

WATER/FLC/PTL/AAS/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water & Sewer Advisory Branch

RESOLUTION NO. W-4671
January 10, 2008

RESOLUTION

(RES. W-4671), RURAL WATER COMPANY, CYPRESS RIDGE SEWER SYSTEM (Cypress Ridge). ORDER AUTHORIZING \$5,997 OR 2.5% FOR CONSUMER PRICE INDEX - URBAN RATE RELIEF (CPI-U) PLUS A THIRTY-SIX MONTH RATE SURCHARGE FOR RECOVERY OF THE UNANTICIPATED EXPENSE MEMORANDUM ACCOUNT (UEMA), FOR A TOTAL AMOUNT OF \$107,413 OR AN ANNUAL AMOUNT OF \$35,804 OR 14.9%.

SUMMARY

By Advice Letter No. 6-SS filed on August 13, 2007, Cypress Ridge requested an increase of \$5,997 or 2.5% in annual gross revenue for test year 2007 relative to 2006 PUC recommended rates. In addition, Cypress Ridge has requested a \$36,042 surcharge for three years (total of \$108,125) to recover UEMA.

This resolution grants Cypress Ridge an increase of \$5,997 or 2.5% relative to 2006 PUC authorized rates. In addition, a UEMA surcharge of \$107,413 for a period of 36 months is also granted.

BACKGROUND

Cypress Ridge, a Class D sewer utility, serves 349 active flat rate residential connections plus 8 commercial connections per its 2006 annual report. Cypress Ridge's service territory is located in Tract No. 1933 in San Luis Obispo County, California. Cypress Ridge has requested authority under Section VI of General Order 96 and Section 454 of the Public Utilities Code to recover \$108,125 over a 36-month surcharge being an annual increase in sewer rates by \$36,042 or 15.0%. The purpose of the surcharge is to recover expenses in the Cypress Ridge UEMA from July 1, 2005 through June 30, 2007.

Res. W-4467 authorizes utilities to track unanticipated changes for that portion of contract work that is for operation and maintenance of the plant facilities. It states, "It is reasonable to allow smaller water and sewer systems to track these costs for potential recovery. Accordingly, we will authorize these memorandum accounts in this resolution." Therefore, the Commission has authorized these accounts by fiat as of the date of that resolution which was April 22, 2004.

Cypress Ridge was granted a Certificate of Public Convenience and Necessity (CPCN), effective January 1, 2003, and rates were initially set by Commission Decision (D.) 02-06-005. In D.02-06-005, the Commission recognized the uncertainty of operational expenses and allowed for re-evaluation of contract services (Finding of Fact No. 4), an allowance of a rate of margin (Findings of Fact No. 7), the establishment of an insurance expense memorandum account (Findings of Fact No. 12), and the adjustment of rates for additional commercial customers (Findings of Fact No. 20). Rates were set to allow Cypress Ridge a 15% rate of margin, thus recognizing the uncertainty of operational expenses and the lack of rate base.

Cypress Ridge's present rates became effective on October 15, 2006, pursuant to Res. No. W-4614, which authorized a General Rate Increase (GRC) of \$49,144 or 38% with a 15% rate of margin.

NOTICE

A notice of the proposed rate increase request of \$5,997 or 2.5%, and recovery of \$36,042 surcharge per year for three years was mailed to customers on August 10, 2007.

PROTESTS

Two (2) protests were received within the allowed 30-day period.

Neither protest provided supporting information to their statements as required by General Order 96-B. They pointed to mismanagement in general. The complaints were answered by the utility.

DISCUSSION

Cypress Ridge is currently operating at a loss. The rate increase request was based on financial information in their 2006 annual report. After an analysis of these records, the Division of Water and Audits (Division) has determined that Cypress Ridge should be allowed an increase of \$5,997 or 2.5% relative to present revenues in order for the utility to meet its revenue requirements.

In addition, Cypress Ridge should be allowed to recover \$107,413 by surcharge over three years, or \$35,804 annually which is 14.9% increase. The difference between the requested and allowed amounts derives from an arithmetic error by the utility in adding the bills paid. All bills submitted have been verified. The costs are for equipment parts and analyses of problems.

The utility has been requesting payments for extra costs not allocated in their past GRC. The utility needs to request another GRC. This can be processed concurrently with the GRC for Rural Water which is presently under review.

Currently, there are eight commercial connections indicated in the annual report but only four are shown on the tariff. The remaining four are toilets attached to the Golf Pro Shop and these are charged at the same rate as the shop.

The tariff Schedules Nos. 1, Residential Flat Rate Sewer Service, and 2, Commercial Flat Rate Sewer Service, show the recommended rates.

COMPLIANCE

Cypress Ridge has no outstanding Commission compliance orders. The utility has been filing annual reports as required.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g) (3), the otherwise applicable 30-day period review and comment is being waived.

FINDINGS

1. The rates proposed by the Division (Appendix A) are reasonable and should be adopted.
2. The UEMA account has been established by the Commission as of April 22, 2004.
3. Advice Letter No. 6-SS should be approved as modified.
4. 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.
5. Cypress Ridge should track revenue collected under the surcharge for its UEMA and refund any excess revenues collected to its customers.
6. Cypress Ridge should request another general rate increase immediately.
7. This is an uncontested matter subject to the public notice exclusion provided in the Public Utilities Code Section 311 (g) (3).

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Rural Water Company Cypress Ridge Sewer System to file an advice letter incorporating the revised rate schedules attached to this resolution as Appendix A, and concurrently cancel its presently effective rate Schedules Nos. 1, Residential Flat Rate Sewer Service, and 2, Commercial Flat Rate Sewer Service. The revised rate schedules shall become effective five days from the date of filing.

APPENDIX A

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Rural Water Company, Inc.
Cypress Ridge Sewer Service

Schedule No. 1

RESIDENTIAL FLAT RATE SEWER SERVICE

APPLICABILITY

Applicable to all residential sewer service.

TERRITORY

Cypress Ridge, within Tract # 1933, and including Golf Course Complex,
San Luis Obispo County.

RATES

	<u>Per Connection Per Month</u>	
For all residential sewer service	\$56.75	(I)

SPECIAL CONDITIONS

1. All sewer service is subject to a monthly surcharge of \$6.47 for a period of 36 months beginning September 12, 2005. (D)
(T)
(T)
2. All sewer service is subject to a monthly surcharge of \$5.37 for a period of 36 months beginning September 18, 2006. (T)
3. Surcharge of \$8.33, as authorized by Res. W-4671, is for a period of 36 months beginning with the effective date of the advice letter. (N)
(N)
4. All bills are subject to the Reimbursement Fee set forth in Schedule No. UF. (L)

APPENDIX A

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Rural Water Company, Inc.
 Cypress Ridge Sewer Service

Schedule 2

COMMERCIAL FLAT RATE SEWER SERVICE

APPLICABILITY

Applicable to all commercial sewer service.

TERRITORY

Cypress Ridge, within Tract #1933, and including Golf Course Complex, San Luis Obispo County.

RATES

Service Charge:

		Per Connection <u>Per Month</u>	AL No. 2-A Surcharge <u>Per Month</u>	(T)
For	Golf Pro Shop	\$38.23 (I)	\$ 4.34	
For	Golf Maintenance Facility	\$92.44	\$10.52	
For	Commercial/Office Facility	\$76.25	\$ 8.67	
For	Pavilion	\$76.25 (I)	\$ 8.67	
		Surcharge (T) Per Month	Surcharge Per Month	(N)
		<u>(Res. W-4612)</u>	<u>(Res. W-4671)</u>	
For	Golf Pro Shop	\$ 3.60	\$ 8.13	
For	Golf Maintenance Facility	\$ 8.72	\$13.53	
For	Commercial/Office Facility	\$ 7.19	\$11.16	
For	Pavilion	\$ 7.19	\$11.16	(N)

SPECIAL CONDITIONS

1. AL No. 2-A Surcharge is effective for a period of 36 months beginning September 12, 2005. (D) (T)
2. Res. W-4612 Surcharge is for a period of 36 months beginning September 18, 2006. (T)
3. Surcharge as authorized by Res. W-4671 is for a period of 36 months beginning with the effective date of the advice letter. (N) (N)
4. All bills are subject to the Reimbursement Fee set forth in Schedule No. UF. (L)