

Date of Issuance February 5, 2010

WATER/RSK/JB5/TS2/jlj

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch**

**RESOLUTION NO. W-4825  
February 4, 2010**

**R E S O L U T I O N**

**(RES. W-4825), PENNGROVE WATER COMPANY (PWC). ORDER AUTHORIZING A SURCHARGE OF \$1.85 PER HUNDRED CUBIC FEET (Ccf) IN ITS PENNGROVE DISTRICT FROM MARCH TO JUNE 2010 TO RECOVER \$56,653 FOR ITS EXPENSES IN THE MANDATORY WATER CONSERVATION MEMORANDUM ACCOUNT (WCMA).**

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**SUMMARY**

By Advice Letter (AL) No. 71-W, filed on December 8, 2009 with the Division of Water and Audits (DWA), as supplemented by AL 71-W-A filed on January 13, 2010, PWC requests a surcharge from March to June 2010 of \$1.85 per hundred cubic feet (Ccf) to be added to each customer's bill for Schedule P-1, Metered Service, that applies in its Penngrove District. The increase requested is to recover lost revenues, due to conservation efforts by PWC's customers during the period of July 2009 through October 2009, tracked in its WCMA. PWC attached to its supplemental advice letter a revised Schedule P-1 that includes the surcharge.

This resolution hereby grants PWC the authority to recover in rates the \$56,653 in its WCMA by adding a surcharge for 4 months of \$1.85 per Ccf to each customer's bill.

**BACKGROUND**

PWC is owned by Mr. and Mrs. James Downey through their company Altos Sonoma Corp. As of the end of 2008, PWC serves approximately 600 metered service connections in two geographically separated communities - Penngrove and Canon Manor, with the majority of the customers being in Penngrove (approximately 90%). These two communities are approximately one mile apart, located in Sonoma County. Altos Sonoma Corp. owns one other water company - Kenwood Water Company, which serves 303 connections. PWC's system is supplied primarily through purchased water from the Sonoma County Water Agency (SCWA) via two pipes connected to the PWC system. The present advice letter applies only to the Penngrove District.

PWC requests authority under General Order 96-B, Rule 7.6.2 and Water Industry Rule 7.3.3(7) and Section 454 of the Public Utilities Code to recover \$56,653 from its customers from its WCMA through a surcharge applied over 4 months. The surcharge is intended to recover net lost revenues from customer conservation efforts during the period of July 2009 through October 2009. PWC's last rate change became effective July 1, 2009, per AL-69-W, which authorized a 7.8% increase in quantity rates due to an increase in purchased water expenses, for a total annual revenue requirement of \$764,073. PWC's last general case was May 6, 2006, a 6.42% increase, per Res. W-4593.

PWC requested authorization to establish a WCMA in its Penngrove District in AL 60-W, filed on July 19, 2007. This District receives 100% of its water from the SCWA, and in 2007, SCWA advised all of its contractors including PWC to reduce their water consumption by 15%. To the extent such use reduction efforts are successful, PWC experiences a reduction in revenues. While the lowered sales result in lower expenses for purchased water, fixed expenses do not decrease. Accordingly, PWC needed an opportunity to recover net lost revenues due to conservation. Accordingly, PWC was granted the WCMA per AL 60-W, effective August 18, 2007, so that the utility could track actual sales revenue and purchased water expense for subsequent recovery of net lost revenue due to conservation.

Through AL 70-W, PWC requested and received authorization to establish a third tier conservation rate. The added Tier 3 rate was intended to discourage water use above 1,000 cu. ft. per customer per month, as well as recover in real time some of the loss in revenues due to conservation efforts by customers. AL 70-W was filed in response to mandatory conservation imposed by the SCWA. This temporary three-tier rate design was in effect during the period from July 1 through October 31, 2009. After that period, the rates returned to a two-tier structure.

PWC initially filed AL 71-W as a Tier 1 Advice Letter on December 8, 2009, but this advice letter was incorrectly filed under Tier 1 because General Order 96-B Water Industry Rule 7.3.3(7) requires that advice letters requesting amortization of a memorandum account be filed in Tier 3. Tier 1 Advice Letters can be effective when filed, while Tier 3 Advice Letters require a Commission resolution before they can become effective. DWA therefore asked PWC to file a supplement designating this as a Tier 3 Advice Letter, which PWC did on January 13, 2010 (Al 71-W-A).

## **NOTICE AND PROTESTS**

Pursuant to GO 96-B, Water Industry Rule 3.1, notice of the proposed increase was provided by publication in the local newspaper on December 16, 2009. The Division did not receive any letters of complaint regarding the proposed rate increase.

## **DISCUSSION**

By AL 71-W PWC requested to recover \$56,653 from its customers from its WCMA through a surcharge in Tariff Schedule P-1 applied over 6 months from January through June of 2010. As this advice letter was incorrectly filed under Tier 1, DWA therefore asked PWC to file a supplement designating this as a Tier 3 Advice Letter, which PWC did on January 13, 2010 (Al 71-W-A). PWC attached a revised Tariff Schedule P-1 to recover the \$56,653 from its customers from its WCMA through a surcharge applied over 4 months from March through June of 2010.

The established Mandatory Water Conservation Memorandum Account has now accumulated a revenue shortfall in the amount of \$56,653, as a result of conservation efforts by PWC's customers. As of the date of this Resolution, the Commission has not directed recovery of the WCMA in another regulatory proceeding. PWC seeks to recover these funds through a surcharge of \$1.85 per Ccf on customer's bills from March through June 2010. The 4-month surcharge is primarily to prevent the doubling up of an expected surcharge in the period of July through October to deal with a purchased water offset, as well as the possible reimposition of a third tier. PWC provided the DWA staff with the necessary calculations and work papers, and DWA finds that PWC has accurately tracked its revenue shortfall in the WCMA and that the proposed surcharge should collect the amount sought and is reasonable. The utility shall track the revenues collected from the surcharge as a credit against the dollars that have been found to be reasonable in this memorandum account to ensure that overall there is no over or undercollection.

In terms of establishing measures for conservation purposes in the future, Staff recommends that the utility look into Standard Practice U-40-W: Instructions for Water Conservation, Rationing and Service Connection Moratoria. The utility can file an advice letter to add Tariff Schedule 14.1 and Tariff Rule No. 14.1 for rationing and mandatory conservation measures, such as water use violation fines and charges for removal of flow restrictors. These tariff provisions allow for additional tiered rates during periods when additional conservation is necessary.<sup>1</sup>

## **COMPLIANCE**

PWC has no outstanding compliance orders. There are no Commission orders requiring system improvements. The utility has been filing annual reports as required.

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<sup>1</sup> Section F of Standard Practice U-40-W "Mandatory Rationing" outlines how to establish and implement Schedule 14.1.

## COMMENTS

Public Utilities (PU) Code Section 311(g) (1) provides that resolutions must generally be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission, but this is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code Section 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

## FINDINGS

1. By Advice Letter 60-W Penngrove Water Company sought and received authorization to establish a Mandatory Water Conservation Memorandum Account.
2. As of the date of this Resolution, the Commission has not directed recovery of the Mandatory Water Conservation Memorandum Account balance in another regulatory proceeding.
3. During the period from July 1 through October 31, 2009, Penngrove Water Company had a three tier rate design, pursuant to Advice Letter 70-W, to encourage conservation.
4. Penngrove Water Company tracked, in its Mandatory Water Conservation Memorandum Account, actual sales revenue and purchased water expense for subsequent recovery of net lost revenue due to conservation.
5. Penngrove Water Company filed Advice Letter 71-W on December 8, 2009, and supplemental Advice Letter 71-W-A on January 13, 2010, to recover the \$56,653 balance in its Mandatory Water Conservation Memorandum Account.
6. The surcharge herein would allow Penngrove Water Company to recover in rates the \$56,653 in its Mandatory Water Conservation Memorandum Account.
7. The Commission finds, after investigation by the Division of Water and Audits that PWC has accurately tracked its net revenue shortfall in the Mandatory Water Conservation Memorandum Account and that the proposed surcharge should collect the amount recorded in that account, and that the requested surcharge is therefore just and reasonable.
8. The utility should track the revenues collected from the surcharge as a credit against the dollars that have been found to be reasonable in the Mandatory Water Conservation Memorandum Account to ensure that overall there is no over or under collection.
9. A surcharge during the four months from March through June should avoid the doubling up of an expected surcharge in the period of July through October to deal with a purchased water offset, as well as an overlap with the possible re-imposition of a third tier.

10. It is proper for Penngrove Water Company to assess a four-month surcharge of \$1.85 per Ccf to each customer's bill.
11. Because this is an uncontested matter in which the resolution grants the relief requested, pursuant to Public Utilities Code Section 311(g) (2), the otherwise applicable 30-day period for public review and comment can be, and is, waived.
12. Tariff Schedule P-1, Metered Service, as attached to Advice Letter 71-W-A should be approved.

**THEREFORE IT IS ORDERED THAT:**

1. The revised Schedule P-1, Metered Service, attached to Advice Letter 71-W-A shall be effective as of the date of this order, with a recovery period of March through June of 2010.
2. The utility shall track the revenues collected from the surcharge as a credit against the dollars that have been found to be reasonable in the Mandatory Water Conservation Memorandum Account to ensure that overall there is no over or under collection.
3. 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 February 4, 2010; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON  
Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
President  
DIAN M. GRUENEICH  
JOHN A. BOHN  
TIMOTHY ALAN SIMON  
NANCY E. RYAN  
Commissioners