

DWA/RSK/PTL/MCV/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-4859
January 13, 2011

R E S O L U T I O N

**(RES. W-4859), PENNGROVE WATER COMPANY (PENNGROVE).
ORDER AUTHORIZING A RATE BASE OFFSET REVENUE INCREASE,
PRODUCING AN INCREASE IN GROSS ANNUAL REVENUES OF
\$37,649 OR 4.69% TO CURRENT APPROVED GROSS REVENUES.**

SUMMARY

By Advice Letter (AL) 75 filed on July 6, 2010, Penngrove seeks a rate base offset of \$141,432 for water system improvements, which would result in an increase in annual revenue of \$37,649 or 4.69%.

This resolution grants Penngrove's request. The increase will not result in a rate of return greater than that last authorized for Penngrove.

BACKGROUND

Penngrove is a class C water company presently providing water service to approximately 556 customers in two geographically separate communities, the Penngrove and the Canon Manor districts in Sonoma County. The Penngrove and the Canon Manor districts have separate tariff rates.

Penngrove requested authority under General Order 96-B (GO 96-B), Water Industry Rules 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$37,649 or 4.69% as a rate base offset for water system improvements. Penngrove replaced 1,736 feet of improperly bedded 6-inch asbestos cement pipe with an 8-inch Polyvinyl Chloride water main, including the addition of three-inch line valves and one air release valve at a cost of \$141,432.

Penngrove's last General Rate Case (GRC) increase by Res. W-4593, dated May 6, 2006, authorized an increase of \$33,320 or 4.42% with a 12.9% return on rate base. Penngrove's present rates became effective on July 1, 2010, by approval of AL 74, which authorized a purchased water offset increase of \$14,640 or 1.9%.

NOTICE AND PROTEST

AL 75 was served on July 2, 2010, in accordance with GO 96-B, including on adjacent utilities and persons on Penngrove's service list. Penngrove's requested offset increase is 4.69%, which is less than ten percent of the revenue requirement last authorized for the utility. Per GO 96-B, Water Industry Rule 3.1, Penngrove may give notice of the requested increase by publishing a legal notice in a newspaper of local circulation. Penngrove published the notice in a local newspaper of general circulation on June 29, 2010. No protests were received.

DISCUSSION

On August 4, 2010, Division of Water and Audits (DWA) Staff conducted a field visit and met with the company's representatives to review the system schematics and invoices supporting the expenditures for the water main replacement. The company representatives also provided information on the competitive bidding process they used in selecting a contractor for the project. Penngrove received four contractor bids for the construction project, and it selected the contractor with the lowest bid.

DWA reviewed the documentation associated with the project including invoices supporting the expenditures and confirmed that: (1) the cost recovery requested for the plant additions meets the earnings test DWA Staff conducted, and Penngrove does not exceed its authorized rate of return; and (2) these plant additions have been completed and are currently used and useful. Based on the field inspection conducted and DWA Staff's review of the project expenditures, Staff finds Penngrove's \$141,432 in plant additions prudent investments for inclusion into the company's rate base. Staff finds the rates attached to this resolution in Appendix A reasonable and recommends that these rates be approved.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public Utilities Code Section 311(g) (2), the otherwise 30-day period for public review and comment is being waived.

FINDINGS

1. By Advice Letter 75 filed on July 6, 2010, Penngrove seeks a rate base offset of \$141,432 for water system improvements, which would result in an increase in annual revenue of \$37,649 or 4.69%.
2. Penngrove is a class C water company presently providing water service to approximately 556 customers in two geographically separate communities, the Penngrove and the Canon Manor districts in Sonoma County.
3. Penngrove replaced 1,736 feet of improperly bedded 6-inch asbestos cement pipe with an 8-inch Polyvinyl Chloride water main, including the addition of three inch line valves and one air release valve, at a cost of \$141,432.
4. Advice Letter 75 was served in accordance with General Order 96-B on July 2, 2010.
5. Division of Water and Audits reviewed the documentation associated with the project including invoices supporting the expenditures and confirmed that the cost recovery requested for the plant additions meets the earnings test and Penngrove does not exceed its authorized rate of return.
6. Division of Water and Audits confirmed that Penngrove's plant additions have been completed and are currently used and useful.
7. The rates recommended by the Division of Water and Audits (Appendix A) are reasonable and should be adopted.

THEREFORE IT IS ORDERED THAT:

1. The rate schedule, P-1, Metered Service, attached to this resolution in Appendix A is adopted.
2. Penngrove Water Company is authorized to file a supplemental advice letter incorporating the adopted rate schedule and concurrently cancel its presently effective Schedule P-1, Metered Service.
3. The effective date of the revised schedule shall be five days after the date of filing.

4. 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 January 13, 2011; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

TIMOTHY ALAN SIMON

NANCY E. RYAN

Commissioners

APPENDIX A

Penngrove Water Company

Schedule P-1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Penngrove and vicinity, Sonoma County.

RATES

Quantity Rates	<u>Per Meter Per Month</u>	
First 500 cu. ft. per 100 cu. ft.	\$4.762	(I)
Over 500 cu. ft. per 100 cu. ft.	\$6.373	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 31.20	(I)
For 3/4-inch meter	\$ 49.44	(I)
For 1-inch meter	\$ 66.06	(I)
For 1-1/2-inch meter	\$ 97.43	(I)
For 2-inch meter	\$137.99	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. To account for an added water system operator approved in Advice Letter 62, the total service charge is the sum of the base amount shown above plus an additional \$6.10.