

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4757
April 16, 2009

R E S O L U T I O N

(RES. W-4757), CALIFORNIA WATER SERVICE COMPANY (CAL WATER). ORDER AUTHORIZING A RATE BASE OFFSET INCREASE IN RATES PRODUCING ADDITIONAL GROSS ANNUAL REVENUES OF \$421,749 OR 3.3%.

SUMMARY

By Advice Letter (AL) 1904-W filed on February 12, 2009, Cal Water requests a revenue increase of \$370,957, or 2.9%, to provide a return on the addition to its rate base of \$2,535,259 for the capital project to replace booster Station 4 in the Westlake District. Cal Water also requests to update the Preliminary Statement M for the Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA).

This resolution grants a revenue increase of \$421,749 and the addition to rate base of \$2,535,259. In addition, the Preliminary Statement M for the WRAM/MCBA is updated. The Division of Water and Audits (DWA) used Standard Practice U-27-W to calculate the revenue increase of \$421,749. Cal Water did not take into account the revenue effect for uncollectibles, franchise fee, and ad valorem taxes or the effect of the state income tax rate on federal taxable income in the net to gross multiplier. This increase will not result in a rate of return greater than that last authorized for Cal Water in Decision (D.) 07-12-055.

BACKGROUND

Cal Water provides water service to approximately 6,982 residential and non-residential customers in the Westlake District within the city of Thousand Oaks and vicinity in Ventura County.

D.07-12-055 authorized Cal Water to file advice letters to recover in rates for the costs for certain capital projects that were stipulated to in Attachment 1, Settlement Agreement between the Division of Ratepayer Advocates (DRA) and Cal Water (Settlement Agreement).

Cal Water filed AL 1904-W to request approval of a rate base increase for the completed plant addition to replace booster Station 4 included in the Settlement Agreement approved in D.07-12-055. Cal Water also requested to update the WRAM/MCBA adopted in D.08-02-036.

DISCUSSION

The Project

DWA reviewed the booster Station 4 project proposed for inclusion into rate base. DWA confirmed that: (1) this project is included in the list of authorized projects in D.07-12-055; (2) the project's requested cost recovery did not exceed the amount authorized; (3) and this project had been completed and is currently used and useful. In addition, DWA reviewed invoices supporting expenditures for this project.

In the 2006 General Rate Case, Cal Water proposed a single construction project for the booster Station 4, project 14380. Due to the increasing scope of this project, Cal Water completed project 14380 in two phases, project 14380 was for phase 1, the retirement of the booster pump at Station 4. Project 16731 was created for phase 2 of this project. The scope of project 16371 included the second half of the retirement of the old booster pump and the design and construction of the new booster pump. The total costs of phase 1 and phase 2 are \$2,535,259. Projects 14380 and 16371 are complete and have been placed in service.

Revenue Requirement

To determine the necessary revenue requirement to earn a return on the addition of \$2,535,259 to rate base, DWA used Commission-approved rates in D.07-12-055 for cost of capital, rate of return, depreciation rate, uncollectible rate, franchise fee rate, and ad valorem tax rate. DWA's calculation is shown in Table A below and in Appendix A. The net-to-gross multiplier was calculated to account for the effect of state income taxes on the taxable income for federal income taxes. Cal Water requested revenue requirements of \$370,957 and DWA recommends \$421,749. DWA's higher revenue requirement occurs because Cal Water did not take into account: 1) the effect of state income taxes on federal taxable income and 2) the revenue effect of uncollectibles, franchise fee, and ad valorem taxes as set forth in Table A.

Using the authorized rate of return of 8.66%, a depreciation rate of 1.98%, an ad valorem tax rate of 0.79%, an uncollectible rate of 0.05935 %, a franchise fee rate of 1.027% and a net-to-gross multiplier of 1.4756245, DWA calculated an additional revenue requirement of \$421,749, or 3.3%. The following table shows the revenue calculation:

Table A							
Rate Base	ROR	Net/Gross	Depreciation	Uncollectible	Ad Valorem	Franchise	Required
Increase			Rate	Rate	Rate	Fee Rate	Revenue
\$2,535,259	8.66%	1.4756245					\$323,978
\$2,535,259			1.98%				\$50,198
\$2,535,259				0.05935%			\$1,505
\$2,535,259					0.79%		\$20,029
\$2,535,259						1.0271%	\$26,040
Total:							\$421,749

The net-to-gross multiplier and the revenue requirement calculations are shown in Appendix A.

For an average residential customer who uses 35 hundred cubic feet of water per month with a 5/8 x 3/4 inch meter, the additional revenue requirement will result in a monthly bill increase of \$3.20 from \$106.68 to \$109.88 or 3.0%.

WRAM/MCBA Update

The objective of the WRAM/MCBA is to have conservation and revenue adjustment mechanisms that decouple sales from revenues. In this rate base offset the additional revenue requirement is reflected in Preliminary Statement M. Every year Cal Water makes a filing to compare the Commission adopted revenues and water costs to the actual revenues and water costs. A surcharge or surcredit is then applied depending on whether the adopted revenues and water costs are higher or lower than actual revenues and water costs.

NOTICE AND PROTESTS

In compliance with General Rule 4.2 of General Order 96-B, Cal Water provided notice to individual customers by separate mailing on January 22, 2009. In addition, in accordance with General Order 96-B, General Rule 4.3 and 7.2 and Water Industry Rule 4.1, a copy of this advice letter was mailed or electronically transmitted on February 11, 2009, to competing and adjacent utilities and other utilities or interested parties having requested

such notification. DWA received no protests against updating WRAM/MCBA, the rate base increase, or the rate increase required to earn a return on the rate base adjustment.

COMPLIANCE

There are no Commission orders requiring system improvements. Cal Water has been filing annual reports as required.

COMMENTS

This is an uncontested matter in which the resolution: (1) grants the rate base increase relief requested; (2) authorizes the revenue requirement increase pursuant to Standard Practice U-27-W; and (3) updates the WRAM/MCBA mechanisms. This proceeding is subject to the public review and notice comment exclusion pursuant to Public Utilities Code 311(g) (3).

FINDINGS

1. The requested increase in rate base of \$2,535,259 and the resulting annual revenue requirement increase of \$421,749 or 3.3% are reasonable and should be adopted.
2. The Water Revenue Adjustment Mechanism/Modified Cost Balancing Account mechanism should be changed to reflect the quantities and rate design for the revenue requirement in this rate base offset.
3. The Commission finds, after investigation by the Division of Water and Audits, the rate base increase, the resulting rate increase hereby authorized and the change to the Water Revenue Adjustment Mechanism/Modified Cost Balancing Account are just and reasonable.
4. This is an uncontested matter subject to the public notice comment exclusion provided in Public Utilities Code 311(g) (3).

THEREFORE IT IS ORDERED THAT:

1. California Water Service Company is authorized, five days after the effective date of this resolution, to make effective the increased rates in rate schedules Nos.: WK-1-R, Residential Metered Service; WK-1-NR, Nonresidential Metered Service; and WK-6, Reclaimed Meter Service, in addition to the changes to Preliminary Statement M, which are shown in Appendix B of this Resolution.

CAL WATER/AL 1904/RSK/FLC/JB5/SRW/jlj

2. Expenditures for the completed project totaling \$2,535,259 are allowed into the rate base of California Water Service Company.

3. The revenue requirement of California Water Service Company is allowed to increase annually by \$421,749 or 3.3% to provide a return for the increase in rate base.

4. 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 on April 16, 2009, with the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

APPENDIX A
 Sheet 1

	California Water Service Company AL 1904						
	Revenue Requirement						
	Rate Base			2,535,259			
	Rate of Return			0.0866			
	Return on Rate Base			219,553			
	Depreciation Rate			0.0198			
	Depreciation Expense			50,198			
	Ad Valorem Tax Rate			0.00790			
	Ad Valorem Tax			20,029			
	Uncollectible Rate			0.0005935			
	Uncollectibles			1,505			
	Franchise Fee Rate			0.0102710			
	Franchise Fee			26,040			
	Net to Gross Multiplier			1.4756245			
	Rate Base Gross Exp.			323,978			
	Depreciation Expense			50,198			
	Ad Valorem Tax			20,029			
	Uncollectibles			1,505			
	Franchise Fee			26,040			
	Gross Revenue Increase			421,749			

APPENDIX A
 Sheet 2

Net To Gross Multipliers				
	Capital Structure	Cost	Weighted Cost	PerCent
Debt	0.433	0.0665	0.0288	0.33256
Equity	0.567	0.102	0.0578	0.66744
			0.0866	1
Debt Net To Gross Multiplier				
Line				
1	Uncollectible Rate		0.0005935	
2	1-Line 1		0.9994065	
3	Franchise Rate		0.010271	
4	Line 2xLine 3		0.01026	
5	Line 1 + Line 4		0.01086	
6	1-Line 5		0.98914	
7	NTG 1/Line 6		1.0109776	
Equity Net To Gross Multiplier				
8	Line 6		0.98914	
9	CCFT x Line 8		0.0874401	CCFT=8.84%
10	FIT x (Line 8)		0.3461996	FIT =35%
11	Line 9 x Line 10		0.0302717	
12	Lines 5+9+10-11		0.41423	
13	1-Line 12		0.58577	
14	1/Line 13		1.707144	
Debt NTG	PerCent x Line 7		0.3362143	
Equity NTG	PerCent x Line 14		1.1394102	
Composite NTG Multiplier			1.4756245	

APPENDIX B
 Sheet 1

Schedule No. WK-1-R

Westlake Tariff Area

RESIDENTIAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service provided to single-family residential customers.

TERRITORY

Westlake Village, in the southern part of Ventura County, within the City of Thousand Oaks and vicinity.

RATES

Quantity Rates:

For the first 1,300 cubic feet, per 100 cubic feet.....	\$2.3473	(I)
For the next 3,200 cubic feet, per 100 cubic feet.....	2.7615	(I)
For all over 4,500 cubic feet, per 100 cubic feet.....	3.0403	(I)

Service Charge: Per Meter
Per Month

For.....5/8 x 3/4 - inch meter	\$18.61	(I)
For.....3/4 - inch meter	22.51	
For.....1 - inch meter	25.48	
For.....1-1/2 - inch meter	46.12	
For.....2 - inch meter	70.21	
For.....3 - inch meter	133.53	
For.....4 - inch meter	234.02	
For.....6 - inch meter	461.16	
For.....8 - inch meter	1,069.88	
For.....10 - inch meter	1,515.98	
For.....12 - inch meter	2,175.23	
For.....14 - inch meter	2,966.22	(I)

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the quantity rates.

SPECIAL CONDITIONS

1. Any designated reclaimed water customer who refuses reclaimed service shall be subject to an additional charge equivalent to 50% of the current Calleguas Municipal Water District (CMWD) potable water rate. This charge was instituted by Ordinance No. 17 of the CMWD on July 15, 1994, which calculates to \$0.5406 per Ccf.
2. All bills are subject to the reimbursement fees set forth on Schedule UF.
3. All bills are subject to any applicable surcharges on Schedules RSF and LIRA-SC.
4. Qualifying low-income individually metered and flat rate residential customers, non-profit group living facilities, agricultural employee housing facilities, and migrant farm worker housing centers are eligible for credits as shown on Schedule LIRA

(D)

(D)

APPENDIX B
 Sheet 2

Schedule No. WK-1-NR

Westlake Tariff Area

NONRESIDENTIAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service except that provided to single-family residential customers.

TERRITORY

Westlake Village, in the southern part of Ventura County, within the City of Thousand Oaks and vicinity.

RATES

Quantity Rates:		
For all meter sizes, per 100 cubic feet.....	\$2.8016	(I)
	Per Meter Per	
	Month	
Service Charge:		
For.....5/8 x 3/4 - inch meter	\$17.23	(I)
For.....3/4 - inch meter	20.86	
For.....1 - inch meter	23.61	
For.....1-1/2 - inch meter	42.73	
For.....2 - inch meter	65.04	
For.....3 - inch meter	123.69	
For.....4 - inch meter	216.78	
For.....6 - inch meter	427.19	
For.....8 - inch meter	991.09	
For.....10 - inch meter	1,404.32	
For.....12 - inch meter	2,015.02	
For.....14 - inch meter	2,747.75	(I)

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the quantity rate.

SPECIAL CONDITIONS

1. Any designated reclaimed water customer who refuses reclaimed service shall be subject to an additional charge equivalent to 50% of the current Calleguas Municipal Water District (CMWD) potable water rate. This charge was instituted by Ordinance No. 17 of the CMWD on July 15, 1994, which calculates to \$0.5406 per Ccf.
2. All bills are subject to the reimbursement fees set forth on Schedule UF.
3. All bills are subject to any applicable surcharges on Schedules RSF and LIRA-SC.
4. Qualifying low-income individually metered and flat rate residential customers, non-profit group living facilities, agricultural employee housing facilities, and migrant farm worker housing centers are eligible for credits as shown on Schedule LIRA

(D)

(D)

APPENDIX B
 Sheet 3
 Westlake Tariff Area
 Schedule WK-6

RECLAIMED METERED SERVICE

APPLICABILITY

Applicable to all metered reclaimed water service.

TERRITORY

Westlake Village, in the southern part of Ventura County, within the City of
 Thousands Oaks, and vicinity.

RATES

Quantity Rates:		
Per 100 cu.ft.....	\$1.9546	(I)
Service Charge:		
		Per Meter
For.....5/8 x 3/4-inch meter	\$ 17.54	(I)
For.....3/4-inch meter	26.57	
For.....1-inch meter	30.37	
For.....1-1/2-inch meter	54.52	
For.....2-inch meter	84.20	
For.....3-inch meter	161.98	
For.....4-inch meter	283.86	
For.....6-inch meter	546.89	
For.....8-inch meter	1,269.99	
For.....10-inch meter	1,836.52	
For.....12-inch meter	2,635.20	
For.....14-inch meter	3,593.34	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the quantity rates.

SPECIAL CONDITIONS

1. Any designated reclaimed water customer who refuses reclaimed service shall be subject to an additional charge equivalent to 50% of the current Calleguas Municipal Water District (CMWD) potable water rate. This charge was instituted by Ordinance No. 17 of the CMWD on July 15, 1994, which calculates to \$0.5406 per Ccf.
2. All bills are subject to the reimbursement fees set forth on Schedule UF.
3. All bills are subject to any applicable surcharges on Schedules RSF and LIRA-SC
4. Qualifying low-income individually metered and flat rate residential customers, non-profit group living facilities, agricultural employee housing facilities, and migrant farm worker housing centers are eligible for credits as shown on Schedule LIRA.

APPENDIX B
 Sheet 4

Preliminary Statement
 (continued)

M. WATER REVENUE ADJUSTMENT MECHANISM / MODIFIED COST BALANCING ACCOUNT
 (WRAM/MCBA)

Monthly Detail (In Thousands of Dollars)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
	Month	Service Charge and other Non- WRAM Revenue	Quantity Charge for WRAM Revenue	Total	Purchased Power	Purchased Water	Pump Tax	Total Production Cost	
25. Westlake	Jul-09	\$205.8	\$1,281.7	\$1,487.5	\$32.3	\$1,026.4	\$0.0	\$1,058.7	(C)
	Aug-08	\$205.8	\$1,266.3	\$1,472.1	\$31.6	\$1,016.1	\$0.0	\$1,047.7	
0.0% MCBA Non-WRAM	Sep-08	\$205.8	\$1,388.0	\$1,593.8	\$26.8	\$856.6	\$0.0	\$883.5	
100.0% MCBA WRAM	Oct-08	\$205.8	\$1,072.8	\$1,278.6	\$23.5	\$734.6	\$0.0	\$758.1	
	Nov-08	\$205.8	\$850.2	\$1,056.0	\$21.3	\$622.2	\$0.0	\$643.5	
<u>Revenue Split Reference</u>	Dec-08	\$205.8	\$760.3	\$966.2	\$16.7	\$506.7	\$0.0	\$523.4	
AL 1904 *	Jan-09	\$205.8	\$604.0	\$809.8	\$13.6	\$427.1	\$0.0	\$440.7	
<u>MCBA Reference (T)</u>	Feb-09	\$205.8	\$528.4	\$734.2	\$11.9	\$380.5	\$0.0	\$392.5	
AL 1899 *	Mar-09	\$205.8	\$525.1	\$731.0	\$13.5	\$427.0	\$0.0	\$440.6	
	Apr-09	\$205.8	\$618.8	\$824.6	\$17.0	\$550.0	\$0.0	\$567.0	
	May-09	\$205.8	\$786.4	\$992.2	\$22.9	\$727.1	\$0.0	\$750.0	
	Jun-09	\$205.8	\$1,071.3	\$1,277.1	\$27.2	\$849.4	\$0.0	\$876.5	
	12 Month Total	\$2,469.8	\$10,753.3	\$13,223.1	\$258.5	\$8,123.6	\$0.0	\$8,382.1	(C)
26. Willows	Jul-09	\$92.4	\$54.9	\$147.3	\$15.4	\$0.0	\$0.0	\$15.4	
	Aug-08	\$92.4	\$54.2	\$146.7	\$14.4	\$0.0	\$0.0	\$14.4	
39.3% MCBA Non-WRAM	Sep-08	\$92.4	\$56.9	\$149.3	\$11.5	\$0.0	\$0.0	\$11.5	
60.7% MCBA WRAM	Oct-08	\$92.4	\$43.4	\$135.9	\$8.8	\$0.0	\$0.0	\$8.8	
	Nov-08	\$92.4	\$33.4	\$125.9	\$6.1	\$0.0	\$0.0	\$6.1	
<u>Revenue Split Reference</u>	Dec-08	\$92.4	\$25.8	\$118.2	\$5.2	\$0.0	\$0.0	\$5.2	
AL 1890 * December 19, 2008	Jan-09	\$92.4	\$20.9	\$113.3	\$5.3	\$0.0	\$0.0	\$5.3	
<u>Total Rev and MCBA Reference</u>	Feb-09	\$92.4	\$21.4	\$113.9	\$4.9	\$0.0	\$0.0	\$4.9	
AL 1866 * July 15, 2008	Mar-09	\$92.4	\$19.9	\$112.4	\$5.7	\$0.0	\$0.0	\$5.7	
	Apr-09	\$92.4	\$24.8	\$117.3	\$6.8	\$0.0	\$0.0	\$6.8	
	May-09	\$92.4	\$30.5	\$123.0	\$10.8	\$0.0	\$0.0	\$10.8	
	Jun-09	\$92.4	\$46.6	\$139.0	\$13.5	\$0.0	\$0.0	\$13.5	
	12 Month Total	\$1,109.3	\$432.7	\$1,542.0	\$108.3	\$0.0	\$0.0	\$108.3	