PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS **RESOLUTION W-4811**
Water & Sewer Advisory Branch **December 17, 2009**

R E S O L U T I O N

(RES. W-4811), RIVERVIEW ACRES WATER COMPANY (RIVERVIEW ACRES). ORDER AUTHORIZING A SURCHARGE OF $6.29 FOR EIGHTEEN MONTHS FOR RECOVERY OF ITS UNANTICIPATED EXPENSE MEMORANDUM ACCOUNT (UEMA) FOR A TOTAL OF $6,000.68.

SUMMARY

By Letter dated October 19, 2009, Riverview Acres seeks to recover unanticipated emergency expenses of $6,000.68 for the repair and replacement of a faulty pump. This Resolution authorizes Riverview Acres to implement a surcharge of $6.29 per month per customer for a period of eighteen (18) months to be utilized to recover the unanticipated expenses from its fifty-three (53) customers. The monthly surcharge of $6.29 is shown in Appendix A, attached to this resolution. This surcharge will not result in a rate of return greater than the last authorized for Riverview Acres.

BACKGROUND

By letter dated August 2, 2009, Riverview Acres described to the Division of Water and Audits (Division) their current financial hardship, and requested help and guidance from the Division to 1) submit for a general rate case (GRC), and 2) recover substantial unanticipated costs incurred and necessary for the replacement and repair of a faulty pump. The Division considered Riverview Acres' request an outreach filing, and guided Riverview Acres with the advice letter process addressing item 2) of the request mentioned above.

Decision (D.) 92-03-093, dated March 31, 1992, authorized Class C and Class D water utilities to establish a memorandum account to track unanticipated costs of repairs and to notify the Division when it has done so. Res. W-4467, dated April 22, 2004, established such accounts for each class C and D water utility as of its effective date. By

letter dated October 19, 2009, Riverview Acres requested authorization to recover those emergency unanticipated pump repair and replacement costs.
Riverview Acres presently provides service to approximately fifty-three (53) residential customers within its service area of the Riverview Acres subdivision and vicinity, an unincorporated area of Trinity County located approximately one mile east of the community of Salyer.

DISCUSSION

The increase requested herein is for the purpose of recovering through a surcharge, on a dollar-for-dollar basis, expenses which Riverview Acres incurred in unanticipated repair and replacement of its only pump. During a week in mid July, 2009, Riverview Acres' only pump failed, creating a five day water outage while Riverview Acres replaced the pump and repaired the faulty one to act as a backup pump. With a backup pump in place, Riverview Acres' customers will not be faced with an imminent water outage should another pump related emergency occur in the future.

In D.92-03-093, the Commission authorized Class C and D water companies to establish memorandum accounts for unanticipated expenses. Res. W-4467, dated April 22, 2004, states that "It is reasonable to allow smaller water and sewer systems to track these costs for potential recovery. Accordingly, we will authorize these memorandum accounts in this resolution." Therefore, the Commission has authorized and established these accounts by fiat as of the effective date of that resolution. Riverview Acres followed the prescribed procedure by timely advising the Division in writing of the need for the memorandum account on August 2, 2009. Using Riverview Acres' 2008 Annual Report, the Division determined that Riverview Acres did not exceed their authorized rate of return on a recorded basis. The increase will not result in a rate of return greater than last authorized for Riverview Acres.

Division has reviewed Riverview Acres' last general rate increase authorized on August 7, 1991 (Res. W-3608) and believes that Riverview Acres could not have anticipated the expenses and, therefore, did not receive enough revenue for the recently incurred expenses to repair and replace the faulty pump. Division reviewed Riverview Acres' expenditures recorded in its invoices and found them reasonable. It is important to note that because of the financial hardship faced by Riverview acres, the invoices submitted to the Division have not, to date, been paid in full. Due to critical cash flow issues, Riverview Acres should recover the pump replacement through a surcharge. The Division also determined that the repairs did not increase the overall capacity of the system.

Through its investigation, the Division determined that Riverview Acres is operating with alarmingly low rates, as they have not requested from the Commission any rate

increases since 1991. The water system's operations and infrastructure have been severely impacted, in part, as a consequence of running the system with the same rates for nearly twenty years. The Division therefore finds it imperative that Riverview Acres be required to come in for a GRC as soon as possible.

The Division's recommended surcharge is $6.29 for each rate category for a period of eighteen months. The surcharge rates are shown in Appendix A. At the Division's recommended rates shown in Appendix A, the monthly bill for a residential customer using 79 units (1 unit equals 100 gallons) of water with a 5/8 x ¾- inch meter, will increase from $21.98 to $28.27, which is $6.85 or 28.61%. The Division recommends that Riverview Acres' be required to track revenues collected under the surcharge, refund any excess revenues collected to the ratepayers, and submit to the Division proof of full payment of the costs recovered through the surcharge within 18 months from the date of this resolution.

NOTICE AND PROTESTS

Notice of the recovery of the UEMA surcharge to customers was mailed on October 19, 2009. Two comment letters were receive which brought to the Division's attention the inequity in customer billing practices and lack of metering for all customers, as required by Riverview Acres' tariff. The Division confirmed those customer's concerns mentioned above and recommends these issues be investigated as part of the GRC that the Division recommends be required through this resolution, and to be filed before April, 2010. These two letters also mentioned water quality issues, which are also matters more appropriately handled through the recommended GRC. The Division responded to both comment letters on November 6, 2009, and responded to further inquiries by one of the customers on November 10, 2009. No further comments were received.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has not been consistently filing annual reports, as required.

COMMENTS

PU 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, this draft Resolution was mailed to the utility and interested parties and made available for public comment on November 13, 2009. Comments were received from two customers, and reply comments from the Division provided on November 20, 2009.

FINDINGS

1. In D. 92-03-093, the Commission authorized Class C and D water companies to establish memorandum accounts for unanticipated expenses. Res. W-4467, dated April 22, 2004, established such account for class C and D utilities.

2. During a week in mid-July, 2009, Riverview Acres' only pump failed, creating a five day water outage while Riverview Acres replaced the pump and repaired the faulty one to act as a backup pump.

3. The expenses incurred for the unexpected pump repair and replacement are reasonable.

4. The rate proposed by the Division of Water and Audits (Appendix A) is reasonable and should be adopted.

5. The Commission finds, after investigation by the Division of Water and Audits that the rate surcharge hereby authorized is justified and the resulting rates are just and reasonable.

6. Expenses recovered by the surcharge authorized herein have not, to date, been paid in full by Riverview Acres.

7. Within eighteen months from the date of this resolution, Riverview Acres should submit to the Division proof of full payment of the $6,000.68 for the pump repair and replacement, which is the total cost recommended for recovery herein.

8. Riverview Acres' billing practices and lack of metering of its entire customer base is not representative of its current tariff, and creates inequity between customers.

9. Riverview Acres should request a GRC by April, 2010.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Riverview Acres Water Company to file an advice letter incorporating the revised Schedule No. 1A, Annual Metered Service, attached to this resolution and concurrently cancel its presently effective rate schedule. The effective date of the revised schedule shall be five days after the date of filing.

2. Riverview Acres Water Company must track the revenue from the surcharge in a balancing account as required by Public Utilities Code § 792.5.

3. Within eighteen (18) months from the date of this resolution, Riverview Acres must submit to the Division of Water and Audits proof of full payment of $6,000.68 for the pump repair and replacement, which is the total cost authorized for recovery herein.

4. Riverview Acres must request a general rate increase by April, 2010.

5. 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 December 17, 2009; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A (page 1 of 2)

RIVERVIEW ACRES WATER COMPANY

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Riverview Acres subdivision and vicinity, located approximately one mile east of Salyer, Trinity County.

RATES

Quantity Rate:

For all water, per 100 gallons…… $0.16

Service Charge:

		Per Meter Per Year
For	5/8 x 3/4-inch meter	$112.00
For	3/4-inch meter	134.40
For	1-inch meter	182.95

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

APPENDIX A (page 2 of 2)

RIVERVIEW ACRES WATER COMPANY

Schedule No. 1A
(continued)

ANNUAL METERED SERVICE

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the areas has been a customer of the utility for at least 12 months, s/he may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.
2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the calendar year. The balance of payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due to the customer.
3. The established billing period is monthly except that meters may be read and quantity charges billed at intervals greater than monthly during the winter season.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
5. As authorized by the California Public Utilities Commission, all bills are subject to a surcharge of $6.29, for eighteen (18) monthly intervals, beginning January, 2010 and ending June, 2011. This charge offsets accumulated costs in the Unanticipated Event Memorandum Account for pump repair and replacement which were performed mid-July, 2009. (N) | | | (N)