

DWA/RSK/RKK

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory BranchRESOLUTION NO. W-4863
January 27, 2011R E S O L U T I O N

(RES. W-4863), SUBURBAN WATER SYSTEMS (SUBURBAN). ORDER AUTHORIZING RECOVERY OF A SURCHARGE OF \$256,421, INCLUDING INTEREST, FOR LEGAL AND RELATED COSTS OF PARTICIPATING IN INVESTIGATION (I.) 07-01-022.

SUMMARY

By Advice Letter (AL) 271-W, filed on December 31, 2009, Suburban seeks Commission approval to recover legal and related costs of participating in I.07-01-022 (Order Instituting Investigation to Consider Policies to Achieve the Commission's Conservation Objective for Class A Water Utilities, referred to from here on as the Conservation OII). The amount Suburban request is \$270,077, which is to be recovered through a monthly surcharge of \$0.895 starting on April 1, 2010, and lasting for four months thereafter.

This resolution grants recovery of \$256,421, including interest, through a monthly surcharge of \$0.850 from all customer classes starting on February 1, 2011 through May 1, 2011.

BACKGROUND

In Decision (D.) 08-02-036, the Commission authorized the establishment of a memorandum account to track the legal and related expenses Suburban (and other Class A water utilities) incurred in participating in the Conservation OII. Specifically, Ordering Paragraph (OP) 5 of this decision states:

“A memorandum account is authorized for Suburban and other Class A water utilities to track legal and related expenses incurred in participating in this proceeding from the date of issuance of this order instituting investigation (OII). Costs of preparing applications consolidated with this proceeding, whether incurred prior or subsequent to the issuance of the OII, shall not be tracked in the authorized memorandum accounts. Suburban's request to track

legal and consulting expenses incurred prior to the issuance of this OII is denied. “

Thus, D.08-02-036 permitted tracking in these memorandum accounts of legal and related costs incurred in participating in the Conservation OII from the date of issuance of the Conservation OII, which was January 11, 2007.

On July 24, 2009, Suburban filed AL 267-W requesting reimbursements for legal and related costs incurred in participating in the Conservation OII. Pursuant to D.08-02-036, OP 5, Suburban tracked in a memorandum account legal and related costs of participating in the Conservation OII. Suburban requested authorization to recover from all customers \$269,884 through a monthly surcharge of \$0.896, which would last for four months beginning on September 1, 2009.

The Division of Water and Audits (DWA) rejected AL 267-W on procedural grounds because the AL was not filed as a Tier 3 filing pursuant to General Order 96-B (GO 96-B), Rule 5.3 and Industry Rule 7.3.3 (7). In its letter of rejection, DWA informed Suburban that its AL filing was substantially deficient and that if Suburban re-filed its request it should also show why it was reasonable for the Commission to amortize the memorandum account balances in rates for Suburban's participation in the Conservation OII. Some items that DWA required that Suburban submit included: audited numbers showing Suburban's actual regulatory-related labor, non-labor, and professional service expenses from the rate case cycle, which includes the period 2007-2008, compared to the Commission-authorized expenses for these accounts for the rate case cycle; financial statements for 2007 and 2008 to support this showing; a description of substantial contribution Suburban made to D.08-02-036, and an explanation of how Suburban's participation provided benefits to ratepayers.

By AL 271-W, filed on December 31, 2009, Suburban re-requested Commission approval to recover legal and related costs of participating in the Conservation OII. The total amount requested for recovery was \$270,077 including interest. Recovery would be through a monthly surcharge of \$0.895 from all customer classes for four months starting April 1, 2010.

Suburban filed AL 271-W as a Tier 3 filing. Suburban provided none of the additional information that DWA identified in its rejection letter.

On January 30, 2010, DWA suspended AL 271-W for an initial period of 120 days. On May 31, 2010, DWA suspended the AL for an additional 180 days because additional information was required to complete the review of the AL filing. AL 271 may not go into effect without Commission approval.

NOTICE AND PROTEST

Suburban provided all affected customers mail notice of AL 271-W pursuant to General Order (GO) 96-B. Suburban properly served AL 271-W in accordance with GO 96-B.

On January 21, 2010, the Division of Ratepayer Advocates (DRA) timely protested AL 271-W. DRA recommended that AL 271-W be rejected because it “does not meet previous Commission orders as described in DWA’s rejection letter dated July 30, 2009” of Suburban’s previous AL 267-W and because the “analysis, calculations, or data in... [AL 271-W] omit the necessary information to determine whether the relief requested is just and reasonable”. Suburban did not respond to DRA’s protest.

With respect to DRA’s first argument that AL 271-W does not meet previous Commission’s orders as described in DWA’s rejection letter of AL 267-W, we note that the deficiencies noted in DWA’s letter of rejection are not necessary to addressing the request in AL 271-W.

With respect to DRA’s second argument that AL 271-W does not provide enough information to allow the Commission to determine whether recovery of the costs is appropriate here, we note that subsequent to filing AL 271-W, Suburban responded to a DWA Staff data request and provided DWA Staff with some additional information DWA requested. With this additional information, DWA and the Commission can adequately evaluate the appropriateness of Suburban’s request in AL 271-W.

Letters of protests were also received from seven ratepayers. The protests listed opposition to the surcharge. The predominant reason given was lack of communication and inadequate justification for the surcharge by Suburban.

DISCUSSION

With respect to the recovery of costs recorded in a memorandum account, Suburban has the burden of showing the following:

- i. Suburban acted prudently when it incurred the costs for which it seeks recovery.
- ii. As a matter of policy, Suburban’s ratepayers should pay for these categories of costs, in addition to otherwise authorized rates.
- iii. These costs have not been recovered in other authorized rates.
- iv. Suburban paid reasonable amounts for the services it procured.

(See, e.g., Resolution W-4824, Ordering Paragraph 5.) Below, we discuss Suburban's compliance with each of these criteria.

- i. *Was Suburban prudent when it decided to incur the costs booked to the memorandum account?*

Suburban established the memorandum account to track legal and related expenses it incurred in participating in the Conservation OII pursuant to D.08-02-036, OP 5. The costs Suburban booked in this memorandum account pertain only to legal and related expenses incurred in participating in the Conservation OII and, thus, Suburban appropriately included these costs in the memorandum account per D.08-02-036. Also, Suburban participated in the Conservation OII at the direction of the Commission, which required Suburban (and other utilities) to participate in this proceeding in order to help the Commission develop conservation rate designs and address non-rate design issues. For these reasons, Suburban acted prudently in booking to the memorandum account legal and related expenses it incurred in participating in the Conservation OII.

- ii. *Should Suburban's ratepayers pay for the categories of costs involved in addition to otherwise authorized rates?*

As discussed above, Suburban incurred the legal and related expenses at issue here because the Commission made Suburban a respondent in the Conservation OII and thus required Suburban to participate in this proceeding. Thus, this category of expenses should appropriately be borne by ratepayers.

- iii. *Have the costs that Suburban is requesting reimbursement for in the memorandum account been covered by other authorized rates?*

In response to a Staff data request, Suburban indicated the none of the amounts being requested for reimbursement in this AL have been covered by any other authorized rates. Based on this review and a review of the data request discussed above, Staff determined that the costs for legal and related expenses incurred in participating in the Conservation OII that are booked in the memorandum account were authorized to be tracked separately, and none of those costs were authorized in Suburban's last General Rate Case (GRC) or any other authorization. As such, the costs in the memorandum account Suburban is requesting recovery for now are not covered by other authorized rates.

- iv. *Did Suburban pay reasonable amounts for the legal and related services it procured in order to participate in the Conservation OII?*

Staff of the DWA evaluated the work papers submitted by Suburban with its AL filing. Staff recommends a disallowance of \$7,528 before interest charges. Disallowances are for: (1) excess charges for legal research; (2) excess charges for clerical tasks; (3) improper charges for attending Commission meetings; (4) improper charges for rate design application; and (5) improper travel expenses by Suburban's regulatory staff. See Table 1 for a summary of the disallowances.

(1) Excess charges for legal research

Suburban has requested recovery of \$2,400 for 7.5 hours of legal research for participating in the Conservation OII, at an hourly rate of \$320 per hour. This amount was incurred for: review of notices of intent to claim intervener compensation; review of e-mail correspondence regarding settlement meetings; researching privacy requirements applicable to customer data; and analysis of obligations of publicly regulated utilities to safeguard customer information. Suburban has indicated that the work required legal research skills greater than those of a paralegal and that this work needed to be performed by an attorney and, thus, justifies the higher hourly rate requested here. Staff disagrees with Suburban's conclusion that the tasks here needed to be performed by an attorney and believes that the tasks should have been performed by paralegal staff. Therefore, for this work, Staff recommends recovery at a rate of \$180 per hour, for a total of \$1,350, and recommends that \$1,050 in excess charges for legal research be disallowed. The recovery rate is based on Staff's experience.

(2) Excess charges for clerical tasks

Suburban seeks to recover \$4,320 for 24 hours of clerical work performed at \$180 per hour by paralegal staff. Suburban has indicated that the tasks included organizing and updating binders for witnesses. Based on the description of the work involved that Suburban provided, Staff believes these tasks should have been done by office support staff and that this work did not require the expertise of a paralegal. Therefore, for this work, Staff recommends that Suburban be allowed recovery at a rate of \$50 per hour, for a total of \$1,200, and recommends that \$3,120 in excess charges for performing clerical tasks be disallowed. The recovery rate is based on staff's experience.

(3) Improper charges for attending Commission meetings

Suburban has requested recovery of \$774 for 4.3 hours, at a rate of \$180 per hour, for sending an attorney to attend Commission meetings where the Conservation OII was addressed in order to take notes at these meetings. We note that all Commission meetings are accessible via webcast and are archived and are accessible for approximately two days following the Commission meeting.¹ Meeting results are also available on the Commission's website after each meeting. Based on the information Suburban provided, it appears that the purpose for Suburban attending these Commission meetings was informational only and that the on-line source discussed above would have provided an adequate and cost effective avenue for obtaining this information. Thus, Staff recommends that the Commission disallow \$774, which is the amount Suburban is requesting reimbursement for attending these Commission meetings.

(4) Improper charges for rate design application

In its request, Suburban included legal expenses of \$506 for preparation of its rate design application. Reimbursement for this cost is not permitted by D.08-02-036, OP 5, which prohibits the tracking in the memorandum account of costs related to preparing these applications. Staff recommends disallowance of \$506 for preparation of the rate design application.

(5) Improper travel expenses by Suburban's regulatory staff

Suburban included \$2,078 for travel expenses incurred by its Vice-President of Regulatory Affairs. No explanations were provided for the purpose of each trip or the deliverables. Staff recommends that \$2,078 in improper travel expenses by Suburban's regulatory staff should be disallowed.

¹ See <http://www.cpuc.ca.gov/PUC/Webcasts/>. Also, audio tapes of specific portions of Commission meetings are available through the Commission's Press office. http://cpuc.granicus.com/ViewPublisher.php?view_id=2.

Table 1: SUBURBAN WATER SYSTEMS				
CONSERVATION OII MEMORANDUM ACCOUNT				
---- Summary of Adjustments				
		<i>Claimed by Utility</i>	<i>Recommended by Staff</i>	<i>Adjustment</i>
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d=c-b</i>
1	Legal Research	\$ 2,400	\$ 1,350	\$ (1,050)
2	Charges for clerical tasks	\$ 4,320	\$ 1,200	\$ (3,120)
3	Attending Commission meetings	\$ 774	\$ -	\$ (774)
4	Rate Design Application	\$ 506	\$ -	\$ (506)
5	Travel expenses by Suburban's staff	\$ 2,078	\$ -	\$ (2,078)
	Total	\$ 10,078	\$ 2,550	\$ (7,528)

After Staff recommended disallowance of \$7,528, Suburban should be reimbursed \$256,299 before interest for its legal and related expenses associated with participation in the Conservation OII. After interest², the total amount to be recovered by Suburban is \$256,427. The recovery of these costs will be through a monthly surcharge of \$0.850 for four months starting February 1, 2011, from all customer classes. See Table 2 for details.

Table 2: SUBURBAN WATER SYSTEMS					
CONSERVATION OII MEMORANDUM ACCOUNT					
---- Surcharge calculation					
Total amount to be recovered ¹		\$256,299			
<i>Recovery Month</i>	<i>Recovery Amt.</i>	<i>Interest ²</i>	<i>Surcharge</i>	<i>Total Customers ³</i>	<i>Surcharge per customer</i>
	<i>a</i>	<i>b</i>	<i>c=a+b</i>	<i>d</i>	<i>e=c/b</i>
Feb-11	\$64,056	\$ 49	\$ 64,105	75,424	\$ 0.850
Mar-11	\$64,069	\$ 37	\$ 64,105	75,424	\$ 0.850
Apr-11	\$64,081	\$ 25	\$ 64,105	75,424	\$ 0.850
May-11	\$64,093	\$ 12	\$ 64,105	75,424	\$ 0.850
Total	\$256,299		\$ 256,421		
Notes					
1 Principal and Interest balance as of 1/31/2011					
2 Using three month non-financial commercial paper rate of 0.23% for January 2011.					
3 Total customers as of 11/30/2009					

² Interest is calculated based on the three month commercial paper rate as reported in Federal Reserve Statistical release H.15.

The affected tariffs are shown in Appendix A.

COMMENTS

Public Utilities Code (PU Code) Section 311(g)(1) generally requires that resolutions must be served on all parties and be subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft resolution was mailed to Suburban and the protestants and made available for public comment on December 27, 2010. Comments were received from DRA on January 18, 2011. DRA recommends that the Commission should disallow the amounts requested by Suburban for recovery from the memorandum account for the following reasons:

(i) *Deficiencies in Suburban's AL filing*

DRA states that deficiencies noted while rejecting AL 267-W were not cured in AL 271-W despite the fact that the two AL's were similar; Suburban did not demonstrate that the amounts sought in AL 271-W were not covered in other authorized rates, the utility acted prudently when it incurred those costs and the costs were reasonable and, the utility has not demonstrated that the costs that are being sought for reimbursement have not been recovered as part of other authorized rates; Suburban did not provide supporting evidence that the categories of costs included in AL 271-W are not already included in rates.

(ii) *The Memorandum Account balance should be recovered over twelve months*

DRA states that the Memorandum account balance is less than 5% of Suburban's annual revenue requirements. Hence it should be recovered over a period of twelve months rather than four months.

(iii) *Permitting Suburban to recover the account balance would result in retroactive ratemaking.*

DRA states that recovery of the Memorandum account balance by Suburban would violate the Commission's longstanding prohibition against retroactive ratemaking.

We shall address DRA's concerns.

(i) *Deficiencies in Suburban's AL filing*

As discussed above, staff requested additional information from Suburban and determined that the deficiencies in Suburban's AL filing have been satisfied. The

deficiencies listed by DRA are moot since they have already been addressed in the resolution.

(ii) *The Memorandum Account balance should be recovered over twelve months*

We agree with DRA that the Memorandum account balance is less than 5% of Suburban's annual revenue requirements. Traditionally, we have permitted recovery of the amounts that are less than 5% of the annual revenue requirements over a twelve month period. In this case, the surcharge amount per customer is \$0.85 per month over for a period of four months.. Due to the small surcharge amounts involved, it will be cost effective to apply the surcharge over a four month rather than a twelve month period. Due to the above, DRA's concern should be rejected.

(iii) *Permitting Suburban to recover the account balance would result in retroactive ratemaking.*

In its comments to the draft Resolution, DRA argues that recovery of legal and related expenses incurred prior to the establishment of the memorandum account would be in appropriate in light of the principle against retroactive ratemaking. DRA maintains that in D.08-02-036 the Commission simply authorized the tracking or previously-incurred costs and that this authorization "in and of itself did not raise rates and so the Commission did not consider it retroactive ratemaking". (DRA comments at p. 3.) DRA maintains that here we should only allow Suburban to recover legal and related expense recorded after the establishment of the memorandum account. For the reasons we explain below, DRA's argument has no merit.

In D.08-02-036, we discussed the principal against retroactive ratemaking and our long standing commitment to it. There, we explained that in establishing memorandum accounts, we have permitted the recording of expenses incurred after the order authorizing the memorandum account is adopted but have declined to permit the inclusion of expenses incurred previous to the adoption of this order because of the principle against retroactive ratemaking. We stated:

It is a well established tenet of the Commission that ratemaking is done on a prospective basis. The Commission's practice is not to authorize increased utility rates to account for previously incurred expenses, unless, before the utility incurs those expenses, the Commission has authorized the utility to book those expenses into a memorandum account or balancing account for possible future recovery in rates. This practice is

consistent with the rule against retroactive ratemaking. (*emphasis in original*), D.92-03-094, 43 CPUC 2d 596, 600.

(D.08-02-036 at p 43.)

In D.08-02-036, we also discussed the unique history and events that led to the creation of the memorandum account at issue here and why, in light of these unique circumstances, it would be appropriate in this case to allow for the recording of certain legal and related expenses of participating in the OII Conservation incurred prior to the establishment of the memorandum account at hand here. Although we do not repeat all of the discussion in D.08-02-036 explaining these unique circumstances (but instead direct you to pages 42-46 of D.08-02-036 for more details), in D.08-02-036 we concluded the following:

... Under the[] unique circumstances [at hand here], where the costs arise due to our requiring the utilities' [(including Suburban's)] participation in a generic proceeding [(i.e., the Conservation OII)] to develop conservation rate designs and address non-rate design issues and where timely creation of a memorandum account was summarily rejected [(see D.08-02-036, pp 42-43 and 44-45 for a more detailed discussion of these events)], it would be unjust to deny tracking these costs in memorandum accounts. [fn40.]

[Fn 40] We also note that [the Conservation OII] is *not* a general ratemaking proceeding and the costs to be booked are limited to the costs of litigating this proceeding.

We will authorize Suburban and the other Class A water utilities to establish memorandum accounts to track the legal and related costs of participating in this proceeding [(i.e., the Conservation OII)]. [Fn omitted.] Although we authorize herein memorandum accounts to track legal and related costs incurred in this proceeding, we limit such authorization to the circumstances of this proceeding.

(D.08-02-036 at p. 45.) Accordingly, in D.08-02-036, we affirmed our long standing principal of prohibiting retroactive ratemaking and also concluded that allowing the recording of certain legal and related expenses here incurred prior to the creation of the memorandum account was appropriate in this limited situation in light of the unique circumstances in this proceeding. Moreover, we concluded that this limited exception to our general practice of prospective ratemaking does not violate the rule against retroactive ratemaking in light of the unique circumstances of this proceeding described

above and the fact that we are not engaged in "general ratemaking" here. (See *Southern California Edison Co. v. Public Utilities Commission* (1978) 20 Cal. 3d 813.)

As we explained above in the resolution, here Suburban has met its burden of proof for obtaining recovery of the expenses recorded in the memorandum account.

Accordingly, for all the reasons we discussed above, it is appropriate for Suburban to recover all of the expenses recorded in the memorandum account that we authorize in this resolution.

FINDINGS

1. Decision (D.) 08-02-036, Ordering Paragraph (OP) No. 5 authorized Suburban Water Systems (Suburban) and other Class A water utilities to establish memorandum accounts to track the legal and related costs of participating in the proceeding I.07-01-022 (or the Conservation OII).
2. Suburban filed Advice Letter (AL) 267-W on July 24, 2009, for reimbursement of all legal and related expenses for participation in I.07-01-022.
3. DWA rejected AL 267-W on procedural grounds and noted substantive deficiencies.
4. Suburban filed AL 271-W on December 31, 2009.
5. AL 271-W was substantially similar to AL 267-W.
6. DRA protested AL 271-W and recommended that the AL should be rejected because: (1) AL 271-W does not meet previous Commission orders as described in DWA's rejection letter, and (2) analysis, calculations, or data in AL 271-W omit the necessary information to determine whether the relief requested is just and reasonable. .
7. DRA's protest should be rejected because: (1) the deficiencies noted in DWA's rejection letter for AL 267-W are not necessary to address the request in AL 271-W; and (2) Suburban provided additional information to DWA to permit an adequate evaluation of the appropriateness of Suburban's request in AL 271-W.

8. In order to recover from ratepayers costs recorded in a memorandum account, the utility must demonstrate that: (1) the utility acted prudently when it incurred those costs; (2) it is appropriate for ratepayers to pay for those categories of costs in addition to otherwise authorized rates; (3) the costs are not covered by other authorized rates; and (4) the level of costs is reasonable.
9. Based on additional documents provided by Suburban in response to staff data requests, staff determined that Suburban's workpapers are adequate for determining whether recovery from the memorandum account is appropriate.
10. The costs in the memorandum account are not covered by other authorized rates.
11. It is appropriate for ratepayers to pay for legal and legal related costs for participation in the Conservation OII in addition to otherwise authorized rates.
12. Suburban was prudent in incurring legal and legal related costs for participation in the Conservation OII.
13. Staff's recommendation of utilizing paralegal staff for legal research, based on a review of the work involved and Staff's experience, is reasonable. The resulting disallowance of \$1,050 for legal research should be adopted.
14. Staff's recommendation of utilizing office support staff for performing clerical tasks, based on a review of the description of the work involved and Staff's experience, is reasonable. The resulting disallowance of \$3,120 for performing such tasks should be adopted.
15. Based on a review of the description of the work involved, Staff's recommendation of disallowance for attending Commission publically held meetings is reasonable. The resulting disallowance of \$774 for this task should be adopted.
16. D.08-02-036, OP No. 5, does not permit charges for preparation of a rate design application. Staff's recommendation for disallowing \$506 for this item is reasonable and should be adopted.

17. Staff's disallowance of travel expenses incurred by Suburban's regulatory staff without any justification or explanation or description of the deliverables is reasonable. The resulting disallowance of \$2,078 for travel expenses by Suburban's regulatory staff should be adopted.
18. It is cost effective to recover the costs in Suburban's memorandum account through a surcharge over a four- month period.
19. Suburban has met the burden of proof for obtaining recovery of recorded expenses in the memorandum account.
20. Staff's recommendation for recovery of \$256,421, which includes interest, through a surcharge of \$0.850 spread over four months from February 1, 2011 through May 1, 2011, is reasonable and should be approved.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utility Code Section 454 to Suburban Water Systems, to file a Tier 1 advice letter incorporating the revised rate schedules attached to this resolution as Appendix A and concurrently cancel its presently effective Schedule SJ-1 (Continued), San Jose Hills Service Area, Residential Metered Service; Schedule SJ-2 (Continued), San Jose Hills Service Area, Non-Residential Metered Service; Schedule WLM-1 (Continued), Whittier/La Mirada Service Area, Residential Metered Service; Schedule WLM-2 (Continued), Whittier/La Mirada Service Area, Non-Residential Metered Service; Schedule No. 4 (Continued), Private Fire Protection Service; Schedule No. 4A (Continued), Fire Hydrant Service on Private Property. The rate schedules shall be effective five days after the date of filing, subject to the Division of Water and Audits determining that the tariffs are in compliance with this Order.
2. Suburban Water Systems is authorized to recover \$256,421, which includes interest, for its legal and related expenses for participation in I.07-01-022, the Conservation OII. The recovery shall be through a surcharge of \$0.850 per customer from all customer classes for four months from February 1, 2011, through May 1, 2011.

3. Suburban Water Systems shall track revenues collected pursuant to the surcharge authorized in Ordering Paragraph 2 above in a balancing account and account for any over or under collection 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 a conference of the Public Utilities Commission of the State of California held on January 27, 2011; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A

Schedule SJ-1 (Continued)

SAN JOSE HILLS SERVICE AREA

RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

1. The boundaries of the Tariff Areas in which the above rates apply are delineated on the Service Area Map for the San Jose Hills Service Area as filed in these tariff schedules.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
3. As authorized by the California Public Utilities Commission, all bills are subject to surcharge of \$0.0738 per 100 cubic feet for a period of 24 months due to the under-collection in the Reserve Accounts as of September 30, 2008.
4. A surcharge of \$0.031 per 100 cubic feet is to be applied to the monthly bills of all metered customers, excluding those customers receiving a Low Income Ratepayer Assistance (LIRA) credit, in order to support the LIRA program.

(D)

5. Low Income Ratepayer Assistance (LIRA) Memorandum Account

(L)

- a. The Company shall maintain a Low Income Ratepayer Assistance (LIRA) Memorandum Account to record the differences between LIRA discounts, program costs, and the revenues generated by the LIRA surcharge.
- b. The Company will record the LIRA discounts (credits) for service as provided under Schedule No. LIC-1.
- c. The Company will record the LIRA surcharge for service as provided under Special Conditions in Schedule SJ-1.
- d. The Company will record the incremental costs for the LIRA program administration, which have not been reflected in authorized rates.
- e. The Company shall maintain the LIRA memorandum account by making entries at the end of each month as follows:
 - i. A debit entry shall be made to the LIRA memorandum account at the end of each month to record the LIRA discounts and program costs.
 - ii. A credit entry shall be made to the LIRA memorandum account at the end of each month to record the revenues from the LIRA surcharges.
 - iii. Interest shall accrue to the LIRA memorandum account on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of month and the end-of-month balances.

The LIRA memorandum account shall go into effect on the effective date of Advice Letter 254-W.

(D)

6. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to a monthly surcharge of \$0.850 for 4-month period, beginning with the effective date as determined by the C.P.U.C. pursuant to Suburban's Advice Letter No. 271-W-A. This charge offsets the legal and related costs of participating in Conservation OII Proceeding.

(N)

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(N)

**Schedule SJ-2
(Continued)**

SAN JOSE HILLS SERVICE AREA

NON RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

1. The boundaries of the Tariff Areas in which the above rates apply are delineated on the Service Area Map for the San Jose Hills Service Area as filed in these tariff schedules.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
3. As authorized by the California Public Utilities Commission, all bills are subject to surcharge of \$0.0738 per 100 cubic feet for a period of 24 months due to the under-collection in the Reserve Accounts as of September 30, 2008.
4. A surcharge of \$0.031 per 100 cubic feet is to be applied to the monthly bills of all metered customers, excluding those customers receiving a Low Income Ratepayer Assistance (LIRA) credit, in order to support the LIRA program.

(D)

5. **Low Income Ratepayer Assistance (LIRA) Memorandum Account**

(L)

- a. The Company shall maintain a Low Income Ratepayer Assistance (LIRA) Memorandum Account to record the differences between LIRA discounts, program costs, and the revenues generated by the LIRA surcharge.
- b. The Company will record the LIRA discounts (credits) for service as provided under Schedule No. LIC-1.
- c. The Company will record the LIRA surcharge for service as provided under Special Conditions in Schedules SJ-2.
- d. The Company will record the incremental costs for the LIRA program administration, which have not been reflected in authorized rates.
- e. The Company shall maintain the LIRA memorandum account by making entries at the end of each month as follows:
 - i. A debit entry shall be made to the LIRA memorandum account at the end of each month to record the LIRA discounts and program costs.
 - ii. A credit entry shall be made to the LIRA memorandum account at the end of each month to record the revenues from the LIRA surcharges.
 - iii. Interest shall accrue to the LIRA memorandum account on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of month and the end-of-month balances.

The LIRA memorandum account shall go into effect on the effective date of Advice Letter 254-W.

(D)

6. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to a monthly surcharge of \$0.850 for 4-month period, beginning with the effective date as determined by the C.P.U.C. pursuant to Suburban's Advice Letter No. 271-W-A. This charge offsets the legal and related costs of participating in Conservation OII Proceeding.

(N)

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(N)

**Schedule WLM-1
(Continued)**

WHITTIER/LA MIRADA SERVICE AREA

RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

1. The boundaries of the Tariff Areas in which the above rates apply are delineated on the Service Area Map for the Whittier/La Mirada District as filed in these tariff schedules.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (D)
3. A surcharge of \$0.031 per 100 cubic feet is to be applied to the monthly bills of all metered customers, excluding those customers receiving a Low Income Ratepayer Assistance (LIRA) credit, in order to support the LIRA program. (L)
4. Low Income Ratepayer Assistance (LIRA) Memorandum Account (D)
 - a. The Company shall maintain a Low Income Ratepayer Assistance (LIRA) Memorandum Account to record the differences between LIRA discounts, program costs, and the revenues generated by the LIRA surcharge. (L)
 - b. The Company will record the LIRA discounts (credits) for service as provided under Schedule No. LIC-1.
 - c. The Company will record the LIRA surcharge for service as provided under Special Conditions in Schedule WLM-1.
 - d. The Company will record the incremental costs for the LIRA program administration, which have not been reflected in authorized rates.
 - e. The Company shall maintain the LIRA memorandum account by making entries at the end of each month as follows:
 - i. A debit entry shall be made to the LIRA memorandum account at the end of each month to record the LIRA discounts and program costs.
 - ii. A credit entry shall be made to the LIRA memorandum account at the end of each month to record the revenues from the LIRA surcharges.
 - iii. Interest shall accrue to the LIRA memorandum account on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of month and the end-of-month balances.

The LIRA memorandum account shall go into effect on the effective date of Advice Letter 254-W. (D)
5. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to a monthly surcharge of \$0.850 for 4-month period, beginning with the effective date as determined by the C.P.U.C. pursuant to Suburban's Advice Letter No. 271-W-A. This charge offsets the legal and related costs of participating in Conservation OII Proceeding. (N)
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(N)

**Schedule WLM-2
(Continued)**

WHITTIER/LA MIRADA SERVICE AREA

NON RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

1. The boundaries of the Tariff Areas in which the above rates apply are delineated on the Service Area Map for the Whittier/La Mirada District as filed in these tariff schedules.

2. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (D)

3. A surcharge of \$0.031 per 100 cubic feet is to be applied to the monthly bills of all metered customers, excluding those customers receiving a Low Income Ratepayer Assistance (LIRA) credit, in order to support the LIRA program. (L)

4. Low Income Ratepayer Assistance (LIRA) Memorandum Account (D)
 - a. The Company shall maintain a Low Income Ratepayer Assistance (LIRA) Memorandum Account to record the differences between LIRA discounts, program costs, and the revenues generated by the LIRA surcharge.
 - b. The Company will record the LIRA discounts (credits) for service as provided under Schedule No. LIC-1.
 - c. The Company will record the LIRA surcharge for service as provided under Special Conditions in Schedules WLM-2.
 - d. The Company will record the incremental costs for the LIRA program administration, which have not been reflected in authorized rates.
 - e. The Company shall maintain the LIRA memorandum account by making entries at the end of each month as follows:
 - i. A debit entry shall be made to the LIRA memorandum account at the end of each month to record the LIRA discounts and program costs.
 - ii. A credit entry shall be made to the LIRA memorandum account at the end of each month to record the revenues from the LIRA surcharges.
 - iii. Interest shall accrue to the LIRA memorandum account on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of month and the end-of-month balances.

The LIRA memorandum account shall go into effect on the effective date of Advice Letter 254-W. (D)

5. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to a monthly surcharge of \$0.850 for 4-month period, beginning with the effective date as determined by the C.P.U.C. pursuant to Suburban's Advice Letter No. 271-W-A. This charge offsets the legal and related costs of participating in Conservation OII Proceeding. (N)
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(N)

**Schedule No. 4
(Continued)**

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (Continued)

6. Service hereunder is to private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction. All facilities are to be installed according to the Utility's specifications and maintained to the Utility's satisfaction. The Utility may require the installation of a backflow prevention device and a standard detector type meter approved by the Insurance Service Office for protection against theft, leakage, or waste water.
7. No structure shall be built over the service pipe serving fire protection facilities and the customer shall maintain and safeguard the area occupied by the service pipe from traffic or other hazardous conditions. The customer will be responsible for any damage to the service facilities.
8. Subject to the approval of the Utility, any change in the location or construction of the service for the fire protection facilities requested by the public authority or the customer will be made by the Utility following payment to the Utility of the entire cost of such change.
9. Any unauthorized use of water through the service to fire protection facilities will be charged for at the applicable tariff rates and may be grounds for discontinuance of service by the Utility to the privately owned protection system without liability to the Utility.
10. The Utility will supply to the privately owned fire protection system only such water at such pressure as may be available from time to time in the operation of Utility's system. Section 774 of the Public Utilities Code limits the liability of the utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. Acceptance of service under this tariff is acknowledgement of notice of the provisions of Section 774 of the Public Utilities Code.
11. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (D)
(D)
12. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to a monthly surcharge of \$0.850 for 4-month period, beginning with the effective date as determined by the C.P.U.C. pursuant to Suburban's Advice Letter No. 271-W-A. This charge offsets the legal and related costs of participating in Conservation OII Proceeding. (N)
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(N)

**Schedule No. 4A
(Continued)**

FIRE HYDRANT SERVICE ON PRIVATE PROPERTY

SPECIAL CONDITIONS (Continued)

5. The repair and maintenance of the hydrants will be the responsibility of the applicant.
6. Any unauthorized use of water will be charged therefore under the General Metered Service schedule for the particular tariff area, and/or may be grounds for the Utility to discontinue the service without liability to the Utility.
7. There shall be no cross-connection between the fire hydrant service and any other source of supply without the specific approval of the Utility. This specific approval will require at the customer's expense, a special double check valve installation or other device acceptable to the Utility. Any unauthorized cross-connection may be grounds for immediate disconnection of the fire hydrant service without liability to the Utility.
8. The Utility will supply to the hydrant only such water at such pressure as may be available from time to time in the operation of the Utility's system.
Section 774 of the Public Utilities Code limits the liability of the utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. Acceptance of service under this tariff is acknowledgment of notice of the provisions of Section 774 of the Public Utilities Code.
9. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (D)
(D)
10. As authorized by the California Public Utilities Commission (C.P.U.C.), all bills are subject to a monthly surcharge of \$0.850 for 4-month period, beginning with the effective date as determined by the C.P.U.C. pursuant to Suburban's Advice Letter No. 271-W-A. This charge offsets the legal and related costs of participating in Conservation OII Proceeding. (N)
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(N)