

WATER/RSK/PTL/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION NO. W-4856  
December 16, 2010

R E S O L U T I O N

**(RES. W-4856), LAKE ALPINE WATER COMPANY  
(LAWC). ORDER AUTHORIZING A REVISION TO  
THE RATE STRUCTURE OF RES. W-4809.**

**SUMMARY**

By Advice Letter (AL) 92 filed on August 19, 2010, LAWC requested a revision to the current rate structure to allow LAWC to collect the adopted revenue requirements authorized in Res. W-4809.

This Resolution grants a revision to the rate structure which will not result in revenue requirements greater than those authorized in Res. W-4809.

**BACKGROUND**

LAWC currently provides service to approximately 303 metered and 180 residential flat rate customers in a service area located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County. The 180 residential flat rate customers represent customers who live in condominiums, whose condominiums can't be metered due to the buildings' plumbing structure.

By AL 90 filed on May 3, 2010, LAWC requested a revision to the rate structure to eliminate flat rate service. Under this proposal, the service charge would have been the same for *all* customers (i.e., both those who are currently metered and those who are currently flat rate) regardless of type of user or meter size. The same quantity *rate* would apply to all customers. Because the amount of water used by each individual condominium cannot be determined, the quantity charge for the owner of each condominium would be determined by dividing the total quantity used by that condominium homeowners association divided by the number of condominium units (and multiplying that quantity by the quantity rate).

A public meeting was held on July 15, 2010. Numerous complaints about the proposed rate structure were received and different rate structures were also suggested. LAWC

agreed to withdraw AL 90 and to file a new AL with a proposed rate structure that is supported by the majority of customers. LAWC withdrew AL 90 on July 19, 2010.

## **NOTICE, PROTESTS, AND PUBLIC MEETING**

On June 25, 2010, a notice of the rate structure proposed in AL 90 and of an informal public meeting on July 15 was mailed to each customer. On June 25, 2010 copies of AL 90 were mailed to LAWC's GO 96-B service list.

An informal public meeting was held in Bear Valley on July 15, 2010. Numerous complaints were received and LAWC agreed to withdraw AL 90 and to file a new AL with a proposed rate structure that is supported by the majority of customers.

The new AL (AL 92) was filed on August 19, 2010, and on that same date notice of the revised rate structure proposal was mailed for comment to associations that represent the vast majority of the customers. The boards of all of these associations (representing 471 members) voted to support the revised rate structure. One email was received from a member of one of the associations supporting a different rate structure. 7 new customers were not yet members of the associations at the time their boards voted and 4 customers are commercial customers not represented by any association.

By failing to serve AL 92 on its GO 96-B service list, and failing to provide individual customer notice of the revised rate structure contained in AL 92, LAWC did not comply with the service and notice requirements of GO 96-B.<sup>1</sup> However, because all customers did receive notice of the original meeting and because associations representing the vast majority of the customers received notice of the revised rate proposal, and the boards of those associations have voted in favor of it, we will waive LAWC's non-compliance in this particular instance, but will serve a copy of the draft resolution on those customers not represented by an association at the time of the associations' votes, to allow those customers a chance to comment on the current proposal.<sup>2</sup>

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<sup>1</sup> Regarding service of advice letters, see General Rules 4.3 and 7.2 and Water Industry Rule 4.1. Regarding individual notice to customers, see General Rule 4.2 and Water Industry Rule 3.1.

<sup>2</sup> General Rule 1.3 of General Order 96-B permits a waiver or variance from the rules under specified circumstances. More specifically, it provides, pertinent part: "The General Rules and Industry Rules shall be liberally construed to secure just, speedy, and inexpensive handling of informal matters, as set forth in this General Order. The Commission in a specific instance may authorize an exception to the operation of this General Order where appropriate.

## **DISCUSSION**

By AL 92 filed on August 19, 2010, LAWC proposed to convert all connections to metered service rates, eliminate the flat rate service, and adjust the Safe Drinking Water State Revolving Fund Loan surcharge<sup>3</sup> to allow LAWC to collect the adopted revenue requirements authorized in Res. W-4809.

AL 92 eliminates the flat residential rate for condos and treats all individual condo units as a 5/8-inch connection just like the single-family homes. All other connections have a service charge based on meter size. The proposed rate structure is supported by associations representing 471 or 98% of customers. Letters and emails were received from the following associations/organizations - BV Condo Management Company, Alpine Condo Management, Creekside Condo Association 2B, Bear Valley Business Association, Alpine County CSA #1, Alpine County, and Bear Valley Residents, Inc. representing the 471 customers. LAWC has a total of 483 customers. One customer prefers a different rate structure and the remaining 11 customers were not at the time represented by an association.

The Division of Water & Audits (Division) made an independent analysis of LAWC's proposed rate structure. The Division concludes that the proposal contained in AL 92 should result in collection of LAWC's authorized revenue requirement. Furthermore, and in light of the support of the proposed structure by associations representing the vast majority of customers, the Division finds the rates attached to AL 92 are reasonable and recommends approval.

## **COMPLIANCE**

LAWC has no outstanding compliance orders.

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At present, under the current structure, LAWC is in fact not recovering its revenue requirement. In order to remedy this problem expeditiously, rather than requiring complete compliance with the service and notice requirements of the General Order, it is reasonable to provide individual notice, by means of the draft resolution, to those customers not then represented by the associations that did receive notice (which associations have voted in favor of the current proposal).

<sup>3</sup> The Safe Drinking Water State Revolving Fund Loan is repaid by a surcharge on the service charge. Accordingly, a change in the service charges requires a change in this surcharge to ensure that the proper amount is collected.

## **COMMENTS**

Public Utilities 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, on November 16, 2010, the draft resolution was mailed for comment to all persons and entities who informed the Division of their views on the rate structure proposed in AL 92 and to the 11 customers who were not represented by an association at the time the association boards voted in favor of the proposal contained in AL 92.

No comments were received from the 11 customers. On December 6, 2010, ten written comments were received supporting the revised rate structure, and another one comment was received stating that

“The CPUC Water Division should be required to examine LAWC’s books for this year before approving this rate restructure or at a minimum reduce the \$612,000 revenue requirement by at least \$50,000. The CPUC should prohibit LAWC from any further rate increase for at least 3 years without a showing of extraordinary necessity.”

As discussed earlier, LAWC filed an advice letter to request a revision to the rate structure to eliminate flat rate service. The revised rate structure was suggested by a ratepayer at the public meeting held on July 15, 2010 and is supported by LAWC and by associations representing 471 or 98% of customers. At present, under the current structure, LAWC is in fact not recovering its revenue requirement. The revised rate structure does not provide for a revenue requirement greater than that authorized in Res. W-4809. We will adopt this revised rate structure. Also, a Class D water utility is allowed to file a rate increase once a year, subject to a reasonableness review. We will not prohibit LAWC from any further rate increase for at least 3 years.

## **FINDINGS**

1. LAWC currently provides service to approximately 303 metered and 180 residential flat rate customers in a service area located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.
2. By AL 90 filed on May 3, 2010, LAWC requested a revision to the rate structure to eliminate flat rate service, with the same service charge for every customer, regardless of the type of user or the size of meter. Because the amount of water used by each individual condominium cannot be determined, the quantity charge for the owner of each condominium would be determined by dividing the total quantity used by that condominium homeowners association divided by the number of condominium units (and multiplying that quantity by the quantity rate).

3. On June 25, 2010, a notice of the proposed rate structure was mailed to each customer and the advice letter was served on LAWC's GO 96-B service list.
4. A public meeting was held on July 15, 2010 and per customers' request, LAWC agreed to withdraw AL 90 and to file a new AL with a proposed rate structure that is supported by the majority of customers.
5. LAWC withdrew AL 90 on July 19, 2010.
6. By AL 92 filed on August 19, 2010, LAWC proposed to convert all connections to metered service rates, eliminate the flat rate service, and adjust the Safe Drinking Water State Revolving Fund Loan surcharge to allow LAWC to collect the adopted revenue requirements authorized in Resolution W-4809.
7. AL 92 eliminates the flat residential rate for condominiums and treats each individual condominium unit as a 5/8-inch connection, just like a single-family home, for setting the service charge. All other connections have a service charge based on meter size. The method for determining the quantity attributable to each condominium remains unchanged from AL 90.
8. LAWC did not properly serve AL 92, nor did it provide individual notice to each customer of the proposal in AL 92, as required by General Order 96-B. LAWC did notify associations representing the vast majority of the customers of the proposal contained in AL 92.
9. Letters and emails were received from the following associations/organizations - BV Condo Management Company, Alpine Condo Management, Creekside Condo Association 2B, Bear Valley Business Association, Alpine County CSA #1, Alpine County, and Bear Valley Residents, Inc. representing 471 customers or 98% of the customers. These associations all supported the proposal contained in AL 92.
10. One email was received supporting a different rate structure, instead.
11. General Rule 1.3 of General Order 96-B permits a waiver of rules contained in the General Order, and notes the goal of securing just, speedy, and inexpensive handling of informal matters.
12. At present, under the current structure, LAWC is in fact not recovering its revenue requirement.
13. In order to remedy this problem expeditiously, it is reasonable in this particular situation for the Commission to waive the service and notice requirements applicable to AL 92 that LAWC did not comply with, and instead provide individual notice, by means of the draft resolution, to those customers who were not represented by an association at the time the associations voted in favor of the AL 92's rate structure, to allow those customers a chance to comment on the proposal contained in AL 92.

14. No comments were received from the 11 customers who were not represented by an association at the time the association boards voted in favor of the revised rate structure.
15. On December 6, 2010, ten written comments were received supporting the revised rate structure, and another one comment was received stating that  
    “The CPUC Water Division should be required to examine LAWC’s books for this year before approving this rate restructure or at a minimum reduce the \$612,000 revenue requirement by at least \$50,000. The CPUC should prohibit LAWC from any further rate increase for at least 3 years without a showing of extraordinary necessity.”
16. LAWC filed an advice letter to request a revision to the rate structure to eliminate flat rate service. The revised rate structure was suggested by a ratepayer at the public meeting held on July 15, 2010 and is supported by LAWC and by associations representing 471 or 98% of customers. At present, under the current structure, LAWC is in fact not recovering its revenue requirement. The revised rate structure does not provide for a revenue requirement greater than that authorized in Res. W-4809. We will adopt this revised rate structure.
17. A Class D water utility is allowed to file a rate increase once a year, subject to a reasonableness review. Accordingly, LAWC should not be prohibited from filing for any further rate increase for at least 3 years.
18. Division of Water & Audits concludes that the proposal contained in AL 92 should result in collection of LAWC’s authorized revenue requirement.
19. The rates attached to AL 92 are reasonable and should be adopted.

**THEREFORE IT IS ORDERED THAT:**

1. The rate schedules Nos. 1A, Annual Metered Service, and 1B, Safe Drinking Water State Revolving Fund Loan General Metered Service, attached to Advice Letter 92 are adopted.
2. Lake Alpine Water Company is authorized to file a supplemental advice letter incorporating the adopted rate schedules and concurrently cancel its presently effective Schedule Nos. 1A, Annual Metered Service; 1B, Safe Drinking Water State Revolving Fund Loan General Metered Service; 2AR, Annual Residential Flat Rate Service; and 3AR, Safe Drinking Water State Revolving Fund Loan Residential Flat Rate Service. The effective date of the revised rate schedules shall be five days after the date of filing.

3. 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 December 16, 2010; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
President

DIAN M. GRUENEICH

JOHN A. BOHN

TIMOTHY ALAN SIMON

NANCY E. RYAN

Commissioners