PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS **RESOLUTION W-4758**
Water and Sewer Advisory Branch **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 connection 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 for 2005 as it finds that Alco’s tariff rates were based on accurate power cost estimates for this period. It requires Alco to file for review of its purchased power reserve account in its next GRC.

BACKGROUND

On April 11, 2008, the Division of Water and Audits (DWA) 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 its Account Number 9960102100 Burke St./Off Del Monte Avenue (Burke meter). After the filing of AL 118, Alco had learned that billing for the 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 22, 2002. PG&E’s back billing covers three years.

Alco's last general rate increase was approved by Res. W-4577 effective on December 25, 2005. Alco presently provides service to approximately 8,718 service connections 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 DWA by the utility. A protest was received on the 26th of January 2009 from the Division of Ratepayers Advocates (DRA). Alco's response to DRA's protest was received on the 2nd of February 2009.

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 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 22, 2002 to January 19, 2008. A meter constant is the factor used to determine kilowatt hours (kWh) used. This is done by multiplying the meter reading by the meter constant to determine the kWhs used.

According to PG&E, the Burke meter was replaced on November 22, 2002. From this day going forward, PG&E applied a meter constant of 1 instead of 40 up until January 19, 2008. Prior to November 22, 2002, PG&E used a meter constant of 40 for the Burke meter (the correct constant)—hence there was no billing error prior to this date and Alco was billed the correct kWh usage. After January 19, 2008, PG&E has used a meter constant of 40 for the Burke meter.

Alco's present rates were established by GRC effective December 25, 2005. The power usage data estimated in this case was based on incorrect PG&E billings—PG&E was using a meter constant of 1 instead of 40. So the estimated power usage and purchased power expense estimates were too low. PG&E's re-billings, substantially for that period, from December 21, 2005 to January 19, 2008, total $150,126.98. DWA believes that Alco should be able to collect the re-billed power charges for the period after December 25, 2005.

Prior to December 25, 2005, Alco's rates were last established by GRC Res. W-3908 on February 8, 1995. The power usage and purchased power expense for the Burke meter at this time was accurate as PG&E was billing Alco correctly as the meter constant of 40 was being used. PG&E only started billing Alco inaccurately for the Burke meter on November 22, 2002 when the meter was swapped out. Hence the kWh usage for the Burke meter was accurately estimated as the correct meter constant was used. So for the period from January 21, 2005 up until December 25, 2005—when Alco's tariff rates were adjusted—Alco was receiving per Res. W-3908 tariff rates based on estimates for the Burke meter using the correct meter constant of 40.

So while Alco was receiving in rates power costs for the Burke meter using the correct meter constant of 40, PG&E was billing Alco for the Burke meter using an incorrect meter constant of 1. Hence PG&E under billed Alco for 2005, but Alco received in rates (for this period) power costs based on a correct Burke meter reading using a meter constant of 40. Therefore, DWA believes that Alco should not recover through this memorandum account charges of $96,854.56 for the period from January 21, 2005 to December 21, 2005.

Pursuant to PG&E's electric tariff Rule 17.1 B.2.b, PG&E can only back-bill a non-residential customer for amounts undercharged for 3 years in the case of "billing error." Billing error includes not only the failure to use the correct meter constant, but also a failure to deliver a bill in a timely manner. Based on the information provided by Alco, it appears that the back-bill Alco received for the period from December 21, 2005 to January 19, 2008 was not rendered in a timely manner, i.e. promptly after the meter was read on or about January 19, 2008, but instead was sent well over a month later. Alco should have PG&E correct the back-bill to cover only the allowable three year period.

Alco's AL 118, establishing its power cost memorandum account for extraordinary power expenses was not approved until. April 11, 2008. The Commission's consistent practice is not to allow recovery, via a memorandum or balancing account, of costs incurred before the account was established. The costs at issue here were all incurred before April 11, 2008, as they are costs for power delivered before February of 2008. Nevertheless for the reasons listed in the remainder of this paragraph, we will allow recovery here of the costs not disallowed by the preceding paragraph. 1) The costs at issue here are costs which Alco owes PG&E under a CPUC-authorized tariff; 2) Alco first became aware of these costs when it received a very large back-bill; 3) the omission of these costs from Alco's last GRC was not due to any fault on the part of Alco, but due to PG&E's incorrect billing; 4) these are costs for a very specific and limited category of Alco's expense, namely the electricity for a specific pump; 5) the size of these costs is relatively large in comparison to Alco's overall revenues of about $5.8M in 2008; and 6) it would be unjust to deny Alco recovery of these costs.

In light of these factors, we will authorize Alco to recover the costs not disallowed by the preceding paragraph, i.e., $150,126.98. We caution utilities that we are allowing recovery here because of the presence of each and every one of these listed factors. The presence of only some of them would not have been sufficient to justify relief.

To recover the balance of $150,126.98, this balance is divided by the total number of service connections—8,718—and spread over a year-long period. The recommended surcharge is $1.44 per connection per month for a twelve month period ($150,126.98/8,718/12).

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. DWA 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).

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 from DRA and Alco on April 27 and 28, 2009, respectively. To the extent that changes were necessary, they have been made herein.

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's AL 118, establishing its power cost memorandum account for extraordinary power expenses was not approved until April 11, 2008.

3. The power cost memorandum account was created after Alco incurred the expenses booked to it.

4. The Commission's consistent practice is not to allow recovery, via a memorandum or balancing account, of costs incurred before the account was established. It is unjust to deny Alco recovery of these costs.

5. The costs at issue here are costs which Alco owes PG&E under a CPUC-authorized tariff.

6. Alco first became aware of these costs when it received a very large back-bill.

7. The omission of these costs from Alco's last GRC was not due to any fault on the part of Alco.

8. These are costs for a very specific and limited category of Alco's expense.

9. The size of these costs is relatively large in comparison to Alco's overall revenues of about $5.8M in 2008.

10. PG&E's electric tariff Rule 17.1 B.2.b allows PG&E to back-bill a non-residential customer for amounts undercharged for 3 years in the case of "billing error."

11. The back-bill Alco received for the period from December 21, 2005 to January 19, 2008 was not rendered in a timely manner.

12. Alco should have PG&E correct the back-bill to cover only the allowable three year period.

13. Alco should be authorized to recover the costs recorded in its power cost memorandum account.

14. 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.

15. 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 per service connection for twelve months.

16. 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 authorized to transfer $150,126.98 from the power cost memorandum account to a balancing account for recovery.

2. Alisal Water Company-Salinas District is authorized to file an advice letter to recover the amounts in the balancing account by imposing a surcharge of $1.44 per month per service connection 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