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AGENDA ITEM #8441

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

**RESOLUTION W-4758
May 21, 2009**

R E S O L U T I O N

(RES. W-4758), ALISAL WATER COMPANY (Alco)-SALINAS DISTRICT. ORDER AUTHORIZING A SURCHARGE OF \$1.44 PER MONTH FOR TWELVE MONTHS FOR RECOVERY OF ITS POWER COST MEMORANDUM ACCOUNT FOR A TOTAL OF \$150,126.98, AND REQUIRING ALCO TO FILE FOR REVIEW OF ITS PURCHASE POWER RESERVE ACCOUNT IN THE NEXT GENERAL RATE CASE (GRC).

SUMMARY

By Advice Letter (AL) 126, filed on January 5, 2009, Alco, a class B water utility, seeks to recover expenses of \$246,981.54 for its power cost memorandum account incurred in 2005, 2006, and 2007. This Resolution authorizes Alco to implement a surcharge of \$1.44 per customer over a period of twelve months to recover costs totaling \$150,126.98 booked to its power cost memorandum account substantially for the years 2006 and 2007. It disallows the remaining balance of \$96,854.56 from 2005 except for the amount recoverable by applying the corrected power usage to the incremental expense increase in Alco's purchased power reserve account established pursuant to Res. W-4294. It also requires Alco to file for review of said purchased power reserve account in its next GRC.

BACKGROUND

On April 11, 2008, the Division of Water and Audits (Division) approved Alco's Tier 2 AL 118 to establish a power cost memorandum account for extraordinary power expenses incurred due to a Pacific Gas & Electric Company's (PG&E) billing error. Alco had been billed for corrections in the amount of \$246,981.54 for billings from January 21, 2005 to January 19, 2008 for their account number 9960102100 Burke St./Off Del Monte Avenue (Burke meter). After the filing of AL 118, Alco had learned that billing for the

Resolution W-4758

May 21, 2009

Alco/ AL 126/RSK/FLC/PTL/MML/jlj

meter at this location had been calculated by PG&E with a meter constant of 1, instead of the correct meter constant of 40, since November 2, 2002. PG&E's billing covers three

years because that is the maximum time span over which their tariffs allow collection of billing errors.

Alco's last general rate increase was approved by Res. W-4577 effective on December 25, 2005, and relied on power usage data from 2003, during which time the incorrect meter constant was being used.

Alco presently provides service to approximately 8,718 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 Californian, a newspaper of general circulation, on the 13th of January, 2009, as evidenced by proof of publication provided to the Division by the utility. A protest was received on the 26th of January from the Division of Ratepayers Advocates (DRA). Alco's response to DRA's protest was received on the 2nd of February. Division reviewed the protest and response and neither had any bearing on this resolution.

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 power costs due to a PG&E billing error. PG&E had used 1 as the meter constant instead of the correct constant of 40 for the Burke meter from November 2, 2002 to January 19, 2008.

Alco stated that on March 10, 2008, it received its monthly bill from PG&E and that it included a listing of bill corrections for the period January 21, 2005 to January 19, 2008 totaling \$246,981.54. The bill included no further explanation. The following day Alco sent a letter to PG&E requesting an explanation of the billing errors. PG&E responded with a letter dated April 16, 2008 detailing when the error began, how it was discovered, and explaining that their tariffs allow them to bill to correct errors going back three years. PG&E also stated that the error was completely due to the use of the incorrect meter constant and that the meter had tested "good".

Resolution W-4758

May 21, 2009

Alco/ AL 126/RSK/FLC/PTL/MML/jlj

Alco followed the prescribed procedure by timely advising the Division in writing through AL 118 of the need for a memorandum account on April 7, 2008. Division approved AL 118 on April 11, 2008.

In the instant AL 126, Alco details their investigation of PG&E tariffs and relevant Commission decisions, in which Alco concluded that the back billing was allowable. Division has reviewed their investigation and agrees.

In AL 126, Alco states that current rates were established using power data which included PG&E's error. Division has reviewed Alco's last general rate case and agrees with Alco. However, the issue is not the current rates but the rates in effect at the time of the errant billings. The rates authorized in the last GRC went into effect on December 25, 2005. Division believes that Alco should be able to collect the re-billed power costs for the period after December 25, 2005. PG&E's re-billings, substantially for that period, from December 21, 2005 to January 19, 2008, total \$150,126.98.

The rates that Alco collected prior to the effective date of the GRC in 2005 were based on power usage data from before PG&E began making the billing error. So, even though Alco was being under billed at the Burke meter for the period prior to the GRC, Alco's customers were paying rates based on accurate billings. Therefore, the re-billed charges for January 21, 2005 to December 21, 2005 should not be collected through this memorandum account. Division believes these charges, totaling \$96,854.56, should be denied.

To recover the balance of \$150,126.98, the recommended surcharge is \$1.44 for each rate category for a period of twelve months.

Alco is maintaining balances in a purchased power balancing account. PG&E's detail of the re-billing includes both the power usage (in kWh) originally billed and the actual power usage. Alco should be allowed to apply the incremental increase in power costs that it was tracking during 2005 to the corrected power usage. This will provide Alco some relief for the 2005 re-billed power costs when the balancing account is amortized. Division believes that Alco should be required to file for review of this account from November 29, 2001 (effective date of Res. W-4294 which ordered the account) through December 24, 2005 (up to the effective date of the most recent GRC, Res. W-4577).

Division acknowledges that, since PG&E was only able to re-bill for three of the five years over which the error occurred, Alco received a windfall in 2003 and 2004. While it

Alco/ AL 126/RSK/FLC/PTL/MML/;lj

might seem that Alco should be required to recapture this for the ratepayers in its reserve account, Division believes that this would be unreasonable. Had the error not occurred, Alco could have sought rate relief earlier due to the lower earnings it would have experienced.

COMMENTS

Public Utilities Code Section 311(g) (1) provides that this Resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this Resolution was neither waived nor reduced. Accordingly, this draft Resolution was mailed to all parties for comments. The comments were received on _____.

COMPLIANCE

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

FINDINGS

1. The expenses recorded in Alco's power cost memorandum account for the period of December 21, 2005 to January 19, 2008 were prudent and necessary.
2. Alco should be permitted to transfer the amounts in the power cost memorandum account for the period of December 21, 2005 to January 19, 2008, in the amount of \$150,126.98, to a balancing account for recovery.
3. Alco should be permitted to file an advice letter to recover the amounts in the balancing account by imposing a surcharge of \$1.44 per month for twelve months.
4. Alco should be required to remove the remaining 2005 balance from the power cost memorandum account.
5. Alco should be allowed to book the corrected 2005 usage amounts to its purchased power reserve account.

Alco/ AL 126/RSK/FLC/PTL/MML/;lj

6. Alco should be ordered to file for review of its purchased power reserve account recorded between November 29, 2001 and December 24, 2005 in its next general rate case.

THEREFORE IT IS ORDERED THAT:

1. Alisal Water Company-Salinas District is permitted to transfer \$150,126.98 from the power cost memorandum account to a balancing account for recovery.
2. Alisal Water Company-Salinas District is permitted to file an advice letter to recover the amounts in the balancing account by imposing a surcharge of \$1.44 per month for twelve months.
3. Alisal Water Company-Salinas District is ordered to file for review of its purchased power reserve account recorded between November 29, 2001 and December 24, 2005 in its next general rate case.
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 21, 2009; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director