.

At the recommended ROM, the increase in revenues will be \$886,707 or 39.48% for TY 2019. The rates proposed by the WD are shown in Appendix B. At the recommended rates for TY 2019, a monthly bill for an average residential customer with a 1-inch meter size using 21 centum cubic feet (CCF)¹³ will increase from \$37.19 to \$48.16, or 29.50%. The service charge for a residential customer with a 1-inch meter decreases from \$14.72 to \$13.38, or -9.08%. For an average flat-rate residential customer, an annual bill will increase from \$365.52 to \$508.07, or 39.00%. A comparison of customer bills at present and recommended rates is provided in Appendix C of this resolution.

The Utility Rate Comparison table below provides a monthly rate comparison with nearby water utilities for metered customers and an annual rate comparison for flat-rate customers.

<u>Utility Rate Comparison</u>				
	<u>Metered</u>			<u>Flat Rate</u>
	<u>Monthly Service Charge for 1-inch Service</u>	<u>Quantity Charge For 21 CCF</u>	<u>Annual Total</u>	<u>Annual Total</u>
<u>Utility</u>				
Bakman Water Company	\$ 13.38	\$ 34.78	\$ 577.91	\$ 508.07
City of Fresno	\$ 17.90	\$ 36.54	\$ 653.28	\$ -
Cal Water - Visalia	\$ 25.51	\$ 31.36	\$ 682.45	\$ -
Cal Water - Bakersfield	\$ 42.00	\$ 42.99	\$ 1,019.93	\$ 932.64

Affordability of Proposed Rates

As discussed above at the recommended rates for TY 2019, a monthly customer’s bill for an average residential customer with a 1-inch meter size using 21 CCF will increase

¹³ One CCF is equal to 748 gallons of water.

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from \$37.19 to \$48.16, or 29.50% which is 1.10% of the median household income (MHI) of \$52,629 for Fresno County where Bakman's service area is located. In addition, a *monthly* bill for an average flat-rate residential customer will increase from \$30.46 to \$42.34, or 39.00% which is 0.97% of the MHI for Fresno County.

It should be noted that no affordability criteria has been developed and adopted in any Commission Decision or legislation.¹⁴ However, the Commission adheres to cost-of-service regulatory principles in developing rates for its jurisdictional utilities, and the WD's recommended rates for Bakman are at the minimum required to satisfy the utility's technical, managerial and financial capacity, and operational capability.

COMPLIANCE

The following compliance orders were recently issued by the SRWCB Division of Drinking Water (DDW):

1. Compliance Order No. 03 12 18R 037, issued July 13, 2018 – Bakman failed to comply with the TCP MCL for the 2nd quarter 2018 from Wells #8A and #14. Wells #9 and #13A were also showing concentrations of 1,2,3-TCP. Bakman changed the status of these wells to standby and was returned to compliance.
2. Compliance Order No. 03 12 19C 003, issued January 11, 2019 – Bakman failed to comply with the Total Coliform MCL for November 2018. DDW received laboratory results for 32 bacteriological samples collected during November 2018 from the distribution system. Eight of the 32 samples analyzed were positive for total coliform bacteria.¹⁵ None of the samples showed the presence of *Escherichia coli* (*E. coli*) bacteria.¹⁶ Bakman returned to compliance in December 2018 with the next round of bacteriological monitoring.

¹⁴ The MHI calculation is for informational purposes only.

¹⁵ Total coliforms are a group of bacteria that while generally not harmful to humans can potentially cause health problems if ingested by humans. Total coliforms are used to determine the adequacy of water treatment and integrity of the distribution system.

¹⁶ *Escherichia coli* is a group of bacteria normally found in the intestines. Certain strains can cause food poisoning, pneumonia, and urinary tract infections.

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Currently, there are no outstanding SRWCB DDW compliance orders and Bakman is adhering to all applicable water quality standards and regulations. Bakman has been filing annual reports on-time as required by the Commission.

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 service list, protestants, and made available for public comment on February 24, 2020. No comments were received.

FINDINGS

1. The Summary of Earnings (Appendix A) recommended by the Water Division (WD) is reasonable and should be adopted.
2. The rates recommended by the WD (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the WD's recommendations are reasonable and should be adopted.
4. The water rate increase authorized herein is justified and the resulting rates are just and reasonable.
5. The water served by Bakman Water Company meets all applicable water quality standards set-forth by State Water Resources Control Board, Division of Drinking Water.
6. Bakman should be allowed to file a supplement to Advice Letter No. 94-W to incorporate the revised rate schedules (Appendix B) and to concurrently cancel its presently effective rate schedules.
7. Bakman should be authorized to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected

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revenues from July 12, 2019, the interim rate date, to the effective date of the new rates.

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THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454, for Bakman Water Company to file a supplement to Advice Letter 94-W to incorporate the revised rate schedules attached to this Resolution as Appendix B for Test Year 2019, and concurrently cancel its presently effective rate Schedules: Schedule No. 1, General Metered Service, Schedule No. 2, General Flat Rate Service, Schedule No. 4, Private Fire Protection Service and Schedule No. 5, Public Fire Protection Service. The effective date of the revised schedules shall be five days after the date of filing.
2. Bakman Water Company is authorized to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from July 12, 2019, the interim rate date, to the effective date of the new rates established in this Resolution. This advice letter shall become effective upon approval by Staff of the Division of Water and Audits.

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 March 26, 2020; the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director

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APPENDIX A Bakman Water Co. Summary of Earnings Test Year 2019

	Bakman Water Company		Water Division		
	Present Rates	Requested Rates	Present Rates	Requested Rates	Recommended Rates
Operating Revenues					
Metered Revenue	\$ 1,346,218	\$ 1,884,705	\$ 1,346,218	\$ 1,884,705	\$ 1,875,000
Flat Rate Customers	\$ 795,897	\$ 1,114,256	\$ 795,897	\$ 1,114,256	\$ 1,106,295
Private Fire Protection	\$ 86,077	\$ 120,508	\$ 86,077	\$ 120,508	\$ 124,813
Public Fire Hydrants	\$ 19,535	\$ 27,349	\$ 19,535	\$ 27,349	\$ 28,326
Total Revenue	\$ 2,247,727	\$ 3,146,818	\$ 2,247,727	\$ 3,146,818	\$ 3,134,434
Operating Expenses					
610 Purchased Water	\$ 52,764	\$ 52,764	\$ 52,764	\$ 52,764	\$ 52,764
615 Purchased Power	\$ 373,328	\$ 373,328	\$ 373,328	\$ 373,328	\$ 373,328
618 Other Volume Related Expenses	\$ 76,800	\$ 76,800	\$ 76,800	\$ 76,800	\$ 76,800
630 Employee Labor	\$ 251,384	\$ 251,384	\$ 251,384	\$ 251,384	\$ 251,384
640 Materials	\$ 33,636	\$ 33,636	\$ 33,636	\$ 33,636	\$ 33,636
650 Contract Work	\$ 44,488	\$ 44,488	\$ 41,624	\$ 41,624	\$ 41,624
Water Testing	\$ -	\$ -	\$ -	\$ -	\$ -
660 Transportation Expenses	\$ 68,332	\$ 68,332	\$ 68,332	\$ 68,332	\$ 68,332
664 Other Plant Maintenance	\$ 106,576	\$ 106,576	\$ 106,576	\$ 106,576	\$ 106,576
670 Office Salaries	\$ 233,251	\$ 233,251	\$ 233,251	\$ 233,251	\$ 233,251
671 Management Salaries	\$ 219,500	\$ 219,500	\$ 219,500	\$ 219,500	\$ 219,500
674 Employee Pensions and Benefits	\$ 199,939	\$ 199,939	\$ 199,939	\$ 199,939	\$ 199,939
676 Uncollectable Accounts	\$ 6,653	\$ 6,653	\$ 6,555	\$ 6,555	\$ 6,555
678 Office Services and Rentals	\$ 134,219	\$ 134,219	\$ 134,219	\$ 134,219	\$ 134,219
681 Office Supplies and Expenses	\$ 117,735	\$ 117,735	\$ 117,735	\$ 117,735	\$ 117,735
682 Professional Services	\$ 100,132	\$ 100,132	\$ 100,132	\$ 100,132	\$ 100,132
684 Insurance	\$ 48,500	\$ 48,500	\$ 48,500	\$ 48,500	\$ 48,500
688 Regulatory Commission Expense	\$ 24,910	\$ 24,910	\$ 24,910	\$ 24,910	\$ 24,910
689 General Expenses	\$ 108,366	\$ 108,366	\$ 108,366	\$ 108,366	\$ 108,366
Subtotal	\$ 2,200,513	\$ 2,200,513	\$ 2,197,551	\$ 2,197,551	\$ 2,197,551
403 Depreciation	\$ 161,640	\$ 161,640	\$ 161,640	\$ 161,640	\$ 161,640
408 Taxes Other Than Income	\$ 67,673	\$ 67,673	\$ 67,673	\$ 67,673	\$ 67,673
409 State Income Taxes	\$ 800	\$ 63,382	\$ 800	\$ 63,644	\$ 62,549
410 Federal Income Taxes	\$ -	\$ 137,258	\$ -	\$ 137,825	\$ 135,454
Total Expenses	\$ 230,113	\$ 429,953	\$ 230,113	\$ 430,782	\$ 427,316
Net Revenue	\$ (182,899)	\$ 516,352	\$ (179,937)	\$ 518,485	\$ 509,566
Rate Base					
Average Plant	\$ 10,525,417	\$ 10,525,417	\$ 10,525,416	\$ 10,525,416	\$ 10,525,416
Average Accumulated Depreciation	\$ 5,352,344	\$ 5,352,344	\$ 5,352,345	\$ 5,352,345	\$ 5,352,345
Net Plant	\$ 5,173,073	\$ 5,173,073	\$ 5,173,071	\$ 5,173,071	\$ 5,173,071
Less:					
Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Aid of Construction	\$ 5,423,701	\$ 5,423,701	\$ 5,423,701	\$ 5,423,701	\$ 5,423,701
Deferred Income Tax	\$ 63,996	\$ 63,996	\$ 63,996	\$ 63,996	\$ 63,996
Plus:					
Unamortized Investment	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Work in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Working Cash	\$ 183,376	\$ 183,376	\$ 183,129	\$ 183,129	\$ 183,129
Materials and Supplies	\$ 20,514	\$ 20,514	\$ 20,514	\$ 20,514	\$ 20,514
Rate Base	\$ (110,734)	\$ (110,734)	\$ (110,982)	\$ (110,982)	\$ (110,982)
Return on Margin	-7.74%	21.86%	-7.63%	21.98%	21.60%

END OF APPENDIX A

PROPOSED RESOLUTION

Resolution W-5217
WD

March 26, 2020

APPENDIX B
Bakman Water Co.
Test Year 2019
(Page 1 of 4)

BAKMAN WATER COMPANY
Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area bounded by Olive Avenue, East Kings Canyon Road, Winery Avenue and Fowler Avenue, located approximately 1-1/2 miles east of Fresno, and vicinity, Fresno County.

RATES

Quantity Rates:

All water used, per 100 cu. Ft	\$ 1.66	(I)
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Service Charges:	<u>Per Meter Per Month</u>
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For 1-inch meter	\$ 13.38	(R)
For 1- 1/2-inch meter	\$ 26.77	(I)
For 2-inch meter	\$ 42.83	(I)
For 3-inch meter	\$ 80.30	(I)
For 4-inch meter	\$ 133.83	(I)
For 8-inch meter	\$ 428.26	(I)

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

1. The established billing cycle for General Metered Service is every two months.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

PROPOSED RESOLUTION

Resolution W-5217
WD

March 26, 2020

APPENDIX B
Bakman Water Co.
Test Year 2019
(Page 2 of 4)

Schedule No. 2
GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

The area bounded by Olive Avenue, East Kings Canyon Road, Winery Avenue and Fowler Avenue, located approximately 1-1/2 miles east of Fresno, and vicinity, Fresno County.

RATES

	<u>Per Service Connection Per Month</u>	
	<u>Connection Charge</u>	
1. For each single family residential unit including premises not exceeding 14,000 square feet in area	\$42.34	(I)
2. For a multiple residential unit, including two units and premises	\$59.77	(I)
a. For each additional unit	\$29.87	(I)
3. For each business establishment with one toilet and wash basin and served from a 3/4-inch service connection	\$26.16	(I)
4. For each business establishment served from a 1-inch service connection	\$83.71	(I)
5. For a 2-inch service connection to Raintree Nursing Home	\$209.10	(I)
5. For a 4-inch service connection to School No. 2 (Turner School)	\$545.51	(I)

PROPOSED RESOLUTION

Resolution W-5217
WD

March 26, 2020

APPENDIX B
Bakman Water Co.
Test Year 2019
(Page 3 of 4)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for private fire protection systems.

TERRITORY

The area bounded by Olive Avenue, East Kings Canyon Road, Winery Avenue and Fowler Avenue, located approximately 1-1/2 miles east of Fresno, and vicinity, Fresno County.

RATE

Per Month

For each inch of diameter of service connection	\$8.86	(I)
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SPECIAL CONDITIONS

1. The fire protection service connection will be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The maximum diameter for the private fire service connection will be 4 inches. The maximum diameter shall not be larger than the diameter of the water main to which the private fire service facilities are connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, and installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install a standard detector type meter approved by the Board of Fire Underwriters for protections against theft, leakage, or waste of water and with the cost paid by the applicant. Such payment shall not be subject to refund.
5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of the system.

PROPOSED RESOLUTION

Resolution W-5217
WD

March 26, 2020

APPENDIX B
Bakman Water Co.
Test Year 2019
(Page 4 of 4)

Schedule No. 5

PUBLIC FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts, and other political subdivisions of the State.

TERRITORY

The area bounded by Olive Avenue, East Kings Canyon Road, Winery Avenue and Fowler Avenue, located approximately 1-1/2 miles east of Fresno, and vicinity, Fresno County.

RATE

Per Month

For each hydrant	\$13.80	(I)
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SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rate under Schedule No. 1, General Metered Service.
2. Relocation of any fire hydrant shall be at the expense of the party requesting relocation.
3. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public agency. Such authorization shall designate the specific location at which each is to be installed.
4. The utility shall supply only such water at such pressure as may be available from time to time as a result of the normal operation of the system.

END OF APPENDIX B

PROPOSED RESOLUTION

Resolution W-5217
WD

March 26, 2020

APPENDIX C Bakman Water Co. Comparison of Rates Test Year 2019

Bakman Water Co.						
2019 Test Year						
Comparison of Rates						
			<u>Per Meter Monthly</u>			
			<u>Present</u>	<u>Recommended</u>	<u>Percent</u>	
			<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	
Service Charge:						
		For 1-inch meters	\$ 14.72	\$ 13.38	-9.08%	
		For 1-1/2-inch meters	\$ 21.12	\$ 26.77	26.73%	
		For 2-inch meters	\$ 29.43	\$ 42.83	45.52%	
		For 3-inch meters	\$ 58.89	\$ 80.30	36.35%	
		For 4-inch meters	\$ 88.42	\$ 133.83	51.36%	
		For 8-inch meters	\$ 245.72	\$ 428.26	74.29%	
Quantity Charge:						
		All use, per 100 cu. ft.	\$1.07	\$ 1.66	54.8%	
A Bi-Monthly bill comparison for a customer with a 1-inch meter is shown below:						
	<u>Usage</u>	<u>Present</u>	<u>Recommended</u>	<u>Amount</u>	<u>Percent</u>	<u>Monthly</u>
	<u>Per 100 cu. ft.</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>	<u>Total</u>
	0	\$ 14.72	\$ 13.38	\$ (1.34)	-9.08%	\$ 160.60
	5	\$ 20.07	\$ 21.66	\$ 1.59	7.94%	\$ 259.96
	10	\$ 25.42	\$ 29.94	\$ 4.52	17.79%	\$ 359.32
Average	21	\$ 37.19	\$ 48.16	\$ 10.97	29.50%	\$ 577.91
	30	\$ 46.82	\$ 63.06	\$ 16.24	34.69%	\$ 756.76
	40	\$ 57.52	\$ 79.62	\$ 22.10	38.43%	\$ 955.48
			<u>Per Customer Annually</u>			
			<u>Present</u>	<u>Recommended</u>	<u>Percent</u>	
			<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	
Flat Rate:						
		Single Family < 14,000 sq ft		\$ 365.52	\$ 508.07	39.00%
		Multi-unit (Premise + 2 units)		\$ 516.00	\$ 717.24	39.00%
		Multi-unit (Each unit over 2)		\$ 257.88	\$ 358.45	39.00%
		Business unit served from 3/4"		\$ 225.84	\$ 313.92	39.00%
		Business unit served from 1"		\$ 722.64	\$ 1,004.47	39.00%
		Business unit served from 2"		\$ 1,805.16	\$ 2,509.17	39.00%
		Business unit served from 4"		\$ 4,709.40	\$ 6,546.07	39.00%

END OF APPENDIX C

PROPOSED RESOLUTION

Resolution W-5217
WD

March 26, 2020

APPENDIX D
Bakman Water Co.
Adopted Quantities
Test Year 2019
(Page 1 of 2)

1. Purchased Power (Electric)

Vendor:	PG&E
Total Cost:	\$373,328
kWh Used:	1,885,647

2. Service Connections –

<u>Meter Size:</u>	
1-inch	1797
1-1/2-inch	560
2-inch	145
3-inch	7
4-inch	18
8-inch	1
Total:	2,528
<u>Flat Rate:</u>	97

3. Metered Water Sales: 779,591 CCF

4. Water Testing: \$37,568

PROPOSED RESOLUTION

Resolution W-5217
WD

March 26, 2020

APPENDIX D
Bakman Water Co.
Adopted Quantities
Test Year 2019
(Page 2 of 2)

5. Tax Calculations

<u>Category</u>	<u>TY 2019</u>
Operating Revenues	\$3,134,434
Operating Expenses	\$2,197,551
Taxes Other than Income	\$67,673
Depreciation	\$161,640
Taxable Income for State	\$715,398
State Taxes (Corporate rate 8.84%)	\$62,549
Taxable Income for Federal	\$645,020
Federal Income Taxes (Corporate rate 21.00%)	\$135,454

END OF APPENDIX D

PROPOSED RESOLUTION

Resolution W-5217
WD

March 26, 2020

BAKMAN WATER COMPANY ADVICE LETTER 94-W SERVICE LIST

Richard Tim Bakman President Bakman Water Company P.O. Box 7965 Fresno, CA 93747	Henry Laughlin City of Fresno Water Division 1910 East University Avenue Fresno, CA 93703-2927	County of Fresno Public Works and Planning Department 2220 Tulare Street, 6 th Floor Fresno, CA 93721-2102

PROPOSED RESOLUTION

Resolution W-5217
WD

March 26, 2020

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-5217 on all parties in these filings or their attorneys as shown on the attached lists.

Dated March 18, 2020 at San Francisco, California.

/s/ Levi Goldman

Levi Goldman

Parties should notify the Division of Water and Audits, Third 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.