

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

RESOLUTION W-4702

RESOLUTION

**(RES. NO. W-4702), POINT ARENA WATER WORKS, INC. (PAWW)
ORDER CORRECTING OMISSION IN RESOLUTION NO. W-4683,
DATED APRIL 24, 2008. ORDER AUTHORIZING A WATER RIGHT
MEMORANDUM ACCOUNT FEE.**

SUMMARY

This Executive Director Action Resolution corrects the Point Arena Water Works, Inc.'s (PAWW) Resolution No. W-4683 due to an inadvertent error in stating that no comments were received. In that resolution, the Commission adopted a Water Right Memorandum Account Fee of \$333 per lot for new service connections to be credited to the Water Right Memorandum Account related to PAWW's Water Right Permit Application Nos. 25442 and 30892 with the State Water Resources Control Board.

This resolution authorizes a corrected version of the comments and responds to PAWW's comments.

BACKGROUND

Consistent with Rule 16.5 of the Rules of Practice and Procedure, PAWW submitted a letter to the Executive Director, dated June 4, 2008, requesting modification of Resolution No. W-4683 and included detailed reasons and evidence to support its request.

Resolution No. W-4683 was approved by the Commission on April 24, 2008. Beginning on page 4, the resolution states:

"Public Utilities Code §311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Code §311(g) (2) provides that this 30-day period may be waived or reduced upon stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly this draft resolution was mailed to all parties for comments. No comments were received.”

The statement included in Resolution No. W-4683 that comments were not received is incorrect.

On April 10, 2008, PAWW mailed via Federal Express its comments on Draft Resolution No. W-4683 and provided proof of delivery to the designated project manager of the Division of Water & Audits (Division) on April 11, 2008.

PAWW’s April 10th Comments

On April 10, 2008, PAWW filed comments that disagreed with the below statement on page 2 of the Draft Resolution:

“In its AL 51-W filing, PAWW estimated a customer growth of 150 customers in five years from the present 193 customers to 343 customers...”

While PAWW argues that the statement is incorrect, during the comment phase of Resolution No. W-4660, PAWW filed an exhibit that estimated a customer growth of 150 customers in five years from the present 193 customers to 343 customers. This exhibit was entitled “Calculation to Support Fact that Existing Customers will Benefit from Memorandum Account”.

A copy of this exhibit is attached as Exhibit A of this resolution.

Additionally, PAWW argues that the Water Right Memorandum Account fee should include the respective interest because on page 2 of Draft Resolution No. W-4683, it is stated:

“A memorandum account accrues interest at the 90-day commercial paper rate.”

Response to April 10th Comments

The Water Right Memorandum Account Fee of \$333 recommended in the Draft Resolution does not include any interest. Recovery of any interest rate will be determined during a reasonableness review of the underlying costs.

This resolution clarifies that the \$333 fee is an advance of cash, but that PAWW is still required to track its costs in a memorandum account to be filed when the project is

completed and all costs are known. At that time, the Division will review the memorandum account for reasonableness and adjust it accordingly.

At this time, the total costs are unknown. PAWW was authorized to track costs in the memorandum account established by Resolutions Nos. W-4660 and W-4683, but this tracking does not necessarily guarantee recovery until the project is completed and costs have been shown to be prudent.

The Commission authorized PAWW to access \$333 per lot while the project is ongoing and the State Water Resources Control Board reviews PAWW's application. Such costs collected shall be booked to the established memorandum account and any over- or under-collections shall be adjusted accordingly when a recovery request advice letter is filed in the future.

Response to June 4th Letter

PAWW submitted a letter to the Executive Director requesting modification of Resolution No. W-4683 consistent with Rule 16.5 of the Rules of Practice and Procedure. PAWW indicated that it may add new customers in the near future and submitted a copy of its original comments filed on April 10th along with evidence of receipt delivery to the Commission staff.

This resolution acknowledges an omission of PAWW's April 10th comments in Resolution No. W-4683. A summary of those comments and a response to them is now provided above. However, the adopted Water Right Memorandum Account Fee of \$333 per lot for new service connections remains unchanged.

FINDINGS

1. Point Arena Water Works, Inc. (PAWW) filed comments to Draft Resolution on April 10, 2008.
2. The statement included in Resolution No. W-4683 that comments were not received is incorrect.
3. The statement that PAWW estimated a customer growth of 150 customers in five years from the present 193 customers to 343 customers in Advice Letter No. 51 is correct. (See Exhibit A)
4. The authorized Water Right Memorandum Account Fee of \$333 is correct.
5. PAWW should record and track all revenues from the Water Right Memorandum Account Fee and costs associated with the project.

6. PAWW should file an advice letter upon completion of the project and any over- or under-collections shall be adjusted accordingly when a recovery request advice letter is filed in the future.

THEREFORE, IT IS ORDERED that:

1. The Water Right Memorandum Account Fee of \$333 per lot to Point Arena Water Works, Inc. is correct and stands accordingly.
2. Point Arena Water Works, Inc. shall record and track all revenues from the Water Right Memorandum Account Fee and costs associated with the project.
3. Point Arena Water Works, Inc. shall file an advice letter upon completion of the project and any over- or under-collections shall be adjusted accordingly when a recovery request advice letter is filed in the future.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by Executive Action Resolution on August 29, 2008.

/s/PAUL CLANON

PAUL CLANON
Executive Director

EXHIBIT A

POINT ARENA WATER WORKS, INC.
Advice Letter No. 51/Draft Resolution No. W-4660
Calculation to Support Fact that Existing Customers will Benefit from Memorandum Account

By securing water rights for future customers, Point Arena Water Works (PAWW)'s existing and future customers will benefit with lower rates in the future as new customers come in, as follows:

In its present GRC, PAWW estimated 193 customers for test year 2007. The following example assumes that PAWW adds 30 new customers in years 1, 2, 3, 4 and 5. Additionally, it uses the revenue requirement requested in the general rate case filed on July 19, 2006.

	Present 190 <u>Customers</u>	Year 1 210 <u>Customers</u>	Year 2 230 <u>Customers</u>	Year 3 250 <u>Customers</u>	Year 4 270 <u>Customers</u>	Year 5 290 <u>Customers</u>
Revenue	\$243,495	\$243,495	\$243,495	\$243,495	\$243,495	\$243,495
Number of customers	193	223	253	283	313	343
Average bill/cust/month	\$105.14	\$90.99	\$80.20	\$71.70	\$64.83	\$59.16
Savings		\$32,771	\$57,761	\$77,447	\$93,358	\$106,490
Additional Operating Expenses Due to New Customers		<u>6,000</u>	<u>12,000</u>	<u>18,000</u>	<u>24,000</u>	<u>30,000</u>
Net Savings		\$26,771	\$45,787	\$59,447	\$69,358	\$76,490

Year 1 shows that with the addition of only 30 new customers, existing customers will save \$14.15 per month (\$105.14 - \$90.99). This represents savings of \$32,771 in year 1 alone (\$14.15 x 193 customers x 12 months). Likewise, year 2 shows an additional 30 new customers, which would reduce the present average per month by \$24.94. This represents savings of \$57,761 in year 2. Savings for year 5 would be \$45.98 per customer per month or \$106,490 per year. With the inclusion of only 30 new customers per year and assuming that rates don't change, savings to present customers over a period of five years would amount to over \$367,000. This is very substantial for a small Class D water utility like PAWW.

If over a period of five years, PAWW requests additional rate increases, the addition of new customers will generate even higher savings to present customers.

We have also estimated additional operating expenses due to the addition of new customers. Average volume related expenses requested in the general rate case amounted to \$74.33 per customer (\$14,346 / 193 average number of customers). Volume related expenses for 30 new customers would amount to \$2,230 (\$74.33 x 30). Other operating expenses to cover the cost of labor, office salaries and billing expenses are estimated at \$3,770 per year, for a total \$6,000 per year.

(End of Exhibit A)