

ATTACHMENT A

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Point Arena Water Works, Inc. for an order authorizing a rate increase in rates subject to refund producing additional annual revenues of \$70,137 or 56.9% for the test year 2002.

Application 02-11-057
(Filed November 25, 2002)

STIPULATION

WHEREAS the City of Point Arena, a Protestant in the above Application, has contended that certain matters involving the Applicant, Point Arena Water Works, Inc., herein should be addressed by the Commission before it takes final action on the Applicant's request for general rate relief as regards Test Year 2002; and

WHEREAS as the result of efforts by the Director of the Commission's Water Division to mediate settlement of the issues raised by the City of Point Arena, representatives of Applicant and the City have met for the purpose of entering a joint stipulation to be considered by the Commission in adopting a final decision and order in this matter without the necessity of an evidentiary hearing;

NOW THEREFORE, Applicant and the City agree as follows:

1. Stipulation as Non-Precedent Compromise

Because this Stipulation represents a compromise by Applicant and Protestant, each party has entered into said Stipulation on the basis that its approval by the Commission not be construed as an admission or concession by either Party regarding any fact or matter of law in dispute in this proceeding.

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Furthermore, the Applicant and Protestant agree that approval of this Stipulation by the Commission not be construed as a precedent or statement of policy of any kind, for or against, any Party in any current or future proceeding.

2. Re: Commission Staff's Report.

Except for issues specifically designated herein, Applicant and Protestant agree to and shall not challenge the conclusions and recommendations of the Commission's Water Division staff as designated in their reports, the most recent of which was updated in April, 2003 with changed pages transmitted to the parties by letter dated April 25, 2003 from Staff Attorney Monique Steel.

3. Re: Rate Base Adjustment.

A sum of \$34,405 received by Applicant as tax refunds in 1995 shall be applied as payment for plant additions in the years 1996 through 1999 as follows: \$6,856.00 (1996); \$8,254.00 (1997); \$17,129.00 (1998); and \$2,167.00 (1999). Accordingly, in calculating the Applicant's reasonable rate base for the 2002 Test Year, the sum of \$34,405, previously treated as a part of rate base, shall be excluded there from and treated as Contributions-in-Aid-of -Construction for ratemaking purposes;

4. Re: Certain Costs Accumulated in a Memorandum Account.

The parties acknowledge that Applicant has been authorized by the California Public Utilities Commission to track, in a Memorandum Account, certain expenses incurred by Applicant in connection with its pending request for general rate relief and that Applicant will hereafter apply to the Commission by Advice Letter to recover such expenses through surcharges to be included in future customer bills. The parties further acknowledge that at such time, the City may challenge the reasonableness of such expenses and the propriety of allowing said expenses to be recovered by Applicant through customer surcharges. Applicant agrees that such total expenses as may be approved by the Commission for recovery as surcharges (without provision for interest thereon) shall be amortized by equal monthly surcharges over a period of six

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years. Applicant further agrees to exclude from the costs accumulated in said Memorandum Account the charges by Applicant's legal counsel for his services commencing January 7, 2004 in this proceeding.

5. Re: Reimbursement of Certain Overcharges.

It is acknowledged that, pursuant to Commission Resolution W-4356 dated October 24, 2002, Applicant has through monthly credits to customers' bills for service in the year 2003 already refunded certain overcharges for service Applicant provided to its 5/8 x 3/4 inch metered customers in 1999, 2000 and 2001.

Whereas Protestant, the City, contends that Applicant's customers are legally entitled to recover refunds from Applicant from the beginning of the period in which Applicant actually charged its 5/8 x 3/4 inch metered customers amounts in excess of the rates approved by Commission Resolution # 3594 effective July 29, 1991, viz. a period of approximately 10 years, Applicant believes it has already satisfied its legal obligation to make customer refunds attributable to prior overcharges by reason of the credits it provided to its customers during the year 2003.

Applicant and Protestant agree that the resolution of the extent of Applicant's obligation to make refunds remains an issue in dispute and that it may be submitted to the presiding Administrative Law Judge in this matter with the request that said judge advise Applicant and the City of a briefing schedule which will allow 1) Applicant to submit an opening memorandum in support of its position as to the extent of its refund obligations, 2) a Reply thereto by the City and 3) a Response by Applicant to the City's Reply. Applicant and the City agree that they will rely on their legal briefing of this matter and that they will not attempt to otherwise influence the Commission's decision and further, that neither party shall seek rehearing, reconsideration or appeal of the Commission's determination of Applicant's liability, if any, to make additional refunds.

*waiver 30 day Commission provided
check and 1/10/03*

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To the extent that the Commission determines that Applicant is obliged to provide additional refunds, Applicant and Protestant agree and respectfully request that the Commission authorize that said refunds be charged against or deducted from any surcharges authorized for recovery of the Memorandum Account discussed in paragraph 4 above.

6. Re: Cooperation with City's Consultant.

It is acknowledged that the City is conducting a Water System Master Plan Study. Applicant agrees to cooperate with the City's consultant who is preparing said Plan and will upon reasonable prior notice provide said consultant with reasonable access to its facilities.

7. Re: Water Supply.

Applicant will provide the City's attorney with a copy of the letter it believes confirms that Applicant's Water Rights to the Garcia River have not expired. (The letter in question is a billing dated January 8, 2004 from the State Water Resources Control Board Division of Water Rights to Applicant of the "Annual Water Rights Fee" for Application A. 025442. SWRCB Permit # 017016 was issued in Application A. 025442 a number of years ago. Said fee was paid by Applicant on January 23, 2004.)

8. Re: Connection Fees.

Applicant agrees to provide each potential customer seeking an estimate of the cost of connecting to Applicant's water system with a copy of "Applicant's Connection Fee Data Form" as set forth in Sheet No. 246-W of Applicant's Tariff Schedules which reads in part as follows: "Notes to Customer: ... You may choose to have this work done at your own expense by a licensed contractor subject to inspection by the utility. The Inspection fee for this installation is \$_____."

9. Re: Facilities Fees.

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It is agreed that Applicant shall not be required to charge "Facilities Fees" as set forth in Schedule F (Cal. PUC. Sheet No. 280-W) of Applicant's Tariff Schedules to the properties identified on that certain document entitled "Inactive Meters Not In Service But In Place 1-Jan-03"; provided however, that except as set forth on the aforesaid document, if additional services and/or increases in size of service connections shall be requested for said properties, Applicant shall require payment of Facilities Fees therefor in accordance with Schedule F.

10. Re: Extension of Applicant's Service Area.

It is agreed that Applicant shall hereafter file an Advice Letter extending the boundaries of its Service Area to include the Hay Industrial Park and certain adjoining property that was annexed into the City of Point Arena in 1992.

11. Attachments

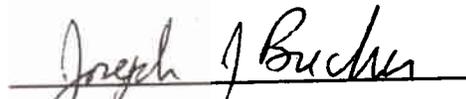
Attached hereto is a Draft Summary of Earnings (Appendix A), Tariff Rate Schedules (Appendix B), Comparison of Rates (Appendix C) and Adopted Quantities and Adopted Tax Calculations prepared by Commission Staff to reflect the rate-making provisions of this Stipulation.

Dated: March 25, 2004



William G. Fleckles, Esq.
Attorney for Applicant
Point Arena Water Works, Inc.

Dated: March 31, 2004



Joseph J. Brecher
Attorney for Protestant
City of Point Arena

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CALIFORNIA PUBLIC UTILITIES COMMISSION

Water Division

**REVISED APPENDICES FOR THE
APPLICATION A. 02-11-057 REQUESTING A GENERAL
RATE INCREASE OF
POINT ARENA WATER WORKS, INC.**

Report written by

**Peter T. Liu
Senior Utilities Engineer
March 26, 2004**

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APPENDIX A
POINT ARENA WATER WORKS, INC.
SUMMARY OF EARNINGS
Test Year 2002

	Utility Estimated		Branch Estimated		Staff Adopted Rates
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	
<u>Operating Revenues</u>					
Metered Rate	\$80,095	\$250,259	\$123,278	\$250,259	\$184,665
<u>Operating Expenses:</u>					
Power	13,000	13,000	16,170	16,170	16,170
Other Vol. Related Costs	1,000	1,000	459	459	459
Employee Labor	6,000	6,000	5,640	5,640	5,640
Materials	15,000	15,000	5,840	5,840	5,840
Contract Work	20,000	20,000	17,790	17,790	17,790
Transportation	10,000	10,000	7,140	7,140	7,140
Other Plant Maintenance	5,500	5,500	5,500	5,500	5,500
Office Salaries	22,500	22,500	20,500	20,500	20,500
Management Salaries	24,000	24,000	19,500	19,500	19,500
Uncollectibles	2,000	2,000	1,115	1,115	1,115
Office Services & Rentals	9,600	9,600	6,000	6,000	6,000
Office Suppl. & Expenses	5,000	5,000	3,500	3,500	3,500
Professional Services	20,000	20,000	7,450	7,450	7,450
Insurance	17,500	17,500	11,350	11,350	11,350
Regulatory Expense	2,500	2,500	2,403	2,403	2,403
General Expenses	500	500	420	420	420
Subtotal	174,100	174,100	130,777	130,777	130,777
Depreciation Expense	8,200	8,200	7,749	7,061	7,061
Taxes Oth than Inc Taxes	12,000	12,000	8,126	8,126	8,126
Income Tax Expense	<u>800</u>	<u>13,459</u>	<u>800</u>	<u>29,521</u>	<u>8,713</u>
Total Expenses	195,100	207,759	147,452	175,485	154,677
Net Revenue	(115,005)	42,500	(24,174)	74,774	29,988
<u>Rate Base</u>					
Average Plant	1,325,173	1,325,173	1,326,763	1,326,763	1,326,763
Aver. Depr. Reserve	(100,100)	(100,100)	(126,619)	(123,127)	(123,127)
Net Plant	1,225,073	1,225,073	1,200,144	1,203,636	1,203,636
Less: Contributions	740,861	740,861	740,861	775,266	775,266
Surcharges	197,682	197,682	197,682	197,682	197,682
Rate Base	286,530	286,530	261,601	230,688	230,688
Rate of Return	Loss	15.00%	Loss	32.41%	13.00%

(END OF APPENDIX A)

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APPENDIX B

POINT ARENA WATER WORKS, INC.

Schedule No. 1

GENERAL METERED SERVICE

Test Year 2002

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of Point Arena and vicinity and Whiskey Shoals Subdivision
Unit Nos. 1, 2 & 3, Mendocino County.

RATES

Quantity Rate:
All water, per 100 cu. ft..... \$ 4.69 (I)

Per Meter
Per Month

Service Charge:		
For 5/8x3/4-inch meter.....	\$34.28	(I)
For 3/4-inch meter.....	51.42	(I)
For 1-inch meter.....	85.70	(I)
For 1-1/2-inch meter.....	171.40	(I)
For 2-inch meter.....	274.23	(I)
For 3-inch meter.....	514.17	(I)
For 4-inch meter.....	857.00	(I)
For 6-inch meter.....	1,714.00	(I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered water service and to which is added to the charge for water used at the Quantity Rate.

SPECIAL CONDITIONS

1. In addition to the above rates and charges rendered to all bills under this schedule, a surcharge will be added as set forth in Schedule No. 1-X, General Metered Service Surcharge.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
3. Point Arena Associates and Wharf Masters Inn will be charged the 4-inch meter charge pursuant to Resolution No. 4233.

(END OF APPENDIX B)

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APPENDIX C

POINT ARENA WATER WORKS INC.

Schedule No. 1

GENERAL METERED SERVICE
Test Year 2002

COMPARISON OF RATES

A comparison of PAWW's present rates and the Branch's recommended rates is shown below:

<u>QUANTITY RATE</u>	<u>Present Rates</u>	<u>Recommended Rates</u>
All water, per 100 cu. ft:	\$4.32	\$4.69

<u>SERVICE CHARGE</u>	<u>Per Meter Per Month</u>	
For 5/8x3/4-inch meter.....	20.08	34.28
For 3/4-inch meter.....	25.34	51.42
For 1-inch meter.....	31.66	85.70
For 1-1/2-inch meter.....	44.34	171.40
For 2-inch meter.....	59.09	274.23
For 3-inch meter.....	100.25	514.17
For 4-inch meter.....	136.35	857.00
For 6-inch meter.....	226.60	1,714.00

A comparison of monthly bills at various consumption rates is as follows:

<u>Quantity Used</u>	<u>Current Rates</u>	<u>Proposed Rates*</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
100 cu. ft				
0	\$20.08	\$34.28	\$14.20	70.7%
6.3	47.30	63.83	16.53	34.9
10.0	63.28	81.18	17.90	28.3

(END OF APPENDIX C)

ATTACHMENT A**APPENDIX D****POINT ARENA WATER WORKS INC.****ADOPTED QUANTITIES**

Test Year 2002

EXPENSES

1.	Purchased Power	\$16,170
	Pacific Gas & Electric Company	
	Rate Schedule	A-1
	Summer (\$0.14870/kWh) x 33,877 kWh	\$5,038
	Winter (\$0.10193/kWh) x 27,212 kWh	\$2,774
	Customer Charge Polyphase four meters per year	\$576
	Subtotal	\$8,388
	Rate Schedule	A-6
	Summer Peak (\$0.23258/kWh) x 3,511 kWh	\$817
	Summer Part-Peak (\$0.10288/kWh) x 3,716 kWh	\$382
	Summer Off-Peak (\$0.05618/kWh) x 4,635 kWh	\$260
	Winter Part-Peak (\$0.11562/kWh) x 8,168 kWh	\$944
	Winter Off-Peak (\$0.07169/kWh) x 4,644 kWh	\$333
	Meter Charge per meter per year, Rate A-6	\$41
	Customer Charge Polyphase per meter per year	\$72
	Subtotal	\$2,849
	Energy Procurement Surcharges	
	Rate Schedule	A-1
	Summer (\$0.07140/kWh) x 33,877 kWh	\$2,419
	Winter (\$0.03838/kWh) x 27,212 kWh	\$1,044
	Subtotal	\$3,463
	Rate Schedule	A-6
	Summer Peak (\$0.11064/kWh) x 3,511 kWh	\$388
	Summer Part-Peak (\$0.05551/kWh) x 3,716 kWh	\$206
	Summer Off-Peak (\$0.04551/kWh) x 4,635 kWh	\$211
	Winter Part-Peak (\$0.05551/kWh) x 8,168 kWh	\$453
	Winter Off-Peak (\$0.04551/kWh) x 4,644 kWh	\$212
	Subtotal	\$1,470
2.	Insurance Expense	\$11,350
3.	County Taxes	\$2,775
4.	Payroll Taxes	\$4,450

Service Connections

Metered Rate: All meter sizes	179
Meter Water Sales Used to Design Rates	16,395.4 Ccf

ATTACHMENT A**ADOPTED INCOME TAX CALCULATIONS**

Test Year 2002

<u>Line</u> <u>No.</u>	<u>Item</u>	<u>State</u> <u>Tax</u>	<u>Federal</u> <u>Tax</u>
1.	Operating Revenues	\$184,665	\$184,665
2.	Expenses	\$130,777	\$130,777
3.	Unsecured Property Taxes	\$ 2,775	\$ 2,775
4.	Depreciation	\$ 7,061	\$ 7,061
5.	Payroll Taxes	\$ 4,450	\$ 4,450
6.	License Fees	\$ 901	\$ 901
7.	State Taxable Income	\$ 38,701	
8.	State Tax (@8.84%)	\$ 3,421	\$ 3,421
		=====	=====
9.	Federal Taxable Income		\$ 35,280
10.	Federal Income Tax (@15%)		\$ 5,292
11.	TOTAL STATE AND FEDERAL INCOME TAX		\$ 8,713

(END OF APPENDIX D)

ATTACHMENT A

CERTIFICATE OF SERVICE BY MAIL

I hereby certify that I have this day caused to be served a true copy of the document entitled "Stipulation" (with attachments) in Application 02-11-057 by mailing a copy of said document by first class mail, postage pre-paid, addressed to the following persons:

Maribeth A. Bushey
Administrative Law Judge
California Public Utilities Commission
505 Van Ness Avenue, Room 5018
San Francisco, CA 94102

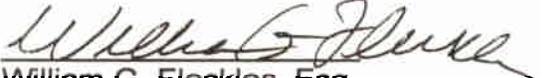
Monique Steele
Attorney – LEGAL DIVISION
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Fred Curry
California Public Utilities Commission
Water Division, Room 3106
505 Van Ness Avenue
San Francisco, CA 94102

Mr. Joseph Brecher
Point Arena City Attorney
436 14th Street, Suite 1300
Oakland, CA 94612

City of Point Arena
Mayor Leslie Dahlhoff
P.O. Box 543
Point Arena, CA 95468

Dated this 7th day of April, 2004 at Novato, CA 94947.


William G. Fleckies, Esq.

(END OF ATTACHMENT A)