

PUBLIC UTILITIES COMMISSION  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



January 25, 2011

Draft Resolution W-4868  
Agenda ID #10100

TO: All Interested Persons

Enclosed is draft Resolution W-4868 of the Division of Water and Audits for Yerba Buena Water Company's request for a general rate increase. Draft Resolution W-4868 will be on the Commission's February 24, 2011 agenda. The Commission may act then on this resolution or it may postpone action until later.

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

Interested persons may submit comments on draft Resolution W-4868. An original of the comments, with a certificate of service, should be submitted to:

Division of Water and Audits, Third Floor  
Attention: Michael Miller  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Interested persons must serve a written or electronic copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits. Interested persons may submit comments on or before February 14, 2011.

Comments should focus on factual, legal, or technical errors or policy issues in the draft resolution.

Persons interested in receiving comments submitted to the Division of Water and Audits may write to Michael Miller, email him at [mml@cpuc.ca.gov](mailto:mml@cpuc.ca.gov), or telephone him at (415) 355-5584.

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

Enclosures: Draft Resolution W-4868  
Certificate of Service  
Service List

DWA/RSK/PTL/MML/jlj

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION NO. W-4868  
February 24, 2011

R E S O L U T I O N

**(RES. W-4868), YERBA BUENA WATER COMPANY (YBWC). ORDER AUTHORIZING A GENERAL RATE INCREASE (GRC), PRODUCING ADDITIONAL ANNUAL REVENUE OF \$73,489 OR 33.42% FOR TEST YEAR (TY) 2010.**

---

**SUMMARY**

By Advice Letter (AL) 40, filed on August 17, 2010, YBWC seeks to increase its rates for water service to recover increased operating expenses and earn an adequate return on its plant investment. For TY 2010, this Resolution grants an increase in gross annual revenues of \$73,489 or 33.42%, over current rates, which is estimated to provide a rate of margin of 23.03%.

**BACKGROUND**

YBWC, a Class D water utility, has requested authority under Rule 7.6.2 of General Order 96-B (GO 96-B), Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by \$73,971 or 33.63% for TY 2010. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. YBWC's request shows 2010 gross revenues of \$219,915 at current rates, increasing to \$293,886 at proposed rates. YBWC's request was based on a rate of margin of 23.03%.

The present rates became effective on July 19, 2010, by approval of AL 39, which authorized an interim rate increase of \$5,765 or 2.7%, subject to refund or increase to the rates established in this GRC. The last GRC for YBWC was granted on May 3, 2007, pursuant to Res. W-4641, which granted an increase in revenues of \$63,315 or 45.63%.

YBWC serves approximately 244 customers in an area adjacent to the Pacific Ocean in Ventura County, about 15 miles north of Malibu. The YBWC system is supplied from three wells with a total capacity of approximately 750 gallons per minute. The system has two storage tanks with a total capacity of 257,000 gallons. YBWC's distribution system consists of 15,475 feet of mains ranging from 3 to 8-inch.

**NOTICE AND PROTEST**

On August 9, 2010, YBWC served AL 40 in accordance with GO 96-B, including on adjacent utilities and persons on the general service list. On August 9, 2010, YBWC mailed a notice of the proposed rate increase to all of its customers and to the persons on the general service list. Five customer letters or emails questioning the rate increase were timely received and the utility responded.

An informal public meeting was held on Wednesday, September 1, 2010, at 6:30 PM at Gildred Hall, Camp Hess Cramer located in the service area. Approximately twenty customers attended the meeting. The Division of Water and Audits (Division) staff explained the Commission procedures, while YBWC representatives cited justification for the proposed rate increase. The customers expressed concern over the size of the increase. Two customers stated that they had not received notice of the increase. Division staff granted an additional 20-day comment period to assure that everyone had an opportunity to make written comments.

During the additional comment period written responses questioning the rate increase were received from three additional customers. The utility responded to all comments.

In setting rates in this resolution, we have balanced the financial requirements of YBWC with the rate concerns of its customers.

**DISCUSSION**

The Division made an independent analysis of YBWC's operations. Appendix A shows YBWC's and the Division's estimated summary of earnings at present and proposed rates for TY 2010 and the Division's recommended rates for TY 2010. The Division informed YBWC of how the methodologies and escalation rates it used differed from those used in YBWC's request. YBWC is now in agreement with the Division's recommended revenue requirement, shown in Appendix A, and the Division's recommended rates, shown in Appendix B. The Division recommends that the Commission approve the rate increases and resulting rates shown in Appendix B.

The Division's estimate of YBWC's operating expenses, excluding purchased power, other volume related expenses, transportation, test year insurance, office salaries, and management salaries, is based on data from years 2007-2009. For estimating purchased power costs the Division used 2009 usage. The quantities used to calculate purchased power are found in Appendix D. For estimating other volume related expenses, the Division used data from 2009 and adjusted for inflation. The Division accepted YBWC's estimate of transportation expense and used current actual costs for test year insurance, office and management salaries. For estimating all other expense categories Division

escalated and averaged 2007-2009 expenses using factors from the June 30, 2010 escalation memorandum from the Division of Ratepayer Advocates.

YBWC requested a 23.03% rate of margin. In Decision (D.) 92-03-093 effective April 30, 1992, the Commission adopted the Return on Margin (ROM) ratemaking as an alternate to the Return on Net Investment (Rate Base) method for calculating net revenue for Class C and Class D Utilities and required the Division to recommend the method that produces the higher net revenue result. The current range recommended for rate of return for a Class D utility is 12.50% to 13.50%.<sup>1</sup> The Division found that using the 23.03% rate of margin currently allowed<sup>2</sup> would result in net revenue greater than the \$21,527 calculated using rate of return on rate base method. Therefore, Division recommends revenues using the 23.03% rate of margin.

YBWC's rate structure consists of one schedule: 1, Metered Service. The Division's proposed metered rates conform to the Commission policy regarding recovery of fixed costs in the service charge. The rates proposed by the Division are shown in Appendix B. At the recommended rates, the increase in revenue will be \$73,489 or 33.42% for TY 2010.

At the Division's recommended rates shown in Appendix B, an average customer's bill, with a 3/4-inch meter and using eight hundred cubic feet, will increase from \$36.17 to \$48.76, a difference of \$12.58 or 34.8%. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

## COMPLIANCE

The utility has been filing annual reports as required.

YBWC needs to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current Commission standards: Title Page, Preliminary Statement Additions, Schedule UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee, Rules 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 10, Disputed Bills; 15, Main Extensions; 16, Service Connections, Meters, and Customer's Facilities; 20, Water Conservation; and 21, Fire Protection; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.

---

<sup>1</sup> This recommendation is set forth in a March 1, 2010 memorandum to the Commission entitled Rates of Return and Rates of Margin for Class C and Class D Water Utilities.

<sup>2</sup> *Id.*

**COMMENTS**

Public Utilities Code Section 311(g) (1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, this draft Resolution was served to the utility and protestants and made available for public comment on January 25, 2011.

**FINDINGS**

1. Yerba Buena Water Company (YBWC) has requested authority to increase its water rates by \$73,971 or 33.63% for Test Year 2010.
2. On August 9, 2010, YBWC served Advice Letter (AL) 40 in accordance with General Order 96-B, including on adjacent utilities and persons on the general service list. On August 9, 2010, YBWC mailed a notice of the proposed rate increase to all of its customers and to the persons on the general service list.
3. The present rates became effective on July 19, 2010, by approval of AL 39, which authorized an interim rate increase of \$5,765 or 2.7%, subject to refund or increase to the rates established in this General Rate Case.
4. In reviewing YBWC's request, the Division of Water and Audits (Division) made an independent analysis of YBWC's operations.
5. The Division used actual 2009 power usage to estimate purchased power costs.
6. The Division used 2009 data to estimate the other volume related expenses.
7. The Division accepted YBWC's estimate of transportation expenses.
8. The Division used current actual costs to estimate test year insurance, office and management salaries.
9. For estimating all other expense categories, Division escalated and averaged using factors from the June 30, 2010 escalation memorandum from the Division of Ratepayer Advocates.
10. The Division's recommended summary of earnings (Appendix A) are reasonable and should be adopted.
11. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
12. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.

13. The Division informed YBWC of how the methodologies and escalation rates it used differed from those used in YBWC's request. YBWC now agrees with the Division's recommended revenue requirement.
14. For TY 2010, it is appropriate to grant YBWC an increase in gross annual revenues of \$73,489 or 33.42%, which is estimated to provide a rate of margin of 23.03%.
15. YBWC should file a Tier 2 advice letter within 30 days from the effective date of this resolution to collect a surcharge for the under-collected revenues from the interim rate date to the effective date of the new rates.
16. YBWC should be ordered to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current Commission standards: Title Page, Preliminary Statement Additions, Schedule UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee, Rules 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 10, Disputed Bills; 15, Main Extensions; 16, Service Connections, Meters, and Customer's Facilities; 20, Water Conservation; and 21, Fire Protection; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.

**THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 to Yerba Buena Water Company to file a supplemental advice letter with the revised rate schedule attached to this Resolution as Appendix B and concurrently cancel its presently effective rate Schedule 1, Metered Service. The effective date of the revised schedule shall be five days after the date of filing.
2. The quantities (Appendix D) used to develop the Division of Water and Audits' recommendations are adopted.
3. Yerba Buena Water Company is authorized to file a Tier 2 advice letter within 30 days from the effective date of this resolution to collect a surcharge for the under-collected revenues from the interim rate date to the effective date of the new rates. The effective date of this advice letter shall be upon approval of Staff of the Division of Water and Audits.
4. Yerba Buena Water Company is ordered to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current Commission standards: Title Page, Preliminary Statement Additions, Schedule UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee, Rules 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 10, Disputed Bills; 15, Main Extensions; 16, Service Connections, Meters, and Customer's Facilities; 20, Water Conservation; and 21, Fire Protection; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.

5. 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 February 24, 2011; the following Commissioners voting favorably thereon:

---

PAUL CLANON  
Executive Director

**Appendix A**  
**Yerba Buena Water Company**

**SUMMARY OF EARNINGS**

Test Year 2010

Item	Utility Estimated		Branch Estimated		Recommended Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<b><u>OPERATING REVENUES</u></b>					
Metered Rates	\$219,915	\$293,886	\$219,915	\$293,886	\$293,404
<b><u>Total Revenue</u></b>	\$219,915	\$293,886	\$219,915	\$293,886	\$293,404
<b><u>OPERATING EXPENSES</u></b>					
Purchased Power	\$9,802	\$9,802	\$9,786	\$9,786	\$9,786
Other Volume Related Expenses	\$36,941	\$36,941	\$36,813	\$36,813	\$36,813
Contract Work	\$22,306	\$22,306	\$22,236	\$22,236	\$22,236
Transportation	\$6,161	\$6,161	\$6,161	\$6,161	\$6,161
Other Plant Maintenance	\$36,693	\$36,693	\$36,585	\$36,585	\$36,585
Office Salaries	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Management Salaries	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Uncollectibles	\$0	\$0	\$0	\$0	\$0
Office Services & Rental	\$2,340	\$2,340	\$2,340	\$2,340	\$2,340
Office Supplies and Exp	\$10,466	\$10,466	\$10,412	\$10,412	\$10,412
Professional Services	\$24,436	\$24,436	\$24,379	\$24,379	\$24,379
Insurance	\$4,054	\$4,054	\$4,080	\$4,080	\$4,080
Regulatory Comm Exp	\$2,667	\$2,667	\$2,667	\$2,667	\$2,667
General Expenses	\$4,644	\$4,644	\$4,618	\$4,618	\$4,618
Subtotal	\$200,511	\$200,511	\$200,075	\$200,075	\$200,075
Depreciation Expense	\$14,018	\$14,018	\$14,018	\$14,018	\$14,018
Taxes other than income	\$6,293	\$6,293	\$6,293	\$6,293	\$6,293
State Income Tax	\$800	\$6,459	\$800	\$6,497	\$6,455
Federal Income Tax	\$0	\$11,651	\$0	\$11,751	\$11,641
<b><u>Total Deductions</u></b>	\$221,622	\$238,932	\$221,186	\$238,634	\$238,482
<b><u>NET REVENUE</u></b>	-\$1,707	\$54,954	-\$1,271	\$55,252	\$54,922
<b><u>RATE BASE</u></b>					
Average Plant	\$743,936	\$743,936	\$743,936	\$743,936	\$743,936
Average Depreciation Reserve	\$417,583	\$417,583	\$417,583	\$417,583	\$417,583
<b><u>Net Plant</u></b>	\$326,353	\$326,353	\$326,353	\$326,353	\$326,353
Less: Contributions	\$177,468	\$177,468	\$177,468	\$177,468	\$177,468
Plus: Working Cash	\$16,709	\$16,709	\$16,709	\$16,709	\$16,709
<b><u>Rate Base</u></b>	\$165,594	\$165,594	\$165,594	\$165,594	\$165,594
<b><u>RATE OF RETURN</u></b>	-1.03%	33.19%	-0.77%	33.37%	33.17%
<b><u>RATE OF MARGIN</u></b>	-0.77%	23.00%	-0.57%	23.15%	23.03%

(END OF APPENDIX A)



APPENDIX C

YERBA BUENA WATER COMPANY

COMPARISON OF RATES

TEST YEAR 2010

<u>Tariff Description</u>	<u>Tariff Rates</u>		<u>Recommended Increase</u>	
	<u>Current</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
Service Charge:				
3/4-inch meter	\$30.59	\$38.04	\$7.45	24.4%
1-inch meter	\$77.91	\$95.11	\$17.20	22.1%
1-1/2 inch meter	\$155.84	\$190.21	\$34.37	22.1%
2-inch meter	\$249.36	\$304.34	\$54.98	22.0%
3-inch meter	\$466.43	\$570.63	\$104.20	22.3%
Quantity Charge:				
All use per 100 cubic feet	\$0.698	\$1.34	\$0.64	91.9%

A monthly bill comparison for a customer with a 3/4 meter is shown below:

<u>Usage 100 cu. Ft.</u>	<u>Tariff Rates</u>		<u>Recommended Increase</u>	
	<u>Interim</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
0	\$30.59	\$38.04	\$7.45	24.4%
5	\$34.08	\$44.74	\$10.66	31.3%
8	\$36.17	\$48.76	\$12.58	34.8%
10	\$37.57	\$51.44	\$13.87	36.9%
15	\$41.06	\$58.13	\$17.07	41.6%
20	\$44.55	\$64.83	\$20.28	45.5%
30	\$51.53	\$78.23	\$26.70	51.8%

(END OF APPENDIX C)

**APPENDIX D**

**YERBA BUENA WATER COMPANY**

**ADOPTED QUANTITIES**  
**TEST YEAR 2010**

Expenses:

1. Purchased power (Electric)

Vendor	Southern California Edison
Schedule	GS-1
Number of Meters	1
Average Cost per kWh	\$0.12617
Adopted Usage kWh	11,256
Schedule	PA-1
Number of Meters	1
Average Cost per kWh	\$0.17140
Adopted Usage kWh	46,128
Total Annual Usage kWh	57,384
Total Cost	\$9,785.85
Composite Energy Cost (\$/kWh)	\$0.17050

2. Water Sales

48,297 ccf

3. Number of Service Connections:

Meter Size	Average Number of Customers
3/4-inch	167
1-inch	40
1-1/2 inch	23
2-inch	13
3-inch	1
Total	244

4. Tax calculation:

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$293,404	\$293,404
2.	O & M Expenses	\$200,075	\$200,075
3.	Taxes Other Than Income	\$6,293	\$6,293
4.	Depreciation	\$14,018	\$14,018
5.	Interest Expense	\$0	\$0
6.	Taxable Income for State Tax	\$73,018	
7.	State Tax	\$6,455	
8.	Taxable Income for FIT		\$66,563
9.	Federal Income Tax		\$11,641
10.	Total Income Tax		\$18,096

California Corporate Franchise Rate

8.84%

Federal Income Tax Rate

\$1 to	\$50,000	15%
\$50,001 to	\$75,000	25%

**(END OF APPENDIX D)**

## CERTIFICATE OF SERVICE

I certify that I have this day served a true copy of Draft Resolution No. W-4868 on all parties in this filing or their attorneys as shown on the attached list using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Dated January 25, 2011 at San Francisco, California.

/s/ JOSIE R. BABARAN

Josie R. Babaran

## NOTICE

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

SERVICE LIST  
DRAFT RESOLUTION No. W-4868

Leslie Hastings  
[hastings.les@verizon.net](mailto:hastings.les@verizon.net)

Jack Sawyer  
[bailar3@hotmail.com](mailto:bailar3@hotmail.com)

Fred Ruff  
[briandi733@aol.com](mailto:briandi733@aol.com)

Robert Berry  
Yerba Buena Water Company  
[Rberry34@aol.com](mailto:Rberry34@aol.com)

Gary and Pamela Campbell  
[gary.campbell48@yahoo.com](mailto:gary.campbell48@yahoo.com)

Brigit Sale, Esq., Treasurer  
Whalers Village Club  
11770 Pacific Coast Highway  
Malibu, CA 90265

Allan Langston  
[allanwhaler@gmail.com](mailto:allanwhaler@gmail.com)

Eloise & Vincent Hall  
[loischoice@hotmail.com](mailto:loischoice@hotmail.com)

Dr. Don and Sue-Carol Desfor  
[Des4magic@verizon.net](mailto:Des4magic@verizon.net)

Charles R. Craven  
[ccchucker@verizon.net](mailto:ccchucker@verizon.net)

Dave Bonenfant  
[davebonenfant@aol.com](mailto:davebonenfant@aol.com)

John Zabaldo  
[John@zdatum.com](mailto:John@zdatum.com)

Soon Yi Yang  
[soonyang@newstarreality.com](mailto:soonyang@newstarreality.com)

Thomas W. Felding  
[tfelding@verizon.net](mailto:tfelding@verizon.net)

Carole Lieberman, M.D.  
[drcarole@earthlink.net](mailto:drcarole@earthlink.net)

Jim Royal  
[jim@nielsrv.com](mailto:jim@nielsrv.com)