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AGENDA ITEM #8473

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

**RESOLUTION W-4763
May 7, 2009**

R E S O L U T I O N

(RES. W-4763), ALISAL WATER CORPORATION (Alco), SALINAS DISTRICT. ORDER AUTHORIZING A SURCHARGE OF \$2.78 FOR TWENTY-FOUR MONTHS FOR RECOVERY OF ITS ORDER INSTITUTING INVESTIGATION (OII) MEMORANDUM ACCOUNT FOR A TOTAL OF \$580,873.56, AND IN COMPLIANCE WITH THE UNITED STATES DISTRICT COURT ORDERS, A SUR-CREDIT OF \$1.02 FOR TWENTY-FOUR MONTHS FOR A TOTAL OF \$212,000.

SUMMARY

By Advice Letter (AL) 120, filed on October 27, 2008, Alco, a class B water utility, seeks to recover expenses of \$580,873.56 for its OII memorandum account and a sur-credit of \$212,000 to comply with the United States District Court for the Northern District of California, orders of September 6, 2007, and March 4, 2008. This Resolution authorizes Alco to implement a surcharge of \$2.78 per customer over a period of 24 months to recover costs incurred from its OII and a sur-credit of \$1.02 per customer per month over a period of 24 months.

BACKGROUND

On April 12, 2007, through Res. W-4630 the Commission approved Alco's AL 107 for the expansion of service area contiguous to the existing service area map. The Commission directed staff to prepare an OII into the service and water quality of Alco Salinas District. Alco participation in this OII caused it to incur legal fees, engineering fees, advertising costs to notify customers during the course of the OII process, and other related costs. The Division of Water and Audits (Division), based on the AL 112-A approved Alco to open a memorandum account to record therein legal fees and other expenses related to the OII. The total expense accrued from OII from July 27, 2007 to June 30, 2008 is \$580,873.56.

On the 6th of September 2007, the United States District Court ordered as follows:

“Upon entry of this stipulation as an order of the court, Alco, at its own expense, shall forthwith apply to the CPUC for authorization to pay a sur-credit of \$212,000 to its Salinas customers without need of further order of this court. The application to the CPUC will request the sur-credit to commence one year following termination of the receivership in this case and shall be sur-credited over a period of 48 months thereafter”.

AL 120 requests the Commission for permission to refund the \$212,000 over an accelerated period of only 24 months.

Alco presently provides service to approximately 8,634 metered customers in a service area located in the Salinas District located in Monterey County, California.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published in The Salinas California, a newspaper of general circulation, on 19th of September, 2008, as evidence by proof of publication provided to the Division by the utility. Two protests were received on the 25th of September from the Division of Ratepayer Advocates and the City of Salinas. Staff reviewed the protests, and found no merits.

DISCUSSION

The increase requested herein is for the purpose of recovering through a surcharge, on a dollar-for-dollar basis, expenses which Alco incurred in unanticipated expenses for its OII memorandum account. On April 12, 2007, through Res.No.W-4630 the Division reaffirmed its ministerial disposition of Alco's AL 107 for expansion of service area contiguous to the existing service area map and directed the staff to prepare an Order Instituting Investigate into the customer relations, customer service, and service quality and water quality of Alco, Salinas District.

Alco followed the prescribed procedure by timely advising the Division in writing through AL No. 112-A, which was approved, of the need for a memorandum account on July, 27, 2007. Division has reviewed Alco's last general rate increase authorized in December 15, 2005 (Res. W-4577) and believes that Alco could not have anticipated the additional expenses and, therefore, did not receive enough revenue for the recently incurred expenses accrued in the OII memorandum account.

On January 23, 2009, the Presiding Officer, Linda Rochester, issued a decision for I.07-06-020 which concludes:

- “1. Alco is in compliance with all state and federal water quality standards for monitoring and reporting requirements;
- 5. Alco’s water system meets all applicable standards for water pressure. The Alco water system pressure is adequate; and
- 15. It is in the public interest for Alco to be allowed to serve additional customers in its newly filed service territory.”

Staff reviewed Alco’s expenditures of \$580,873.56 recorded in its invoices, including itemized and detailed invoices from their attorneys, which was provided to the staff, and found them reasonable. The Division recommends a surcharge of \$2.78 for each rate category for a period of twenty-four months.

Division also reviewed the United States District Court for the Northern District of California, San Jose Division orders of September 6, 2007 and March 4, 2008, in which the utility was ordered to refund a sum of \$212,000 to its customers and found the utility in compliance with the order. Alco requests that the sur-credit be reimbursed over a period of twenty-four months, at the rate of \$1.02 per customer per month. Division concurs.

COMPLIANCE

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

FINDINGS

1. AL 120 requests recovery of OII expenses, related to I.07-06-020 that Alco has incurred and recorded for future recovery in an OII Memorandum Account for the period of July 27, 2007 through June 30, 2008. The Division expects Alco to make an additional filing to recover the OII related from July 1, 2008 until proceeding I.07-06-020 is finalized. Since Alco will file an advice letter similar to Advice Letter 120 and for the same purpose as AL 120, we find it reasonable to allow Alco to make its filing as a Tier 2 Advice Letter subject to Branch’s review and in conformance with Commission orders and statutes.

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2. The expenses recorded in Alco's OII memorandum account were prudent and necessary.
3. Alco should be permitted to transfer the amounts in the OII memorandum account to a balancing account for recovery.
4. Alco should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$2.78 for twenty-four months.
5. The sur-credit of \$1.02 per customer per month over a period of twenty-four months is in compliance with the United States District Court order and is justified and reasonable.
6. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g) (2).

THEREFORE IT IS ORDERED THAT:

1. Alisal Water Company, Salinas District, is permitted to transfer the amounts in the OII memorandum account to a balancing account for recovery. Any further advice letter filings by Alco for recovery of amounts accumulated in the OII memorandum account for expenses related to I.07-06-020 shall be filed as a Tier 2 Advice Letter. The amounts requested for recovery will be reviewed by the Division of Water and Audits for reasonableness.
2. Alisal Water Company, Salinas District, is permitted to recover the amounts in the balancing account by imposing a surcharge of \$2.78 for twenty-four months.
3. The United States District Court ordered sur-credit of \$212,000 shall be paid over the twenty-four months period at the rate of \$1.02 per customer per month.
4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at the Public Utilities Commission of the State of California on May 7, 2009; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

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