

DRAFT

Agenda Item #7970

WATER/FLC/KB5/KKE/llj

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

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

**RESOLUTION NO. W-4717  
October 16, 2008**

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

**(RES. W-4717), AGATE BAY WATER COMPANY (ABWC).  
ORDER AUTHORIZING AN INCREASE IN RATES FOR A  
RATEBASE OFFSET OF \$11,393 OR 3.89% AND A ONE-  
TIME SURCHARGE OF \$1.26 PER CONNECTION TO  
RECOVER ANNUAL DEPARTMENT OF PUBLIC HEALTH  
FEES (DPH).**

**SUMMARY**

This Resolution authorizes ABWC's request in Advice Letter (AL) No. 27 filed on August 20, 2008 for a ratebase offset increase. The company's request of \$9,680 or 3.30% was adjusted to account for staff discovered errors culminating in an increase of 3.89% based on ABWC's last approved revenue requirement of \$292,771. Since authority for this investment was granted in the utility's last General Rate Case (GRC) no earnings test analysis was required.

The majority of the ratepayers, three-quarter-inch flat rate customers, will see their annual rate increase from \$489.42 to \$508.47, a system-wide increase of 3.89% or \$11,393 for projected total utility revenues of \$304,164. Authority is also granted to ABWC to assess a one-time surcharge of \$1.26 per customer to recover the DPH fees of \$728 for the fiscal year 2008-2009.

**BACKGROUND**

ABWC is a Class C water utility. ABWC has requested authority under General Order (G.O.) 96-B, Rule 7.6.2 and Water Industry Rule 7.3.3(8), and §454 of the Public Utilities (P.U.) Code to increase its water rates for

improvements to the system's water treatment plant, pumps, and equipment. The increase constitutes a rate base offset authorized by

ABWC's last General Rate Case (GRC). According to G.O. 96-B, a rate base offset increase is a tier three filing which requires a resolution.

In addition, the advice letter requested a one time charge of \$1.26 per connection to recover the \$728 DPH fee for the fiscal year 2008-2009.

The utility's last GRC, Res. W-4598 dated April 27, 2006, authorized an increase of \$51,572 or 23.10% with a 12.40% return on ratebase. The utility's latest Consumer Price Index-Urban (CPI-U) increase request in AL No. 25 became effective on June 29, 2006 authorizing an increase of \$9,337 or 3.4%.

## **DISCUSSION**

ABWC serves a residential subdivision area at the north end of Lake Tahoe near Carnelian Bay in Placer County. The system does not serve any business, commercial, or industrial premises; only single family homes and a recreation private club. Many of the houses are occupied only in summer or on weekends. The population served varies from 500 to 2,500.

The system currently has 580 flat-rate service connections, of which 579 pertain to single-family homes and one to a recreation private club. The 579 single family total does not include 16 additional single-family unit connections served on the same premises. Finally, there are seven private fire protection connections.

The DPH classifies ABWC as a D2 water distribution company with a spring and Lake Tahoe as the water sources.

The utility erred in its calculations involving the allowable rate of return, property tax expenses and the appropriate net-to-gross calculation. According to the Division of Water & Audits (DWA) Standard Operating Procedure No. U-27-W, applications for rate base offsets should initially be filed as a draft form proposal.

Draft form simply means that the advice letter and the tariff sheets are not numbered, the advice letter is called a draft advice letter, and the date of publication (or distribution) of the Notice to Customers is not filled in. The

purpose of a draft advice letter is to permit the DWA to review the submittal for errors and to eliminate the possible need to reject or supplement a filed advice.

**Ratebase Offset.**

Every spring or early summer ABWC must hire two divers to install a number of full circle repair clamps to repair leaks. The pump efficiency is impacted by the leaks. With diminished pump efficiency, higher electricity bills result. The company ascertained rehabilitation of the filter lake intake line addresses the leak issue which will result in lower energy consumption and higher water conservation.

The utility used a process to eliminate these leaks known as sliplining. In the sliplining process, a winch cable is inserted through the existing line and then attached to the front of the new liner. The new liner pipe is then pulled into the existing pipe, and the new liner pipe reconnected to the system.

Besides installation of a slip line, a new motor pump and hydrant were added to the ratebase. These projects are now complete, used and useful. The \$47,234 plant additions are summarized below:

Valve replacements in treatment plant.....	5,722
Sliplining of 1,760 feet of linear pipe.....	36,932
Motor plant additions.....	1,766
Hydrant .....	<u>2,814</u>
Total plant additions.....	<u>\$47,234</u>

**DPH Fees.**

Sections 116590 and 116595 of the California Health and Safety Code direct DPH to charge its operating costs upon jurisdictional utilities. This legislation also authorizes these costs be passed on to utility customers. Commission Res. W-4327, dated March 6, 2002, authorized ABWC to establish the required memorandum account and recorded therein the amount of \$728 representing expenses for DPH paid for by the company. The utility is granted permission to recover the DPH cost of \$728 from its 580 customers by adding a one-time surcharge of \$1.26 to each customer's bill.

Workpapers justifying all improvements and charges were provided.

**NOTICE**

Notice of the proposed rate base offset was published in the local newspaper on August 27, 2008. No protests were received.

**COMMENTS**

This is an uncontested matter. Accordingly, pursuant to PU Code 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

**FINDINGS**

1. Agate Bay Water Company's slip lining project along with rehabilitation of the filter lake intake line and other improvements such as the new pump motor includes completion a set of investments authorized in Resolution W-4598.
2. The rate base additions total \$47,234.
3. Additional annual revenues of \$11,393 result from a 12.50% rate of return and associated expenses.
4. A one-time surcharge of \$1.26 per customer is authorized to recover \$728 of Department of Public Health fees for 2006-2007.
5. The Commission finds, after investigation by the Water and Sewer Advisory Branch, the rate increase as adjusted by staff is just and reasonable.
6. This is an uncontested matter in which the resolution grants the relief requested as adjusted by staff. Accordingly, pursuant to PU Code 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

**THEREFORE IT IS ORDERED THAT:**

1. Agate Bay Water Company is authorized to establish the staff amended rates in AL No. 27 as shown in Appendix B.

2. Agate Bay Water Company, Inc. is authorized, five days after the effective date herein, to make effective the staff revised rate Schedules Nos.: 1, General Metered Service; 2A, Annual Flat Rate Service; 2AL, Limited Flat Rate Service; and 4, Private Fire Protection, as shown in Appendix A and to concurrently cancel the presently effective rate schedules.
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 October 16, 2008; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director

**APPENDIX A**

**REVENUE REQUIREMENTS**

Water treatment		
western nv.5/06/08		256.86
western nv5/13/08		1193.27
P& F distributors 5/13/08		1313.81
P&F distributors 5/13/08		8928.09
P&F distributors 5/13/08		429.5
P&F distributors 5/6/08		487.91
Aspen Developers		23713.41
SMG Management		360
Duncan Davis		250
subtotal 2008		36932.85
Humbolt drill motor		1535
SMG		105
Duncan Davis		125
motor plant additions		1765
new Hydrant Sudan		
Ferguson Supply		1803.87
abwc backhoe/operator		510
2 laborers \$45/hr@ 6 hrs.		270
SMG management		230
total hydrant		2813.87

Total Additions ..... \$47,234.25

Total Increase in Rate Base per Total Additions \$47,234

**Net Rev. Increase Needed to Cover New Plant**

Rate of Return..... 12.50% (Higher of GRC adopted 12.40% or mid-point of 2008 recommended for Class C (12.50%) must use 12.50%)

Change in Rate Base..... \$47,234

Net Rev. Increase..... \$5,904 per ROR of 12.50%

Net to Gross -- 100% Equity ..... 1.4092

Revenue Requirement Increase due to Rate Base

Net Revenue Increase ..... \$5,904

Net to Gross<sup>1</sup> ..... 1.40924

Gross Revenue for investment ..... \$8,320

Revenue Requirement Increase due to Expense Increase

Depreciation Rate ..... 2.7%<sup>2</sup>

    Depreciation Expense..... \$1,275

Property Taxes @ 1%..... \$498

Cost of Offset Filing ..... \$1,000

Depreciation..... \$1,275

Property Taxes..... \$498

Preparation cost..... \$1,000

Gross Revenue for Expenses . \$3,073

***Total Revenue Requirement Increase:***

Requirement Increase    \$8,320 + 3,073 = \$11,393

Current projected revenue = \$292,771

<sup>1</sup> The net-to-gross multiplier is calculated by taking the reciprocal of one minus the total of uncollectibles rate, franchise tax rate and state and federal income tax rates. ABWC uses tax numbers only.

    State ..... 8.84%            Federal ..... 20.04%

    Net-to-Gross multiplier ..... 1.40924%

<sup>2</sup> If the plant addition has a non-average service life, depreciate at the last approved composite depreciation rate. A new depreciation rate should be calculated in the next GRC.

DRAFT

Resolution W-4717  
ABWC/AL No. 27/FLC/JB5/KKE/jlj

October 16, 2008

**Addition of \$11,393 or 3.89% projected revenue = \$304,164**

**APPENDIX B**

Sheet 1

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

RATES

	Per Service Connection
	<u>Per Month</u>
For each inch of diameter of service connections.....	\$10.40 (I)

SPECIAL CONDITIONS

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

(continued)

**APPENDIX B**

Sheet 2

Schedule No. 1

**GENERAL METERED SERVICE**

**APPLICABILITY**

Applicable to all water service furnished on a metered basis.

**TERRITORY**

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

**RATES**

Quantity Rate:	<u>Per Meter</u> <u>Per Month</u>	
Per 100 cu. Ft. ....	\$1.58	(I)
Service Charge:		
For 5/8 x 3/4-inch meters.....	20.54	(I)
For 3/4-inch meters.....	22.38	
For 1-inch meters.....	30.23	
For 1-1/2-inch meters .....	40.63	
For 2-inch meters.....	54.22	(I)

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

**SPECIAL CONDITIONS**

1. As authorized by the California Public Utilities Commission pursuant to Resolution W-4327, all bills are subject to a one-time surcharge of \$1.26. This charge offsets the Department of Public Health fee as billed to Agate Bay Water Company for the fiscal year 2008-2009. (N)  
|  
(N)
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

**APPENDIX B**

Sheet 3

Schedule No. 2A

**ANNUAL FLAT RATE SERVICE**

**APPLICABILITY**

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

**TERRITORY**

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

**RATES**

**Annual Flat Rate**

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

Served through a 3/4-inch .....	\$508.47	(I)
1-inch.....	536.75	
1 1/4-inch.....	573.65	
1 1/2-inch.....	603.80	
2-inch.....	668.05	(I)

For each additional single-family residential unit on the same premises and served from the same service connection .....

\$355.75 (I)

**SPECIAL CONDITIONS**

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum metered charge for the same period shall be made on or about that same day.
2. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance payable in two equal installments. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods. Where a resident has failed to pay the first half of the annual charge due January 1, service will be discontinued and will not be restored until the total annual charge has been paid.

**APPENDIX B**

Sheet 4

Schedule No. 2A

**ANNUAL FLAT RATE SERVICE**

**SPECIAL CONDITIONS** (continued)

- 3. The opening bill for flat rate service shall be established annual flat rate 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. The balance of the 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 the customer.
  
- 4. As authorized by the California Public Utilities Commission pursuant to Resolution W-4327, all bills are subject to a one-time surcharge of \$1.26. This charge offsets the Department of Public Health fee as billed to Agate Bay Water Company for the fiscal year 2008-2009. (N)  
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|  
(N)
  
- 5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPENDIX B

Sheet 5

Schedule No. 2AL

LIMITED ANNUAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

RATES

Annual Flat Rate

Recreation Private Club use, five services plus one swimming pool, payable in advance on or before January 1 of each year ..... \$1,442.75 (I)

SPECIAL CONDITIONS

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1. Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period of time has been paid in advance, refund of the prorated difference such flat rate payment and the minimum meter charge for the same period shall be made on or about the same.
2. As authorized by the California Public Utilities Commission pursuant to Resolution W-4327, all bills are subject to a one-time surcharge of \$1.26. This charge offsets the Department of Public Health fee as billed to Agate Bay Water Company for the fiscal year 2008-2009. (N)  
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(N)
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX B)