

Decision 09-09-013 September 10, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Petition of Little Bear Water Company, Inc. (U214W) Requesting Modification of Resolution No. W-4736 Dated January 29, 2009.

Application 09-04-004
(Filed April 1, 2009)

DECISION REGARDING PETITION TO MODIFY RESOLUTION W-4736

Summary

Little Bear Water Company, Inc. (LBWC) filed a petition to modify Resolution (Res.) W-4736, a General Rate Case proceeding. Ordering Paragraph 1 of Res. W-4736 directed LBWC to file an advice letter to incorporate, *inter alia*, a set of revised rate schedules. Due to incorrect workpapers submitted by LBWC to the Division of Water and Audits, the resolution's rate structure does not produce the revenue authorized in Res. W-4736. Rates were designed with the understanding 98% of the existing system was three-quarter-inch meters. As a matter of fact, 98% of its meters are of the five-eighths by three-quarter-inch size.

This decision grants LBWC's petition to modify Res. W-4736 with a modified rate design.

Background

Pursuant to Sections 1701 and 1708 of the Public Utilities Code, Rule 16.4 of the Commission's Rules of Practice and Procedure and Rule 7.8 of the Commission's General Order (GO) 96-B, LBWC submitted Application (A.) 09-04-004 (Application), on April 1, 2009, Petition for Modification of Res. W-4736, dated January 29, 2009.

Rule 7.8 of GO 96-B authorizes a utility to submit a petition for modification of a resolution. A petition for modification asks the Commission to make changes to an issued decision (or resolution); and must concisely state the justification for the requested relief and propose specific wording to carry out all requested modifications to the decision (or resolution).

Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Unless otherwise ordered by the Commission, the filing of a petition for modification does not stay or excuse compliance with the order proposed to be modified. The order remains in effect until the effective date of any decision modifying it.

All filing requirements for a petition for modification found in Rule 16.4 of the Commission's Rules of Practice and Procedure and Rule 7.8 of the Commission's GO 96-B were complied with. Less than one year has elapsed since Res. W-4736 was adopted.

Introduction

The utility provides water service to 705 water customers in the Royal Estates Subdivision and vicinity, located approximately three miles southwest of King City in Monterey County. The LBWC service territory consists of two distinct pressure zones: the Lower Canyon with 560 active water connections and the Upper Canyon with 145 active connections.

The billing schedules in Res. W-4736 reflect separate rates for the lower and upper canyon pressure zones. In its General Rate Case (GRC), LBWC reported 552 $\frac{3}{4}$ -inch meter connections from the 560 active water connections in the lower canyon. However, this should have been 552 $\frac{5}{8}$ x $\frac{3}{4}$ -inch meter connections instead of 552 $\frac{3}{4}$ -inch connections. Likewise, LBWC documented 140 $\frac{3}{4}$ -inch connections from the 145 water connections for the upper canyon.

This also should have been 140 $5/8 \times 3/4$ -inch connections instead of 140 $3/4$ -inch connections.

The utility does not currently have nor is any future development based on $3/4$ -inch meter connections. The current cost-of-service rate design will cause annual LBWC losses of more than \$73,600 or 56% of annual net revenue. For this reason, LBWC filed the Application to modify.

Discussion

According to Res. W-4736, LBWC received a general rate increase of \$142,146 or 33.6% with adopted total gross revenues of \$565,800. The rate design adopted in Res. W-4736 was designed to produce the authorized revenue based on 98% of the system operating on $3/4$ -inch meters. The rates authorized in Res. W-4736 were implemented through Advice Letter 50, dated January 30, 2009 with an effective date of February 7, 2009.

Billing ratepayers under the $5/8 \times 3/4$ -inch meter rates in Res. W-4736 would result in annual revenue of \$492,185 or \$73,615 lower than the adopted revenue of \$565,800.

To correct this loss of revenue, the Application shows a new billing design with the same quantity rates, but proposes to adjust the service charge component for each and every meter size in each of the two pressure zones.

The modified rate design that we adopt in this decision recognizes that the most efficacious revision applies the current billing rate of the $3/4$ -inch meter to the $5/8 \times 3/4$ -inch meter. The Commission authorized in Res. W-4736 the rates for the $3/4$ -inch sized meter as the just and reasonable bill for the LBWC customers. By applying the currently authorized $3/4$ -inch sized meter rates to the size actually in use ($5/8 \times 3/4$ -inch), the justification for the rates passed in Res. W-4736 remains, keeps the other active meter connections with

the same rates as passed in Res. W-4736 and offers the least disruption in billing for both the company and the ratepayers.

According to this modification, the rate for the Lower Canyon 5/8 x 3/4-inch meter in Res. W-4736 of \$17.39 will increase to \$26.09 and the Upper Canyon 5/8 x 3/4-inch meter will go from \$19.10 to \$28.64.

Shown below are rates before the GRC resolution, the GRC rates in Res. W-4736 and the rates authorized in this modification.

Lower Canyon

Service Charge	Pre- Res. <u>W-4736</u>	Res. <u>W-4736</u>	Corrected <u>Rate</u>
For 5/8 x 3/4-inch meters	19.89	17.39	26.09
For 3/4-inch meters	19.89	26.09	26.09
For 1-inch meters	33.22	43.48	43.48
For 1-1/2 inch meters	66.21	86.97	86.97
For 2-inch meters	105.99	139.15	139.15

Upper Canyon

Service Charge	Pre- Res. <u>W-4736</u>	Res. <u>W-4736</u>	Corrected <u>Rate</u>
For 5/8 x 3/4-inch meters	32.32	19.10	28.64
For 3/4-inch meters	32.32	28.64	28.64
For 1-inch meters	53.96	47.74	47.74
For 1-1/2 inch meters	107.60	95.48	95.48
For 2-inch meters	172.25	152.77	152.77

By adopting the same rate design analysis granted in Res. W-4736, the same authorized revenue requirement of \$565,800 is produced.

This modification does not grant LBWC any increase in the gross revenue established in Res. W-4736. The Cost of Service Charge for the 5/8 x 3/4-inch meter reflects the same rates as the 3/4-inch meter established in Res. W-4736.

The average customer's bill for a 5/8 x 3/4-inch meter that consumes 19 hundred cubic feet per month will increase by \$8.70 or 18.5% in the Lower Canyon pressure zone and by \$9.54 or 13.9% in the Upper Canyon.

Compliance

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

During the discovery phase of processing the Application, the utility submitted past bills to document the meter size billing problem. The information on the bills will not be in conformance with the updated version of GO 103 that is currently being held for further review by the Commission. We request the utility file an Advice Letter to update the information on its bills to comply with the new requirements found in the updated version of GO 103 when the new version of GO 103 is authorized.

Notice and Protests

LBWC gave notice of the requested modification by mail on June 8, 2009. No protest letters were received.

Comments

The proposed decision of the assigned Examiner in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and Rule 14.3 of the Commission's Rules of Practice and Procedure. No comments were filed.

Assignment of Proceeding

Rami Kahlon is the assigned Examiner in this proceeding.

Findings of Fact

1. Res. W-4736, dated January 29, 2009, authorized a general rate increase for LBWC.
2. On April 1, 2009, LBWC filed A.09-04-044, a Petition to Modify Res. W-4736.
3. Less than one year has elapsed since Res. W-4736 was adopted.
4. The Division of Water and Audits staff designed the rates in Res. W-4736 on the $\frac{3}{4}$ -inch meter size reported by LBWC as representing 98 percent of its connections.
5. The actual size of 98 percent of the LBWC system is the $\frac{5}{8} \times \frac{3}{4}$ -inch meter.
6. Due to the meter size error, billing rates granted in Res. W-4736 do not produce the authorized revenue requirement and will cause LBWC an annual loss of over \$73,600.
7. The rate design approved in this decision recognizes that the most efficacious modification is to reassign the $\frac{3}{4}$ -inch sized cost of service rate granted in Res. W-4736 to the $\frac{5}{8} \times \frac{3}{4}$ -inch meter.
8. Applying the cost of service charge for the $\frac{3}{4}$ -inch meter rates to the $\frac{5}{8} \times \frac{3}{4}$ -inch meter size requires only an adjustment to the $\frac{5}{8} \times \frac{3}{4}$ -inch sized meter while all other rates remain as published in Res. W-4736.
9. By adopting the same rate design analysis granted in Res. W-4736, the same authorized revenue requirement of \$565,800 is produced.
10. By reassigning the currently authorized $\frac{3}{4}$ -inch sized meter rates to the size actually in use ($\frac{5}{8} \times \frac{3}{4}$ -inch), the rationale for the rates passed in Res. W-4736 remains, keeps the other active meter connections with the same rates as passed in Res. W-4736 and offers the least disruption in billing for both the company and the ratepayers.

11. There are no outstanding Commission orders requiring system improvements.

12. LBWC gave notice of the request by mail on June 8, 2009.

13. No protest letters were received.

Conclusion of Law

The Commission should approve A.09-04-004 as modified in this decision.

O R D E R

IT IS ORDERED that:

1. The Petition for Modification of Resolution W-4736, filed by Little Bear Water Company, Inc. on April 1, 2009 is approved to the extent that the rate design approved in Resolution W-4736 is modified to produce the annual revenues authorized in Resolution W-4736. The adopted rate design is contained in Appendix D attached to this Order, which replaces Appendix D attached to Resolution W-4736.

2. The revised rate schedules attached as Appendix B to this Order are adopted, and replace the Appendix B attached to Resolution W-4736.

3. The quantities (Appendix E attached to this Order) used to develop the rate design in Appendix D are adopted, and replace the Appendix E attached to Resolution W-4736.

4. Within 15 days from the effective date of this Order, Little Bear Water Company shall file a Tier 1 advice letter, in compliance with General Order 96-B, with the revised tariff sheets attached as Appendix B to this Order. The revised tariff sheets shall become effective on the effective date of this Order, subject to a finding of compliance by the Commission's Division of Water and Audits, and shall apply to service rendered on or after their effective date.

5. Application 09-04-004 is closed.

This order is effective today.

Dated September 10, 2009, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners

APPENDIX B, Page 1 of 2
Schedule No. 1-LC
METERED SERVICE

Little Bear Water Company
(Lower Canyon)

APPLICABILITY

Applicable to all metered water service furnished in Little Bear District (Lower Canyon)

TERRITORY

Portions of Pine Canyon and vicinity, located 3 miles **southwest** of King City, Monterey County.

RATES

	<u>Per Meter</u>	
Monthly Quantity Rate:		
All water, per 100 cu. ft.	\$ 1.561	(I)
Service Charge:		
For 5/8 x 3/4 - inch meter.....	<u>26.09</u>	(I)
For 3/4 - inch meter	26.09	(I)
For 1- inch meter	43.48	(I)
For 1-1/2- inch meter.....	86.97	(I)
For 2-inch meter	139.15	(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

All bills are subject to the Reimbursement fee set forth in Schedule UF.

Appendix B, Page 2 of 2
Schedule No. 1-UC
METERED SERVICE
Little Bear Water Company
(Upper Canyon)

APPLICABILITY

Applicable to all metered water service furnished in Little Bear District (Upper Canyon).

TERRITORY

Portions of Pine Canyon and vicinity, located 3 miles **southwest** of King City, Monterey County.

RATES

	<u>Per Meter</u>	
Monthly Quantity Rate:		
All water, per 100 cu. ft.	\$ 2.601	(I)
Service Charge:		
For 5/8 x 3/4 - inch meter.....	28.64	(I)
For 3/4 - inch meter	28.64	(I)
For 1- inch meter	47.74	(I)
For 1 1/2 inch meter	95.48	(I)
For 2 inch meter.....	152.77	(I)

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Appendix D Page 1 of 2
Little Bear Water Company
Comparison of Rates
For an average customer consumption of 19 Ccf

Lower Canyon

	Per Service Connection Per Month		
	Present Rates	Recommended Rates	Percent Change
	\$	\$	%
METERED			
Service Charge:			
5/8 x 3/4-inch	19.89	<u>26.09</u>	<u>31</u>
3/4 - inch	19.89	26.09	31
1-inch	33.22	43.48	31
1 1/2 - inch	66.21	86.97	31
2-inch	105.99	139.15	31
Quantity Charge			
All water, per 100 cu.ft.	1.144	1.561	36
Total Monthly Bill 19 Ccf	Present Bill	Adopted Bill	Percent Change
	\$	\$	%
5/8 x 3/4-inch	41.63	<u>55.75</u>	<u>34</u>
3/4 - inch	41.63	55.75	34
1-inch	54.96	73.14	33
1 1/2 - inch	87.95	116.63	33
2-inch	127.73	168.81	32

Appendix D Page 2 of 2
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Upper Canyon

	Per Service Connection Per Month		
	Present Rates	Recommended Rates	Percent Change
	\$	\$	%
METERED			
Service Charge:			
5/8 x 3/4-inch	32.32	<u>28.64</u>	<u>-11</u>
3/4 - inch	32.32	28.64	-11
1-inch	53.96	47.74	-12
1 1/2 - inch	107.60	95.48	-11
2-inch	172.25	152.77	-11
QUANTITY			
All water, per 100 cu.ft.	1.595	2.601	63
Total Monthly Bill	Present Bill	Adopted Bill	Percent Change
44 Ccf	\$	\$	%
5/8 x 3/4-inch	102.50	<u>143.09</u>	<u>40</u>
3/4 - inch	102.50	143.09	40
1-inch	124.14	162.18	31
1 1/2 - inch	177.78	209.92	18
2-inch	242.43	267.21	10

**Appendix E
Little Bear Water Company**

**Adopted Quantities
Test Year 2007**

Total water sold (Ccf)

Lower Canyon	123,542
Upper Canyon	<u>54,912</u>
Total	178,454

Total energy consumption (kWh)

Lower Canyon	261,972
Upper Canyon	<u>185,061</u>
Total	447,033

kWh/Ccf pumped

Lower Canyon	2.121
Upper Canyon	3.370

Composite power factor (\$/kWh)

Lower Canyon	\$ 0.1588
Upper Canyon	\$ 0.1588

Active Connections

Lower Canyon

Upper Canyon

For 5/8 x 3/4 - inch meter	<u>552</u>	<u>140</u>
For 3/4 - inch meter	<u>0</u>	<u>0</u>
For 1- inch meter	5	5
For 1 1/2 inch meter	2	0
For 2 inch meter	1	0
Total	560	145

Income taxes

Income before Interest and Expense	\$	173,803
Interest Expense		38,114
State Taxable Income		135,689
State Income Tax		11,995
Federal Taxable Income		123,964
Federal Income Tax		31,491
Total State and Federal Income Taxes		43,485

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For 1- inch meter	5	5
For 1 1/2 inch meter	2	0
For 2 inch meter	1	0
Total	560	145

Income taxes

Income before Interest and Expense	\$	173,803
Interest Expense		38,114
State Taxable Income		135,689
State Income Tax		11,995
Federal Taxable Income		123,964
Federal Income Tax		31,491
Total State and Federal Income Taxes		43,485