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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch**

**RESOLUTION W-4792
October 15, 2009**

R E S O L U T I O N

(RES. W-4792), ALCO WATER SERVICE (ALCO), SALINAS DISTRICT. IN ACCORDANCE WITH RES. W-4763, THIS RESOLUTION AUTHORIZES A SURCHARGE OF \$1.67 FOR TWELVE MONTHS FOR RECOVERY OF ADDITIONAL LEGAL AND OTHER EXPENSES, DUE TO ORDER INSTITUTING INVESTIGATION (I.) 07-06-020 FOR A TOTAL OF \$175,127.75.

SUMMARY

By Advice Letter (AL) 134, filed on August 3, 2009, Alco, a Class B water utility, seeks to recover expenses of \$175,127.75, an additional amount recorded in its OII memorandum account, pursuant to Res. W-4763. This Resolution authorizes Alco to collect a surcharge of \$1.67 per customer over a period of 12 months to recover costs incurred in I.07-06-020.

BACKGROUND

On April 12, 2007, through Res. W-4630 the Commission granted Alco's AL 107 for the expansion of service area contiguous to the then-existing service area map. The Commission directed staff to prepare a draft OII into the service and water quality of Alco's Salinas District. Alco's participation in this OII caused it to incur legal fees, engineering fees, advertising costs to notify customers during the course of the OII process, and other related costs. The Division of Water and Audits (Division), in response to AL 112-A authorized Alco to open a memorandum account to record legal fees and other expenses related to the OII. The total expense accrued in this account from July 27, 2007 to June 30, 2008 was \$580,873.56, of which a partial recovery of \$560,873.56 was approved by the Commission in Res. W-4763. The recovery of the remaining \$20,000 was deferred to Alco's next General Rate Case (GRC).

The additional expense accrued in this account from July 1, 2008 to May 31, 2009 is \$175,127.75. There is no additional expense recorded after May 31, 2009.

Alco presently provides service to approximately 8,718 metered customers in only one service area, its Salinas District, located in Salinas, Monterey County, California.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published in The Salinas Californian, a newspaper of general circulation, on August 18, 2009, as evidenced by proof of publication provided to the Division by the utility. One protest was received on August 24, 2009, from a ratepayer, Ms. Yvonne Young. A response to the protest was received from Alco on August 27, 2009.

DISCUSSION

The increase requested herein is for the purpose of recovering through a surcharge, on a dollar-for-dollar basis, additional unanticipated expenses which Alco incurred in its service quality OII. Alco followed the prescribed procedure by timely advising the Division in writing through AL 112-A, which became effective on July 27, 2007, of the need for a memorandum account to record the unanticipated costs incurred in its service quality OII.

On July 30, 2009, the Commission in Res. W- 4763, Ordering Paragraph 2, stated:

“Alco Water Service may file a Tier 3 advice letter to recover any additional expenses recorded in the OII Memorandum Account not addressed in this Resolution. The additional invoice amounts will be reviewed for accuracy and reasonableness in response to the advice letter filing”.

Accordingly, Staff has reviewed Alco’s expenditures of \$175,127.75 recorded in its memorandum account and not previously addressed in Res. W-4763 and supporting invoices, including itemized and detailed invoices from its attorneys, which were provided to the staff, and has found them reasonable. Alco could not have reasonably anticipated these expenses in its last GRC, which became effective in December 15, 2005. Therefore, recovery of these expenses would not amount to double recovery.

The protest received from a ratepayer, Yvonne Young, was based on surcharges implemented through earlier Res. W-4630, W-4758, and W-4698 which do not apply to this Advice Letter.

The Division recommends a surcharge of \$1.67 per customer per month for each rate category, for a period of twelve months. Because this surcharge simply passes through

costs on a dollar-for-dollar basis, this surcharge will not result in a rate of return greater than the last authorized for Alco.

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 mailed to the utility and protestant and made available for public comment on September 15, 2009. No comments were received.

COMPLIANCE

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

FINDINGS

1. AL 134 requests additional recovery of expenses related to I.07-06-020 that Alco has incurred and recorded for future recovery in an OII Memorandum Account during the period of July 1, 2008 through May 31, 2009.
2. Recovery of these additional expenses was authorized by the Commission in Resolution W-4763 on July 30, 2009, subject to a review for accuracy and reasonableness.
3. There are no expenses recorded in this account after May 31, 2009. This resolution will represent the last and final recovery of expenses in respect to this proceeding.
4. The additional expenses recorded in Alco's OII memorandum account of \$175,127.75 were prudent and necessary.
5. Alco could not have reasonably anticipated these expenses in its last General Rate Case, which became effective on December 15, 2005.
6. One protest based on earlier resolutions was received from a ratepayer, which do not apply to this Advice Letter. A response to the protest was received from Alco.
7. Alco should be permitted to transfer the amounts in the OII memorandum account to a balancing account for recovery.

8. Alco should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$1.67 per customer per month for twelve months.
9. This surcharge will not result in a rate of return greater than the last authorized for Alco in their last GRC.

THEREFORE IT IS ORDERED THAT:

1. Alco Water Service is permitted to transfer the amount of \$175,127.75, in the OII Memorandum Account to a balancing account for recovery over a period of twelve months.
2. Alco Water Service is permitted to recover the amounts in the balancing account by imposing a surcharge of \$1.67 per customer per month for twelve months.
3. Within 5 days of the date of this resolution, Alco Water Service shall file revised rate schedules to incorporate the surcharge described in Ordering Paragraph No. 2, and concurrently cancel its presently effective Schedules 1A, General Metered Service; 4, Private Fire Protection Service; and 6, Privately-Owned Fire Hydrant Service. The effective date of the revised tariff sheets shall be five days after the date of their filing, subject to staff's review for compliance.
4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at the Public Utilities Commission of the State of California on October 15, 2009; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners