

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4635

March 15, 2007

R E S O L U T I O N

**(RES. W-4635), LAKE FOREST WATER COMPANY (Lake Forest).
ORDER AUTHORIZING THE RECOVERY OF \$56,479.55 IN
PURCHASED WATER COSTS FOR AN ANNUAL INCREASE OF
APPROXIMATELY 14% FOR A PERIOD OF 3 YEARS.**

SUMMARY

By Advice Letter No. 33-W filed December 29, 2006, Lake Forest seeks to increase rates to recover compliance costs regarding Department of Health Services' (DHS) Compliance Order No. 01-09-98-ORD-002 requiring Lake Forest to secure an additional source of supply. The resulting costs total \$56,479.55. Recovery will be over a three-year period. This increase will not result in a rate of return greater than last authorized for Lake Forest.

BACKGROUND

Lake Forest is a Class D water utility providing water service to approximately 170 customers in the unincorporated area known as Lake Forest Unit No. 1 and vicinity, located adjacent to Highway No. 28 and approximately 2 miles northeast of the community of Tahoe City in Placer County. Lake Forest bills its customers on a semi-annual basis. The present rates became effective on January 3, 2007 as authorized by Resolution No. W-4625, dated December 14, 2006.

NOTICE AND PROTESTS

Lake Forest mailed the notice of this proposed rate increase on January 12, 2007 to all of its customers and the company has provided an affidavit of mailing of that notice. Water Division received no protests.

DISCUSSION

This resolution covers the following items:

1. DHS Compliance Order No. 01-09-98-ORD-002 required another water source to replace surface water from Lake Tahoe in accordance with the Federal Surface Water Treatment Rule. Lake Forest pursued other alternatives; however, a water turnout and purchases from the Tahoe City Public Utility District was the only timely and cost effective alternative.
2. Lake Forest is requesting a \$60.27 per six-month surcharge (14% increase in its annual revenues) for a period of approximately 3 years to recover the amount of \$56,479.55 plus interest of \$5,000.

Staff investigated both requests. Staff agrees that the DHS order reasonably required that Lake Forest purchase water from Tahoe City, that the expenses were reasonably incurred and that the costs should be recovered from the ratepayers, who consumed the water.

Lake Forest is imputing \$5,000 in interest charges. Interest on balancing accounts is calculated at the 90-day commercial paper rate, but no interest is normally authorized for memorandum accounts. Because the balancing account interest is not yet known, staff recommends eliminating it from the surcharge. Lake Forest should be allowed to charge \$55.37 per six months until the balancing account, and the resulting interest, is fully recovered. Lake Forest agrees with this modification and will file an advice letter supplement to reduce the surcharge.

COMMENTS

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

FINDINGS

The Commission finds, after investigation by the Water Division, that the rate increase hereby authorized is justified, and the resulting rate increase is just and reasonable. This increase will allow Lake Forest to pay for this water cost and maintain DHS compliance.

THEREFORE IT IS ORDERED THAT:

1. Lake Forest Water Company is authorized to transfer \$56,479.55 from its Water Quality Memorandum Account to its Balancing Account.
2. Lake Forest Water Company is authorized to file a supplement to Advice Letter No. 33-W, containing a special condition surcharge to reflect the recovery of the Department of Health Services' Water Quality Memorandum Account per Commission Resolution No. W-4327 in the amount of \$55.37 per equivalent single-family unit per 6-month billing period over a 3-year period or until the \$56,479.55 is fully recovered.
3. Lake Forest Water Company shall file an Advice Letter to remove the special condition surcharge when the balance in the Balancing Account reaches zero.
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 March 15, 2007; the following Commissioners voting favorably thereon:

/s/ STEVE LARSON

Steve Larson
Executive Director

MICHAEL R. PEEVEY
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners