

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



Draft Resolution No. W-4696
Agenda ID #7694

June 10, 2008

TO: Parties to Fruitridge Vista Water Company's Advice Letter No. 85

Enclosed is draft Resolution W-4696 of the Division of Water and Audits. It will be on the Commission's July 10, 2008 agenda. The Commission may then act on this 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 it, 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: Martin Bragen
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Parties may submit comments on or before June 30, 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 KAHLON

Rami Kahlon, Director

Division of Water and Audits

Enclosures: Draft Resolution W-4696
Certificate of Service
Service List

WATER/RSK/MRB**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**DIVISION OF WATER & AUDITS
Water & Sewer Advisory Branch**

**RESOLUTION NO. W-4696
July 10, 2008**

R E S O L U T I O N

**(RES. W-4696), FRUITRIDGE VISTA WATER COMPANY (FVWC).
ORDER AUTHORIZING A RATE BASE OFFSET INCREASE IN
RATES PRODUCING ADDITIONAL ANNUAL REVENUES OF
\$137,774 OR 7.82%.**

SUMMARY

By Advice Letter No. 85 (AL 85) filed on February 15, 2008, FVWC seeks an offset increase in rates for water service to provide an adequate rate of return for an increase in rate base. This resolution grants an offset rate increase in gross annual revenues of \$137,774 or 7.82%. This increase will provide a 10% rate of return on a ratebase increase of \$831,624.

BACKGROUND

FVWC requested approval of a rate base offset under Sections 7.2 and 7.3(3) of General Order 96-B and Section 454 of the Public Utilities Code to increase rates for water service to produce additional revenues of \$145,523 or 8.30%.

FVWC serves about 15,000 customers through approximately 4,340 flat rate connections and 710 metered connections in an unincorporated urban area adjacent to the south boundary of the City of Sacramento. The present rates were established on May 17, 2000. The last general rate increase became effective on June 14, 2001, pursuant to Resolution W-4252, which authorized an increase in rates of \$297,080 or 29.19%, with a rate of return of 11%.

DISCUSSION

Decision 06-04-073 of April 27, 2006, approved the "Settlement Agreement for a Comprehensive Solution to the Fruitridge Vista Water Supply Situation". This states:

“in the event that Fruitridge Vista is able to recover monies directly from polluters, the parties agree that plant funded by these monies, up to \$5.0 million, will be ratebased and earn a return of 10%. Upon recovery and investment, Fruitridge Vista will file a Rate Base Offset Advice Letter with the Commission’s Water Division to update its ratebase, consistent with this agreement. The purpose of the advice letter will be to provide notice of the update to ratebase and access to documentation of Fruitridge Vista’s calculations. California Public Utilities Commission approval of this settlement means that this ratebase treatment of Fruitridge Vista plant, up to \$5.0 million, is not subject to future litigation, either in response to an advice letter or in future general rate cases or otherwise.”

Up to the date of AL 85, FVWC received gross settlements from polluters of \$4,713,000, with attorney fees, costs of litigation and direct costs to FVWC of \$3,880,830, resulting in net damages after expenses of \$832,170.

AL 85 claims the addition of \$831,643 of these funds into ratebase, for new well sites, pumping station sites, and rights to purchase water from the City of Sacramento. Division of Water and Audits’ Water and Sewer Advisory Branch (Branch) reviewed FVWC’s workpapers and requested the amount be corrected to \$831,624. FVWC agrees with Branch.

The \$831,624 additional ratebase increases the FVWC rate base to \$3,682,611.

\$3,505 more in property tax for the added well sites and pumping sites must be added to expenses. State and Federal income taxes must be included in the revenue needed to produce a net a return of \$83,162 on the increased ratebase. A total of \$137,774 is needed to produce the required additional return and pay the increase in property tax.

COMMENTS

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

The 30-day comment period for the draft of this Resolution was neither waived nor reduced. Accordingly, this draft Resolution was mailed to all parties for comments. The comments were received on _____

FINDINGS

1. The requested ratebase offset increase and resulting rates are reasonable and should be adopted.
2. The revised rate base for 2008 is \$3,682,611.
3. The revenue requirement for the added rate base is \$137,224, or a 7.82% increase.
4. The Commission finds, after investigation by the Division of Water and Audits, that the rate increase hereby authorized is justified, and the resulting rate increase is just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Fruitridge Vista Water Company is authorized to make effective the revised Schedule No. 1, Metered Service, and Schedule No. 2, Flat Rate Service, which is attached to Advice Letter No. 85 and to this resolution, and to concurrently cancel its presently effective rate schedules. The effective date of the revised rate schedules shall be five days after the date of this resolution.
2. 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 July 10, 2008; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A				
FRUITRIDGE VISTA WATER COMPANY				
SUMMARY OF EARNINGS				
	AUTHORIZED			
	RATES	DECISION	RATEBASE	REQUESTED
	A. L. NO 72	06-04-073	OFFSET	RATES
	W-4252*			A. L. NO 85
OPERATING REVENUES	1,393,706	360,570	137,224	1,891,500
OPERATING EXPENSES				
Purchased Power	172,616			172,616
Other Volume Related	11,493			11,493
Employee Labor	201,204			201,204
Materials	47,867			47,867
Contract Work	46,086			46,086
Transportation	26,708			26,708
Other Plant Maintenance	38,018			38,018
Office Salaries	116,470			116,470
Management Salaries	180,950			180,950
Employee Per/Ben	104,798			104,798
Uncollectibles	1,055			1,055
Office Services	32,985			32,985
Office Supplies	48,555			48,555
Professional Services	10,214			10,214
Insurance	24,191			24,191
Regulatory Expense	12,408			12,408
General Expenses	3,160			3,160
Depreciation	95,522			95,522
Taxes other than income	54,230		3,505	57,735
Income Taxes	66,117	142,750	53,827	262,694
TOTAL DEDUCTIONS	1,294,647	142,750	57,332	1,494,729
NET REVENUE	\$99,059	\$217,820	\$79,892	\$396,771
RATE BASE				
Average Plant	\$3,725,873	\$1,980,000	\$831,624	\$6,537,497
Accumulated Depreciation	\$2,025,396			\$2,025,396
Net Plant	\$1,700,477			\$4,512,101
Plus				
Materials & Supplies	\$15,362			\$15,362
Working Cash	\$17,859			\$17,859
Less				
Contributions	\$373,938			\$373,938
Advances	\$260,326			\$260,326
Deferred Income Tax	\$228,447			\$228,447
RATE BASE	\$870,987	\$1,980,000	\$831,624	\$3,682,611

APPENDIX B

SHEET 1

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento.

RATES

Quantity Rate:

All Water, per 100 cubic feet \$0.467

Service Charge:

Per Meter Per Month

For 5/8 x 3/4 inch meter	\$ 11.11	(I)
For 3/4 inch meter	16.67	
For 1 inch meter	27.78	
For 1-1/2 inch meter	55.54	
For 2 inch meter	88.86	
For 3 inch meter	166.57	
For 4 inch meter	277.65	
For 6 inch meter	555.29	(I)

This 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. A late charge will be imposed per Schedule LC.
2. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in the unit will, at the company's option, be furnished on the account of the landlord or property owner.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
4. A portion of each service charge will be deposited in a separate trustee account and shall be used only for payment of principal and interest associated with the buy-in fee for rights purchase water from the City of Sacramento as adopted by the Commission in D.06-04-073. The portion of each service charge that will be deposited in a separate trustee account shall be as follows: for each 5/8" x 3/4" meter, \$1.25; 3/4" meter, \$1.88; 1" meter, \$3.13; 1 1/2" meter, \$6.25; 2" meter, \$10.00; 3" meter, \$18.75; 4" meter, \$31.25, and 6" meter, \$62.50.
5. All bills are subject to the surcharge set forth in Schedule No. DHS.
6. As authorized by the Public Utilities Commission all bills are subject to a one-time surcharge of \$5.98. This charge offsets the Department of Health Services fee as billed to Fruitridge Vista Water Company for March 30, 2007 through September 28, 2007.

APPENDIX B

SHEET 2

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento.

RATES

	<u>Per Service Connection Per Month</u>	
1. For a single residential unit, including Premises not exceeding 10,000 sq. ft. in area	\$ 21.63	(I)
a) For each additional single family unit on the same premise and served from the same service connection	\$ 13.58	(I)
b) For each 100 sq. ft. of premises in Excess of 10,000 sq. ft.	\$ 0.31	(I)
2. For each automobile service station, including car wash rack, where service connection is not larger than one inch in diameter	\$ 44.69	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.
2. If the utility so elects, a meter shall be installed and water served under Schedule No. 1, Metered Service.
3. A late charge will be imposed per Schedule No. LC.
4. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in the unit will, at the company's option, be furnished on the account of the landlord or property owner.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
6. A portion of each service charge will be deposited in a separate trustee account and shall be used only for payment of principle and interest associated with the buy-in fee for rights purchase water from the City of Sacramento as adopted by the Commission in D.06-04-073. The portion of each service charge that will be deposited in a separate trustee account shall be as follows: each single residential unit \$1.65; each additional single family unit \$0.99; for each 100 sq. ft. of premises in excess of 10,000 sq. ft. \$0.01; and each automobile service station \$3.30.
7. All bills are subject to the surcharge set forth in Schedule No. DHS.
8. As authorized by the Public Utilities Commission all bills are subject to a two-time surcharge of \$5.98. This charge offsets the Department of Health Services fee as billed to Fruitridge Vista Water Company for March 30, 2007 through September 28, 2007.

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a copy of Draft Resolution W-4696 on all parties in this filing or their attorneys as shown on the attached list.

Dated June 10, 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.

SERVICE LIST
DRAFT RESOLUTION W-4696

CLEVELAND LEE
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 5122
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

DAVID R. GONZALEZ
1588 RIDGE CREEK WAY
ROSEVILLE, CA 95661

CRAIG M. WILSON
ATTORNEY AT LAW
STOEL RIVES LLP
770 L STREET, STE. 800
SACRAMENTO, CA 95814

TERENCE KILPATRICK
ATTORNEY AT LAW
1825 DEL PASO BOULEVARD
SACRAMENTO, CA 95815

ANN L. TROWBRIDGE
ATTORNEY AT LAW
RIVENDALE COMMUNITIES
1160 NORTH DUTTON AVE., STE. 240
SANTA ROSA, CA 95401

DAY CARTER & MURPHY, LLP
3620 AMERICAN RIVER DRIVE, SUITE 205
SACRAMENTO, CA 95864

MARK WOLFE
RIVENDALE COMMUNITIES
1160 NORTH DUTTON AVE., STE. 240
SANTA ROSA, CA 95401

CINDY SEAMAN
PROJECT DEVELOPER
MERCY HOUSING CALIFORNIA
3120 FREEBOARD DRIVE, STE. 202
WEST SACRAMENTO, CA 95691

ROBERT C. COOK, JR.
FRUITRIDGE VISTA WATER COMPANY
1108 - 2ND STREET
SACRAMENTO, CA 95814

DAVID TAMAYO
5918 38TH AVENUE
SACRAMENTO, CA 95824

DANA APPLING
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF RATEPAYER ADVOCATES
505 VAN NESS AVENUE, ROOM 4201
SAN FRANCISCO, CA 94102-3214

CALIFORNIA AMERICAN WATER
PO BOX 15468
SACRAMENTO, CA 95851-0468