

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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April 7, 2008

Agenda ID #7524
Draft Resolution W-4684

TO ALL INTERESTED PARTIES - THE CASMITE CORPORATION GENERAL RATE CASE

Enclosed is a draft resolution of the Division of Water and Audits. It will be on the Commission's May 15, 2008 agenda. The Commission may act on the resolution or it may postpone action until later.

When the Commission acts on the draft resolution, it may adopt all or part of it as written, amend, or modify or set it aside, and prepare a different resolution. Only when the Commission acts does the resolution become binding on the parties.

Parties to this matter may file comments on this draft resolution. Original and 2 copies of the comments, with a certificate of service, should be submitted to:

Division of Water and Audits, Third Floor
Attention: Robert Weissman
California Public Utilities Commission
505 Van Ness Avenue
San Francisco CA 94102
E-mail address: (srw@cpuc.ca.gov)

Parties may submit comments on or before May 7, 2008. The date of submission is the date the comments are received by the Division of Water and Audits. Parties must serve a copy of their comments on all persons on the service list attached to the draft resolution, on the same date that the comments are submitted to the Division of Water and Audits.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft resolution, a table of authorities and appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal, or technical errors in the draft resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted. Late submitted comments will not be considered.

/s/ RAMI S. KAHLON
Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Draft Resolution W-4684
Certificate of Service
Service List

WATER/RSK/SRW

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

**RESOLUTION W-4684
May 15, 2008**

R E S O L U T I O N

**(RES. W-4684), THE CASMITE CORPORATION (Casmite).
ORDER AUTHORIZING A GENERAL RATE INCREASE,
PRODUCING AN INCREASE OF \$52,767 OR 89.73% PHASED IN
DURING THE YEARS 2008, 2009, AND 2010.**

SUMMARY

By Draft Advice Letter filed on September 20, 2006, and accepted by the Water Branch staff (Staff) on November 13, 2007, Casmite requested an increase of \$99,500 or 138% in annual gross revenues for test year 2008. This resolution grants Casmite a general rate increase in gross annual revenues of \$52,767 or 89.73% for a 9.01% rate of return based on a test year 2008.

Casmite’s present rates became effective on September 11, 2006, by Advice Letter No. 1-W-A pursuant to Commission Decision (D.) 05-11-030 and Commission D.06-07-041.

A Staff report was issued in February 2008. On March 20, 2008, Casmite representatives met with the Division of Water and Audits (Division) in a settlement agreement to discuss the differences in expenses and rate of return between Casmite’s request and the Staff report. Appendix A includes a Summary of Earnings with the agreed upon expenses. Casmite and the Division also agreed to phase in the rate increase of \$52,767 in the years 2008, 2009, and 2010. The rate schedule to implement the 2008 increase and the step increases for the years 2009 and 2010 are set forth in Appendix B.

BACKGROUND

By draft advice letter, Casmite, a Class D water utility, requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to

increase water revenues for Casmite by \$99,500 or 138% for test year 2008 over the utility's estimate of present rates. The purposes of the rate increase are to recover operating expenses and to provide Casmite with an adequate rate of return. Casmite's present rates became effective on September 11, 2006 by Advice Letter No. 1-W-A pursuant to D.05-11-030 and D.06-07-041.

The initial rates for Casmite were granted on November 18, 2005, pursuant to D.05-11-030 and D.06-07-041 which authorized rates of return on rate base of 0% for test year 2004, 3.26% for test year 2005, 6.52% for test year 2006, and 9.7% for test year 2007. Casmite was ordered to file "an application for rate making" by June 30, 2006. The Commission's Executive Director granted Casmite's request to extend this date until September 29, 2006.

Casmite is a wholly owned subsidiary of the Chevron Corporation providing water service to 12 service connections and seven customers in an area located near Santa Maria in or near Casmalia in Santa Barbara County. One customer has two service connections and one customer has five service connections which include two service connections that have water provided at no charge pursuant to a 1912 Grant Deed. One customer is the Casmalia Community Services District (CCSD) with 52 residential and two commercial customers.

The system receives water from one well with a capacity of 200 gallons per minute. The water from the well goes into two 10,000 gallon capacity holding tanks. A chlorination system has been installed near the well site for injection into the line between the well and the holding tanks. With an in-line 75 horsepower (at 3600 rpm) booster pump, the water is pumped approximately 7,400 feet to a 48,000 gallon storage tank on top of a hill. A pressure of 480 to 500 pounds per square inch (psi) is required to pump the water from the holding tanks to the storage tank. Two water pressure reducers have been installed between the storage tank and Casmite's customers. The distance from the storage tank to CCSD is approximately 15,250 feet. The transmission lines are 4 inch steel, polyethylene, and cast iron.

NOTICE, PROTESTS, AND PUBLIC MEETINGS

A notice of the requested increase of \$99,000 or 138% was mailed to customers on November 20, 2007. Notice of the public meeting was mailed to customers 20 days prior to the meeting date. The meeting was scheduled on a Wednesday

evening at the Santa Barbara County's Board of Supervisor's hearing room in Santa Maria to ensure maximum public participation.

A public meeting was held on December 12, 2007, and was attended by approximately 80 people. Most attendees were customers of Casmite, the press, radio, television, Casmite representatives, a Congressional representative and two Santa Barbara County supervisors. Staff explained the process of the rate increase request before the Commission. Casmite representatives reviewed their rate increase request. Staff and Casmite representatives responded to various questions from the attendees.

Staff received eleven letters and two petitions signed by 140 individuals protesting the rate increase.

DISCUSSION

The Staff made an independent analysis of Casmite's Summary of Earnings. Appendix A shows Casmite's and Division's estimates of the Summary of Earnings at present, requested, and recommended rates for test year 2008, to be phased in during the years 2008, 2009, and 2010.

Appendix B includes the Division's tariff rates for the years 2008, 2009, and 2010.

A staff report was issued in February 2008. On March 20, 2008, Casmite representatives met with the Division in a settlement meeting to discuss the Staff recommended expenses and zero percent rate of return. Appendix A includes a Summary of Earnings with the agreed upon expenses.

A comparison of customer bills at present rates and the recommended rates is shown in Appendix C. The Adopted Quantities and Tax Calculations are shown in Appendix D.

COMPLIANCE

Casmite has no outstanding Commission compliance orders. Casmite has been filing annual reports as required and the tariff schedules in its tariff book are up to date. Casmite needs to file a Connection Fee Data Form as noted in Rule No. 15.

COMMENTS

Public Utilities Code (PU Code) §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. PU Code §311(g) (2) provides that this 30-day period may be waived or reduced upon stipulation of all parties in the proceeding.

The 30-day comment period for the draft resolution was neither waived nor reduced. This draft resolution was sent electronically to parties for comments and will be placed on the Commission's agenda no earlier than 30 days from the date of sending electronically this resolution to the parties.

FINDINGS

1. The Division's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
4. The rate increase authorized herein is justified and the resulting rates are just and reasonable.
5. Casmite should be required to file a Commission Connection Fee Data Form as noted in Rule No. 15.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code, Section 454, for The Casmite Corporation (Casmite) to file an advice letter incorporating the Summary of Earnings and the revised rate schedule for the year 2008 attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate Schedule No. 1, General Metered Service. The effective date of the revised rate schedule for the year 2008 shall be five days after the date of filing.
2. Casmite shall file the step increases for the years 2009 and 2010 set forth in Appendix B by December 15, 2008, for the year 2009 and by December 15,

2009, for the year 2010 to be effective January 1, 2009, and January 1, 2010, respectively.

3. Casmite is authorized to increase annual revenues by \$52,767 or 89.7% to be phased in during the years 2008, 2009, and 2010.
4. The quantities (Appendix D) used to develop the Division's recommendations are adopted.
5. Casmite is ordered to file a Commission Connection Fee Data Form as noted in Rule No. 15.

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 May 15, 2008; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A
The Casmite Corporation
Summary of Earnings
Test Year 2008

	Utility Estimated		Staff Estimated		Division
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	Recommended Settled Rates
Operating Revenues					
Metered water revenue	\$72,103	\$171,603	\$58,808	\$139,960	\$111,575
Total Revenue	72,103	171,603	58,808	139,960	111,575
Operating and Maintenance Exp.					
Purchased water					-
Power	19,000	19,000	13,317	13,317	12,966
Other volume related exp.					-
Employee Labor				-	-
Materials				-	-
Contract work	66,019	66,019	66,019	66,019	48,500
Water Testing					
Transportation expenses					
Other Plant Maintenance					
Office salaries					
Management salaries					
Employee pers. & benefits					-
Uncollectibles expense					-
Office services & rentals	11,160	11,160	3,600	3,600	3,600
Office supplies and expenses	535	535	535	535	535
Professional services	13,750	13,750	8,750	8,750	6,500
Insurance					
Regulatory comm. expense	7,867	7,867	5,200	5,200	2,500
General expenses	650	650	650	650	650
Total Operating Expenses	118,981	118,981	98,071	98,071	75,251
Depreciation	13,724	13,724	11,424	11,424	11,424
Taxes Other than Income	1,282	1,282	1,282	1,282	1,282
State tax	800	3,325	800	2,580	2,088
Federal income tax		5,144		3,990	3,230
Total Deductions	134,787	142,456	111,577	117,347	93,274
Net Revenue	(62,684)	29,147	(52,769)	22,613	18,301
RATE BASE					
Average plant	323,110	323,110	323,110	323,110	323,110
Average accum. dep.	112,652	112,652	126,216	126,216	126,216
Net plant	210,458	210,458	196,894	196,894	196,894
Plus working cash	9,915	9,915	8,173	8,173	6,271
Rate Base	220,373	220,373	205,067	205,067	203,165
Rate of Return	-28%	13.2%	-25.7%	11.0%	9.01%

Appendix B

Year 2008

The Casmite Corporation

Schedule No. 1

Metered Service

APPLICABILITY

Applicable to all metered water service.

TERRITORY

This schedule is applicable within the entire territory served by the utility, which is in or near the city of Casmalia in Santa Barbara County.

RATES

Quantity Rates:

For all water used, per 100 cu. ft. \$ 5.25

Monthly Services Charges:

	<u>Per Meter</u>
For 5/ 8 x 3/ 4-inch meter	\$ 83.32
For 3/ 4- inch meter	124.98
For 1-inch meter	208.31
For 1.5- inch meter	416.62
For 2- inch meter	666.59
For 3- inch meter	1,249.86
For 4- inch meter	2,083.10

The service charge is applicable to all service. It is a readiness to serve charge to which is added the charge, computed at the Quantity Rate, for water used during the month.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

Appendix B

Years 2009 and 2010

The Casmite Corporation

Schedule No. 1

Metered Service

<u>RATES</u>		2009 Step Increase	2010 Step Increase
Quantity Rates:			
For all water used, per 100 cu. ft.	\$	1.21	\$ 1.21
Monthly Services Charges:			
		Per Meter	Per Meter
For	5/ 8 x 3/ 4-inch meter	\$ 19.18	\$ 19.18
For	3/ 4-inch meter	28.78	28.78
For	1-inch meter	47.96	47.96
For	1.5- inch meter	95.92	95.92
For	2- inch meter	153.47	153.48
For	3- inch meter	287.76	287.77
For	4- inch meter	479.61	479.61

The service charge is applicable to all service. It is a readiness to serve charge to which is added the charge, computed at the Quantity Rate, for water used during the month.

Appendix C
Rate Comparisons
The Casmite Corporation
Monthly Metered Service

Meter size	Present	Recommended	Amount Increase	Percent Increase
	Monthly Rate	Monthly Rate Year 2008		
5/8 x 3/4	\$64.14	\$83.32	\$19.18	29.90%
1	160.35	208.31	47.96	29.91%
1 1/2	320.70	416.62	95.92	29.91%
2	513.12	666.59	153.47	29.91%
Quantity Rate	\$4.04 per ccf	\$5.25 per ccf	\$1.21 per ccf	29.95%

Meter size	Recommended	Recommended	Amount Increase	Percent Increase
	Monthly Rate Year 2008	Monthly Rate Year 2009		
5/8 x 3/4	\$83.32	\$102.50	\$19.18	23.02%
1	208.31	256.27	47.96	23.02%
1 1/2	416.62	512.54	95.92	23.02%
2	666.59	820.06	153.47	23.02%
Quantity Rate	\$5.25 per ccf	\$6.46 per ccf	\$1.21 per ccf	23.05%

Meter size	Recommended	Recommended	Amount Increase	Percent Increase
	Monthly Rate Year 2009	Monthly Rate Year 2010		
5/8 x 3/4	\$102.50	\$121.69	\$19.19	18.72%
1	256.27	304.23	47.96	18.71%
1 1/2	512.54	608.46	95.92	18.71%
2	820.06	973.54	153.48	18.72%
Quantity Rate	\$6.46 per ccf	\$7.67 per ccf	\$1.21	18.73%

Meter size	Present	Recommended	Amount Increase	Percent Increase
	Monthly Rate	Monthly Rate Year 2010		
5/8 x 3/4	\$64.14	\$121.69	\$57.55	89.73%
1	160.35	304.23	143.88	89.73%
1 1/2	320.70	608.46	287.76	89.73%
2	513.12	973.54	460.42	89.73%
Quantity Rate	\$4.04 per ccf	\$7.67 per ccf	\$3.63 per ccf	89.85%

Appendix D
The Casmite Corporation
Adopted Quantities
Test Year 2008

1. Purchased Power	\$	12,966
2. Contract Work	\$	48,500
3. Office Services and Rentals	\$	3,600
4. Office Supplies and Expenses	\$	535
5. Professional Services	\$	6,500
6. Regulatory Commission Expenses	\$	2,500
7. General Expenses	\$	650
8. Depreciation	\$	11,424
9. Taxes other Than Income	\$	1,282
10. Average Plant	\$	323,110
11. Average Depreciation Reserve	\$	126,216
12. Working Cash Allowance	\$	6,229
13. Rate Base	\$	203,123

Number of Service Connections

Metered Rate	
5/8 x 3/4-inch	8
3/4-inch	0
1-inch	2
1.5-inch	1
2-inch	1
3-inch	0
4-inch	0
 Total Service Connections	 12
 Metered Water Sales	 9,984 ccf

Income Tax Calculations

Test Year 2008

<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
Operating Revenues	\$ 111,575	\$ 111,575
Operating Expenses	\$ 75,251	\$ 75,251
Depreciation	\$ 11,424	\$ 11,424
Taxes other Than Income	\$ 1,282	\$ 1,282
State Taxable Income	\$ 23,618	\$ 23,618
State Tax (@8.84%) Minimum \$800	\$ 2,088	\$ 2,088
 Federal Taxable Income		 \$ 21,530
Federal Income Tax-- 15% on first \$50,000 of taxable income		\$ 3,230
Total State and Federal Income Tax		\$ 5,317

CERTIFICATE OF SERVICE

I certify that I have sent electronically this day a true copy of draft Resolution W-4684 to all parties in these filings as shown on the attached list.

Dated April 7, 2008, at San Francisco, California.

/s/ JOSIE R. BABARAN
Josie R. Babaran

NOTICE

Parties should notify the Division of Water and Audits, Public Utilities Commission, 505 Van Ness Avenue, Room 3106, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

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