

PROPOSED RESOLUTION

Resolution W-5156
WD

Agenda ID #16555

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5156

June 21, 2018

RESOLUTION

(RES. W-5156), CANADA WOODS WATER COMPANY (CWWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE (GRC),
PRODUCING ADDITIONAL ANNUAL WATER REVENUE OF
\$528,750 OR, 77.97%; ADDITIONAL ANNUAL RECLAIMED
WATER REVENUE OF \$ 26,150 OR, 9.88%; AND ADDITIONAL
ANNUAL SEWER REVENUE OF \$ 83,800 OR, 40.58% FOR TEST
YEAR (TY) 2018 TO BE PAID FOR BY RATEPAYERS.

By Advice Letters 15-W-A and 13-S-A filed on September 8, 2017

SUMMARY

By Advice Letter (AL) 15-W-A, filed on September 8, 2017, CWWC seeks to increase its revenues for water service from \$678,113 to \$1,295,113, or 90.99%, and reclaimed water service from \$264,781 to \$330,331, or 24.76%, to recover increased operating expenses. By AL 13-S-A, filed on September 8, 2017, CWWC seeks to increase its revenues for sewer service from \$206,513 to \$320,513, or 55.2%, to recover increased operating expenses.

After filing AL's 15-W-A and 13-S-A, CWWC filed AL's 16-W and 14-S on December 22, 2017 seeking a CPI-U increase of 2.1% to be applied to present monthly service and quantity charge rates. The rate increase would be interim and be subject to refund or recovery based on the final rates adopted by this Resolution. AL's 16-W and 14-S were approved by the Water Division (WD) effective December 22, 2017. The utility has informed WD staff (Staff) that they will not implement the CPI-U increases approved by the Commission in AL's 14-S and 16-W to avoid changing customer rates multiple times and to avoid customer confusion. Rather, they will be implementing the rates adopted in the GRC.

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For TY 2018, this Resolution grants an increase in gross annual water revenues of \$528,750 or, 77.97%; an increase in gross annual reclaimed water service revenues of \$26,150 or, 9.88%; and an increase in gross annual sewer revenues of \$83,800 or, 40.58%, over current revenues. The revenue increase will result in a rate of return of 0.83% for water, 11.00% for reclaimed water, and 0.69% for sewer services.

BACKGROUND

CWWC is a Class D water and sewer utility that provides water service, sewer service and reclaimed water service to approximately 3,797 acres of subdivided lands in the unincorporated area of Monterey County located between State Highway 68 to the north and Carmel River to the South. Services are provided through 156 metered water connections, 3 reclaimed water connections, and 149 sewer service connections in the Canada Woods/ North Canada Woods (referred to as the Tehama sub-area), and Monterra Ranch (referred to as the Monterra sub-area) developments. Combined, the sub-division includes 259 market-rate (or, "non-exclusionary") residential parcels averaging 4.5 acres; 42 low / moderate income residential units, 20 employee housing units, a golf course with maintenance facilities, 12 golf course member suites, five commercial parcels, 35 acres of farm land and stable facilities.

In 1987, by Resolution No. 87-499, the Monterey County Board of Supervisors, approved the Monterra Ranch Subdivision which included 42 low/moderate income lots, which are also referred to as "inclusionary" lots. Resolution No. 87-499 required that the "inclusionary" lots could not be charged higher than the rates charged by California American Water Company (Cal-Am).

The water consumption and meter size in CWWC's service area varies significantly depending on location of the lot. For example, in the Monterra sub-area, the average and median monthly water consumption, based on 5/8X 3/4 inch water meters, is 6.81 and 6.00 units (1 Unit = 1 Ccf) respectively for "inclusionary" lots. The corresponding consumption for "non-inclusionary" lots, based on 1 1/2 inch water meters, is 13.84 and 11.00 units respectively. Similarly, for the lots in the Tehama sub-area, the average and median monthly water consumption, based on 1 1/2 inch water meters, is 19.75 and 11.00 units respectively. System wide, the average and median consumption, based on 1 1/2 inch meter size are 14.01 and 9.00 Units. Because of the restrictions imposed by Resolution No. 87-499, water rates are designed based on "exclusionary" and "non-exclusionary" lots.

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The source of water is from alluvial and non-alluvial wells and surface water. That water is treated to potable drinking water standards prior to distribution to customers.

All metered potable water users dispose of their waste via the CWWC sewer collection system for delivery to the CWWC Wastewater Reclamation Plant. The sewer system is comprised of septic tanks which are periodically cleaned out as part of the sewer service. The solids go into the tanks, whereas the lighter liquid ("effluent") is pumped to the treatment facility where it is reclaimed in accordance with state regulations. The wastewater and the effluent are treated to tertiary standards and delivered for reuse to irrigate the Tehama golf course.

CWWC has requested authority under Rule 7.6.2 of General Order 96-B (GO 96-B), Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water revenues by \$617,000 or, 90.99%, from \$678,113 at present rates to \$1,295,113 at the proposed rates; increase its reclaimed water revenues by \$65,600 or, 24.76%, from \$264,781 at present rates to \$330,331 at the proposed rates; and increase its sewer revenues by \$114,000 or, 55.20%, from \$206,513 at present rates to \$320,513 at the proposed rates for TY 2018.

The purpose of the rate increases is to offset operational costs, and to provide adequate rates to allow the company to break even from a cash flow perspective. CWWC's request will result in a Rate of Return of 0.83% for water, 11.00% for reclaimed water and 0.69% for sewer services.

CWWC's last general rate increase of \$339,828, or 94.8%, for water; \$93,082, or 68.2%, for reclaimed water; and \$51,828, or 48.8%, for sewer services for Test Year (TY) 2010 was granted on January 27, 2011 by Resolution W-4866. The present rates for water, reclaimed water, and sewer services became effective on June 3, 2016 pursuant to Decision 92-03-093 which authorized a Consumer Price Index (CPI) increase of 0.7% by AL's 12-W and 11-S.

NOTICE AND PROTEST

Advice Letters 15-W and 13-S were served in accordance with GO 96-B on August 21, 2017 (including service on adjacent water and sewer utilities, both publicly and privately owned, pursuant to Water Industry Rule 4.1(2)). On the same day, a notice of the proposed rate increase was also mailed to each customer. No protests were received.

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An informal public meeting was held on October 2, 2017, at 6:30 pm at the Rancho Canada Golf Club, 4860 Carmel Valley Road, Carmel, California. Thirty persons (26 customers and 4 utility representatives) attended the meeting. Water Division staff explained the Commission procedures, while CWWC representatives discussed the justification for the proposed rate increase. Customers were concerned that the requested rate increases are excessive and burdensome; the system should be sustainable without ongoing subsidies from its owners; there should be better communications regarding rate increases; and all revenues and expenses should be scrutinized prior to approving any rate increases. After the public meeting, three customers sent letters expressing similar concerns. CWWC responded to the customer concerns.

All concerns have been addressed in this resolution.

DISCUSSION

CWWC has no employees of its own and relies on contractors to run its operations. These include: Carmel Development Company (Carmel Development); Lahania Utility Services (Lahania). Peasley, Aldinger & O’Bymachow provide accounting services while legal services are provided by Ms. Jacqui Zischke, esq. Additional services are also contracted out as needed.

Carmel Development oversees all corporate activities on behalf of the owners. They are also responsible for supervision of contractors, oversight of operations, personnel issues, resolution of customer complaints, compliance with and interaction with regulatory agencies, and tax filings. Carmel Development charges a lump sum amount for services rendered and does not track specific activities daily. CWWC was unable to provide a formal contract for services provided by Carmel Development.

Lahania provides contract services and personnel to operate and maintain the water, reclaimed water and sewer systems, prepare reports for submittal to various regulatory agencies, provide billing services, customer interaction, and general management of field and office staff. Only the field staff tracks time spent on various tasks. Office and management staff do not delineate the time spent on each activity. Reimbursements for office and field staff are based on contracted hourly rates while management is paid an annual lump sum fees.

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Staff review indicated that there were no formally filed complaints, and the utility performs repairs in a timely manner. The utility is operating satisfactorily.

Expenses

Staff reviewed CWWC's supporting documents for operating revenues, rate base and expenses for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent. Expenses included purchased power, other volume related expenses, employee labor, materials, contract work, other plant maintenance, office salaries, management salaries, office services & rentals, office supplies and expenses, professional services, insurance, regulatory commission expense, general expenses, depreciation, and taxes.

To estimate expenses for Test Year (TY) 2018, CWWC averaged recorded expenses for 2014 through 2016 and escalated them to TY 2018 using their own inflation factors. Staff used escalation factors recommended by the Water Division to estimate expenses for TY 2018. A discussion of some significant expenses and Staff recommendations follows.

Management expenses

CWWC's estimate for management expenses is \$222,336 including \$42,336 for Lahania and \$180,000 for Carmel Development. Staff recommends \$132,336, comprised of \$62,640 for water, \$35,640 for reclaimed water and \$34,056 for sewer services.

CWWC's estimate for operations management services provided by Lahania for TY 2018 is \$42,336 for 480 hours or, approximately one quarter of one person's time. This translates to \$88.20 per hour including benefits. Lahania's hourly rates are lower than those charged by two similar vendors providing similar services. Based on this comparison and the quality of services provided, Staff finds that Lahania's estimated charges for operations management are reasonable. Staff recommends approval of \$42,336 for 480 hours of services, allocated to water, reclaimed water and sewer services proportional to revenue requirements.

CWWC's estimate for management services provided by Carmel Development is \$180,000 allocated to water (\$90,000 or 50%), reclaimed water (\$36,000 or 20%) and sewer services (\$54,000 or 30%). CWWC was unable to provide staff a copy of an engagement contract with Carmel Development. Upon review of a summary of tasks performed, provided by CWWC at Staff's request, Staff determined that a significant

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number of listed activities were also being performed by other vendors under contract with CWWC. Some of those activities included, but are not limited to, customer interaction and preparation of technical reports for filing with regulatory agencies (these tasks are also performed by Lahania), annual tax and regulatory filings at the CPUC (these are handled by CWWC's accounting firm) and interaction with regulatory agencies (also provided by legal counsel). Staff believes that one person working half time is sufficient to perform the corporate oversight of CWWC's operations. The tasks include but are not limited to contract management, supervision of regulatory activities, and strategic planning for the utility. Using an hourly rate of \$88 per hour, staff recommends \$90,000¹ in management fees for Carmel Development allocated among water, reclaimed water and sewer services.

Staff recommends that going forward, CWWC should require formal contracts with all vendors. Payments should be based on actual verifiable time spent for each specified task at contracted rates.

Professional Services

CWWC's estimate for Professional services of \$154,677 includes engineering, accounting, permits and legal fees. Staff recommends \$137,652 for professional services.

Professional Services include Legal, Accounting, Engineering, permitting and other services. For TY 2018, CWWC included \$76,940 for legal services. CWWC was unable to furnish contracts for Legal Services but were able to submit invoices for the services provided. According to CWWC, the work performed included review of contracts, representing the utility interests in interaction with government and regulatory agencies, permitting and water supply related issues, keeping abreast of and monitoring state laws related to groundwater legislation and ensuring compliance with governmental regulations. A review of invoices for legal services indicated that about 5% of the billed amounts lacked sufficient detail to demonstrate that the charges were incurred for activities that were necessary for CWWC's ongoing operations. Staff recommends Legal Expenses of \$75,301. The utility has indicated that it is agreeable to such a reduction in legal fees. After modifying the legal fees and applying Water Division's recommended escalation factors to the average recorded expenses for 2014

¹ Comprised of \$45,000 for water, \$18,000 for reclaimed water and \$27,000 for sewer services

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through 2016, Staff recommends total Professional Service expenses of \$137,652 for TY 2018.

Regulatory Expense

CWWC's estimate of \$7,200 for regulatory expenses includes all expenses incurred in connection with formal and informal water cases before the Commission. The utility split this amount equally or \$2,400 each for water, reclaimed water and sewer services. Staff finds the total regulatory expense of \$7,200 as reasonable but, allocated in proportion to the revenue requirements for each service. Based on this allocation, regulatory charges are \$4,792 for water, \$1,222 for reclaimed water and \$1,186 for sewer services.

Operating expenses

CWWC used recorded expenses for 2014 through 2016 and projected them to TY 2018 using escalation factors which were different from those approved by the Water Division. Staff revised CWWC's operating expenses using factors approved by the Water Division. Based on these and the above modifications, CWWC's estimate of operating expenses at requested rates are \$1,248,990 for water, \$292,449 for reclaimed water, and \$263,105 for sewer services. Staff's corresponding amounts are \$ 1,160,818, \$267,449 and \$ 232,902 respectively.

Income Taxes

CWWC's estimate for State and Federal income taxes at proposed rates are \$800 for water, \$0 for reclaimed water and sewer services. The corresponding staff recommendation is \$1,189, \$4,100 and \$919 respectively. The difference is because of lower operating expenses resulting in different taxable income and use of the most current Federal Corporate tax rates.

Rate Base

CWWC's average rate base for water, reclaimed water and sewer services is \$497,898, \$130,357, and \$458,049, respectively. Staff recommends rate base amounts of \$490,550, \$128,294 and \$456,591, respectively. The difference is due to different working cash requirements.

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Revenue Requirement and Rate of Return

CWWC is aware that as a Class D water utility, it is entitled to request a revenue requirement that produces the higher of a rate of return (ROR) between 10.50% to 11.50% or a rate of margin (ROM) of 23.87%. The utility believes that if it were to base its revenue requirements on these criteria, it would have to increase rates to levels that would result in rate shock for its customers. To avoid rate shock, the utility is requesting a revenue requirement that is sufficient to breakeven with its cost of operations.

The Revenue Requirement / Rate of Return (ROR) requested by CWWC are \$1,295,113/0.83%, \$330,381 / 19.56%, and \$320,513 / 0.69%² for water, reclaimed water and sewer services. The corresponding Division recommended Revenue Requirements / rate of returns are: \$1,206,863/0.83%, \$290,931/11.00% and \$290,313/0.69% respectively. The Division recommended ROR's for the water and sewer services are the same as requested by the utility. However, the ROR for the reclaimed water service is 11%, which is the mid-point of the ROR for Class D utilities.

CWWC's and the Division's estimated summary of earnings at present and proposed rates for TY 2018 for water, reclaimed water and sewer services are shown in Appendices A-1, A-2 and A-3. The Division recommends approval of the recommended revenue requirements.

The Division's recommended rates are shown in Appendices B-1, B-2, and B-3. The Division recommends that the Commission approve the rate increases and resulting rates shown in Appendices B-1, B-2, and B-3.

CWWC's rate structure consists of three schedules: 1, General Metered Service; 2, Reclaimed Water Service; and S, Sewer Service. At the recommended rates, the increases in revenue requirements for water services will be \$528,750 or, 77.97%; for reclaimed water will be \$26,150 or, 9.88%; and for sewer services will be \$83,800 or, 40.58%. A comparison of customer's water bills at present and recommended rates is

² Rate of return requested by CWWC for TY 2018 in AL 15-W and 13-S for water, reclaimed water and sewer services were 0.92%, 25.25% and 0.75% respectively based on tax rates applicable at the time of the AL filings. These were modified to 0.83%, 19.56% and 0.75% based on the new tax rates effective January 1, 2018.

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shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

Comparison of Water Bills

CWWC's water customers include exclusionary as well as non-exclusionary customers in the Monterra sub-area. Exclusionary customers can only be charged up to California American Water Company (Cal-Am)'s current rates. Since recommended rates for non-exclusionary customers exceed Cal Am's rates, those customers must pick up the revenue requirements for the excess amounts required. The water bills for average and median consumption customers at Division recommended and Cal-Am's present rates are discussed below.

CWWC's service area customer water bills

For CWWC's service area, using a meter size of 1 ½ inches, the monthly water bill for a customer with average consumption of 14.01 Units at present and recommended rates will be \$300.37 and \$468.72 respectively, which is an increase of 56.0% over present rates. The water bill for a customer with median consumption of 9.00 Units at present and recommended rates will be \$247.09 and \$303.74 respectively, which is an increase of 22.9% over present rates.

For comparison, customer water bills for average and median consumption at Cal-Am's present rates will be \$408.90 and \$276.76 which are lower than CWWC's bills using Division recommended rates by 14.6% and 9.7% respectively. The Division recommended bills are higher because of higher service fees and quantity rates.

Monterra sub-area –exclusionary customer water bills

For "exclusionary" customers, using an average meter size of 5/8 X 3/4 inches, the monthly bill for a customer with average consumption of 6.81 Units at present and recommended rates will be \$24.57 and \$66.47 respectively, which is an increase of 170.5% over present rates. The water bill for a customer with median consumption of 6.00 Units at present and recommended rates will be \$20.84 and \$55.25 respectively, which is an increase of 165.1% over present rates. The rate increase is primarily because the utility did not pass on rate increases authorized for Cal Am to its customers since its last General Rate Case filing Pursuant to Resolution W-4866, issued on January 28, 2011.

For comparison, customer water bills for average and median consumption at Cal-Am's present rates will be \$72.72 and \$61.07 which are higher than CWWC's bills using Division recommended rates by 8.6% and 9.5% respectively. The Division

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recommended bills are lower because of slightly lower service fees and quantity charges.

Monterra sub-area – “non-exclusionary” customer water bills

For “non-inclusionary” customers in the Monterra sub-area, using an average meter size of 1 ½ inches, the monthly bill for a customer with average consumption of 13.84 Units at present and recommended rates will be \$300.19 and \$468.19 respectively, which is an increase of 56.0% over present rates. The water bill for a customer with median consumption of 11.00 Units at present and recommended rates will be \$264.79 and \$359.24 respectively, which is an increase of 35.7% over present rates.

For comparison, customer water bills for average and median consumption using Cal-Am’s present rates will be \$408.43 and \$329.27 which are lower than CWWC’s bills using Division recommended rates by 14.6% and 9.1% respectively. The Division recommended bills are higher because of higher service fees and quantity rates.

Tehama sub-area customer water bills

For customers in the Tehama sub-area, using an average meter size of 1 ½ inches, the monthly bill for a customer with average consumption of 19.75 Units at present and recommended rates will be \$455.81 and \$824.56 respectively, which is an increase of 85.0% over present rates. The water bill for a customer with median consumption of 11.00 Units at present and recommended rates will be \$264.79 and \$359.24 respectively, which is an increase of 35.7% over present rates.

For comparison, customer water bills for average and median consumption using Cal-Am’s present rates will be \$711.95 and \$329.27 which are lower than CWWC’s bills using Division recommended rates by 15.8% and 9.1% respectively. The Division recommended bills are higher because of higher service fees and quantity rates.

A summary of monthly consumption and comparison of water bills is shown in Table 1.

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Table: 1
Canada Woods Water Company
Summary of monthly consumption and customer water bills
October 2015 - September 2016

	Monterra - Potable				Tehama - Potable		System Wide	
	Non-Inclusionary		Inclusionary					
# Connections	66		42		42		156	
Ave Meter Size	1 1/2 "		5/8" X 3/4 "		1 1/2 "		1 1/2"	
	Average	Median	Average	Median	Average	Median	Average	Median
Consumption - ccf/mo	13.84	11.00	6.81	6.00	19.75	11.00	14.01	9.00
Comparison of customer bills at Division recommended and CWWC present rates								
Present rates (\$)	300.19	264.79	24.57	20.84	445.81	264.79	300.37	247.09
Recommended (\$)	468.19	359.24	66.47	55.25	824.56	359.24	468.72	303.74
Increase - \$	168.00	94.45	41.90	34.41	378.75	94.45	168.35	56.65
Increase - %	56.0%	35.7%	170.5%	165.1%	85.0%	35.7%	56.0%	22.9%
Comparison of customer bills at Division Recommended and Cal-Am present rates								
Present rates - \$	408.43	329.27	72.72	61.07	711.95	329.27	408.90	276.76
Recommended - \$	468.19	359.24	66.47	55.25	824.56	359.24	468.72	303.74
Over/Under - \$	59.76	29.97	(6.25)	(5.82)	112.61	29.97	59.82	26.98
Over/Under - %	14.6%	9.1%	-8.6%	-9.5%	15.8%	9.1%	14.6%	9.7%

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Comparison of sewer service bills

For all sewer service customers in CWWC's service area, the average monthly bill at present and recommended rates will be \$115.48 and \$162.34 respectively, which is an increase of 40.55% over present rates. The corresponding monthly bills for a median customer using a 2,000 - gallon septic tank will be \$102.80 and \$144.65 respectively, which is an increase of 40.71% over present rates.

Affordability of proposed rates

For an average customer in CWWC's service area, using a 1 ½ inch meter and consuming 14 Units of water, the water bill at proposed rates for TY 2018 will be \$468.72 which is 7.5% of median household income of \$74,758³ in Carmel. Compared with this, for a typical inclusionary customer using a 5/8 x ¾ inch meter and consuming 6.81 Units of water, the water bill for TY 2018 will be \$66.47 which is 1.1% of the median household income.

For a typical non-exclusionary customer in Monterra, consuming 13.84 Units of water and a 1 ½ inch meter for TY 2018, the water bill will be \$468.19 which is 7.5% of the median household income.

For the typical customer in Tehama, consuming 19.75 Units of water, the typical water bill for TY 2018 is projected to be \$824.56 which is 13.2% of median household income.

For an average sewer service customer in CWWC's service area, the average proposed monthly sewer bill will be \$162.34 which is 2.6% of median household income in Carmel.

It should be noted that no affordability criteria have been developed and adopted in any Commission Decision or legislation. Instead, the discussion regarding affordability is presented to indicate to the Commission the relationship between the granted rates and local incomes.

Recent Development

In a recent development, the US Congress enacted, and President Trump signed into law a new Federal tax code on December 22nd, 2017. According to the new tax code, the

³ https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml.

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maximum Federal corporate tax rate was reduced from 35% to 21% effective January 1, 2018. All computations have been modified to reflect the new tax rates.

COMPLIANCE & SAFETY

Canada Woods has no outstanding Commission or compliance orders and the utility has been filing annual reports as required. The 2016 Consumer Confidence Report submitted to the California State Water Resources Control Board, Division of Drinking Water, shows that Canada Woods's water meets the required quality standards and is current in its user fees payments. Canada Woods is also compliant with filing of its emergency Disaster Response Plan with Department of Health Services, State of California.

The rates approved in this Resolution will provide the utility with the financial resources to safely operate and maintain its operations for the benefit of its customers, employees and members of the general public.

COMMENTS

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

FINDINGS AND CONCLUSIONS

1. CWWC has requested authority to increase its water rates by \$617,000 or 90.99%, increase its reclaimed water rate by \$65,600 or 24.78%, and increase its sewer rate by \$114,000 or 55.20% for Test Year (TY) 2018.
2. Advice Letters 15-A and 13-S-A were served in accordance with GO 96-B on September 8, 2017. On the same day, a notice of the proposed rate increase was mailed to each customer.
3. An informal public meeting was held on October 2, 2017. Thirty individuals attended the meeting.
4. In reviewing CWWC's request, the Division made an independent analysis of CWWC's operations.

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5. The Division's recommended summary of earnings (Appendices A-1, A-2, and A-3) are reasonable and should be adopted.
6. The rates recommended by the Division (Appendices B-1, B-2, and B-3) are reasonable and should be adopted.
7. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
8. For TY 2018, it is reasonable to grant CWWC an increase in gross annual water revenues of \$528,750 or, 77.97%; an increase in gross annual reclaimed water revenues of \$26,150 or, 9.88%; and an increase in gross annual sewer revenues of \$83,800 or, 40.58%, over current rates. These revenues will be sufficient to provide CWWC to breakeven on an operational basis.
9. It is reasonable to authorize CWWC to file a supplemental advice letter with the revised schedules attached to the Resolution as Appendices B-1 for water, B-2 for reclaimed water and B-3 for sewer services and to concurrently cancel its presently effective Rate Schedule.
10. It is reasonable to authorize CWWC to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from the interim rates date to the effective date of the new rates. That advice letter should become effective upon approval by the Water Division.

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THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Canada Woods Water Company to file supplemental advice letters with the revised rate schedules attached to this Resolution as Appendix B and concurrently cancel its presently effective rate Schedules: 1, General Metered Service; 2, Reclaimed Water Service; and S, Sewer Service. The effective date of the revised schedules shall be five days after the date of filing.
2. Canada Woods Water Company is authorized to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from January 1, 2018, to the effective date of the new rates established in this Resolution. The advice letter shall become effective upon approval by Water Division.

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 June 21, 2018; the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director

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Appendix A-1					
Canada Woods Water Company					
Summary of Earnings - Water					
Test Year 2018					
		Utility requested		Water Division	
Line #	Description	Present Rates	Requested Rates	Present Rates	Proposed Rates
	a	b	c	d	e
Operating Revenues					
1	General Metered Sales	\$ 678,113	\$ 1,295,113	\$ 678,113	\$ 1,206,863
2	Irrigation	-	-		
3	Other Revenue	-	-		
4	Total Operating Revenues	678,113	1,295,113	\$ 678,113	\$ 1,206,863
Operating Expenses					
5	Purchased Water	-	-		
6	Purchased Power	95,676	95,676	\$ 95,676	\$ 90,886
7	Other Volume Related Expenses	390,607	390,607	\$ 390,607	\$ 371,087
8	Employee Labor	261,900	261,900	\$ 261,900	\$ 261,900
9	Materials	81,623	81,623	\$ 81,623	\$ 77,570
10	Contract Work	50,727	50,727	\$ 50,727	\$ 51,670
11	Transportation Expenses	-	-	\$ -	\$ -
12	Other Plant Maintenance	24,105	24,105	\$ 24,105	\$ 24,624
13	Office Salaries	58,804	58,804	\$ 58,804	\$ 58,804
14	Management Salaries	107,640	107,640	\$ 107,640	\$ 62,640
15	Employee Benefits	-	-	\$ -	\$ -
16	Uncollectibles Expense	-	-	\$ -	\$ -
17	Office Services & Rentals	2,662	2,662	\$ 2,662	\$ 1,819
18	Office Supplies & Expenses	10,532	10,532	\$ 10,532	\$ 7,381
19	Professional Services	119,808	119,808	\$ 119,808	\$ 106,104
20	Insurance	23,205	23,205	\$ 23,205	\$ 23,205
21	Regulatory Commission Expense	2,400	2,400	\$ 2,400	\$ 4,792
22	General Expenses	19,301	19,301	\$ 19,301	\$ 18,337
23	Total Operating Expenses	1,248,990	1,248,990	\$ 1,248,990	\$ 1,160,818
					\$ -
24	Depreciation	30,172	30,172	\$ 30,172	\$ 30,172
25	Taxes other than Income	10,591	10,591	\$ 10,591	\$ 10,591
26	Income Taxes	800	1,207	\$ 800	\$ 1,189
27	Total Deductions	1,290,553	1,290,960	\$ 1,290,553	\$ 1,202,770
28	Net Revenue	(612,440)	4,153	\$ (612,440)	4,093
29	Average Rate Base	497,898	497,898	497,898	\$ 490,550
30	Return on Rate Base	Negative	0.83%	Negative	0.83%

(END OF APPENDIX A-1)

PROPOSED RESOLUTION

Resolution W-5156
WD

June 21, 2018

APPENDIX A-2 Canada Woods Water Company

SUMMARY OF EARNINGS (Reclaimed Water) Test Year 2018

Line #	Description	Utility requested		Water Division	
		Present Rates	Requested Rates	Present Rates	Proposed Rates
		a	b	c	d
	Operating Revenues				
1	General Metered Sales	\$ -	\$ -		
2	Irrigation	264,781	330,381	264,781	290,931
3	Other Revenue	-	-	-	-
4	Total Operating Revenues	264,781	330,381	264,781	290,931
	Operating Expenses				
5	Purchased Water	-	-	-	-
6	Purchased Power	56,738	56,738	56,738	53,900
7	Other Volume Related Expenses	-	-	-	-
8	Employee Labor	108,252	108,252	108,252	108,252
9	Materials	-	-	-	-
10	Contract Work	157	157	157	161
11	Transportation Expenses	-	-	-	-
12	Other Plant Maintenance	-	-	-	-
13	Office Salaries	30,848	30,848	30,848	30,848
14	Management Salaries	53,640	53,640	53,640	35,640
15	Employee Benefits	-	-	-	-
16	Uncollectibles Expense	-	-	-	-
17	Office Services & Rentals	-	-	-	710
18	Office Supplies & Expenses	2,633	2,633	2,633	2,882
19	Professional Services	29,952	29,952	29,952	26,526
20	Insurance	2,477	2,477	2,477	2,477
21	Regulatory Commission Expense	2,400	2,400	2,400	1,222
22	General Expenses	5,352	5,352	5,352	5,083
23	Total Operating Expenses	292,449	292,449	292,449	267,702
				-	
24	Depreciation	4,108	4,108	4,108	4,108
25	Taxes other than Income	911	911	911	911
26	Income Taxes	-	7,410	-	4,100
27	Total Deductions	297,468	304,878	297,468	276,821
				-	
28	Net Revenue	\$ (32,687)	\$ 25,503	(32,687)	14,110
29	Average Rate Base	\$ 130,357	\$ 130,357	130,357	128,294
30	Return on Rate Base	Negative	19.56%	Negative	11.00%

(END OF APPENDIX A-2)

PROPOSED RESOLUTION

Resolution W-5156
WD

June 21, 2018

Appendix A-3					
Canada Woods Water Company					
Summary of Earnings - Sewer					
Test Year 2018					
		Utility Requested		Water Division	
Line		Present	Requested	Present	Proposed
#	Description	Rates	Rates	Rates	Rates
	a	b	c	d	e
	Operating Revenues				
1	Unmetered Sewer Revenue	\$ 206,513	\$ 320,513	\$ 206,513	\$ 290,313
2	Irrigation	\$ -	\$ -	\$ -	\$ -
3	Other Revenue	\$ -	\$ -	\$ -	\$ -
4	Total Operating Revenues	206,513	320,513	\$ 206,513	\$ 290,313
	Operating Expenses				
5	Purchased Water	-	-	-	-
6	Purchased Power	19,088	19,088	19,088	18,136
7	Other Volume Related Expenses	68,268	68,268	68,268	64,841
8	Employee Labor	45,396	45,396	45,396	45,396
9	Materials	9,864	9,864	9,864	9,380
10	Contract Work	27,909	27,909	27,909	28,678
11	Transportation Expenses	-	-	-	-
12	Other Plant Maintenance	512	512	512	526
13	Office Salaries	5,784	5,784	5,784	5,784
14	Management Salaries	61,056	61,056	61,056	34,056
15	Employee Benefits	-	-	-	-
16	Uncollectibles Expense	-	-	-	-
17	Office Services & Rentals	236	236	236	226
18	Office Supplies & Expenses	-	-	-	2,248
19	Professional Services	4,917	4,917	4,917	5,022
20	Insurance	12,718	12,718	12,718	12,718
21	Regulatory Commission Expense	2,400	2,400	2,400	1,186
22	General Expenses	4,957	4,957	4,957	4,706
23	Total Operating Expenses	263,105	263,105	263,105	232,902
24	Depreciation	48,656	48,656	\$ 48,656	\$ 48,656
25	Taxes other than Income	4,675	4,675	\$ 4,675	\$ 4,675
26	Income Taxes	-	918	\$ -	\$ 919
27	Total Deductions	316,436	317,354	316,436	287,151
28	Net Revenue	\$(109,923)	\$ 3,159	\$(109,923)	\$ 3,162
29	Average Rate Base	\$458,049	\$458,049	458,049	\$456,591
30	Return on Rate Base	Negative	0.69%	Negative	0.69%

(END OF APPENDIX A-3)

PROPOSED RESOLUTION

Resolution W-5156
WD

June 21, 2018

APPENDIX B-1 Canada Woods Water Company SCHEDULE NO.1

<u>GENERAL METERED SERVICE</u>			
<u>APPLICABILITY</u>			
Applicable to all metered water service.			
<u>TERRITORY</u>			
The territory within the Tehama and Monterra Sub-Areas in Monterey County, and as described on the service area map.			
<u>RATES</u>			
Quantity Rate (Non-inclusionary housing customers):			
	Per 100 cubic feet		
	First 500 cubic feet	\$ 5.79	(I)
	Next 400 cubic feet	\$ 11.89	(I)
	Next 400 cubic feet	\$ 27.75	(I)
	Next 400 cubic feet	\$ 53.45	(I)
	Over 1,700 cubic feet	\$ 65.34	(I)
Quantity Rate (Inclusionary housing customers):			
	Per 100 cubic feet		
	First 500 cubic feet	\$ 5.46	(I)
	Next 400 cubic feet	\$ 11.22	(I)
	Next 400 cubic feet	\$ 26.18	(I)
	Next 400 cubic feet	\$ 50.42	(I)
	Over 1,700 cubic feet	\$ 61.64	(I)
Service Charge (Non-inclusionary housing customers):		<u>Per Meter / Per Month</u>	
	For 5/8 & 3/4 inch meter	\$ 45.45	(I)
	For 3/4 inch meter	\$ 68.17	(I)
	For 1 inch meter	\$ 113.61	(I)
	For 1 1/2 inch meter	\$ 227.23	(I)
	For 2 inch meter	\$ 363.56	(I)
	For 4 inch meter	\$ 1,136.13	(I)
Service Charge (Inclusionary housing customers):		<u>Per Meter / Per Month</u>	
	For 5/8 inch meter	\$ 16.73	(I)
The service charge is applicable to all service. It is a readiness to serve charge to which is added the monthly charge, computed at the Quantity Rate, for water used during the month.			
<u>SPECIAL CONDITIONS</u>			
1 All bills are subject to the reimbursement fee set forth in Schedule No. UF.			

(END OF APPENDIX B-1)

PROPOSED RESOLUTION

Resolution W-5156
WD

June 21, 2018

APPENDIX B-2 Canada Woods Water Company SCHEDULE NO. 2

RECLAIMED AND NON-POTABLE WATER SERVICE

<u>APPLICABILITY</u>									
Applicable to all meter reclaimed water service.									
<u>TERRITORY</u>									
The Tehama Golf Club located in Tehama Sub-Area, Monterey County, California, as delineated on the service area maps included in the tariff schedules.									
<u>RATES</u>									
Quantity Rate:									
sprinkler service connector		All water delivered per 100 cubic feet					\$ 3.26	(l)	
Service Charge:									<u>Per Meter / Per Month</u>
		For 1 inch meter					\$ 113.61	(l)	
		For 4 inch meter					\$1,136.13	(l)	
The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge, computed at the Quantity Rates.									
<u>SPECIAL CONDITIONS</u>									
1		The user (customer) is responsible for on-site compliance with local, state or federal regulations that may apply to the use of an approved reclaimed water source.							
2		All bills are subject to the reimbursement fee set forth in Schedule No. UF.							

END OF APPENDIX B-2

PROPOSED RESOLUTION

Resolution W-5156
WD

June 21, 2018

APPENDIX B-3 Canada Woods Water Company

SCHEDULE NO. S SEWER SERVICE

<u>APPLICABILITY</u>							
Applicable to all sewage disposal systems.							
<u>TERRITORY</u>							
The territory within the Tehama and Monterra Sub-Areas in Monterey County, and as described on the service area map.							
<u>RATES</u>							
Service Charges (based on size of septic tank):					Per Month		
	1,000	gallon size			\$ 72.33		(l)
	1,500	gallon size			\$ 108.49		(l)
	2,000	gallon size			\$ 144.65		(l)
	2,500	gallon size			\$ 180.81		(l)
	2,750	gallon size			\$ 198.89		(l)
	3,000	gallon size			\$ 216.98		(l)
	3,500	gallon size			\$ 253.14		(l)
	4,000	gallon size			\$ 289.30		(l)
	5,000	gallon size			\$ 361.63		(l)
<u>SPECIAL CONDITIONS</u>							
1.	All bills are subject to the reimbursement fee set forth in Schedule No. UF.						
2.	Septic tank sizes not specified above are billed at \$0.0694 per gallon of capacity.						

(END OF APPENDIX B-3)

PROPOSED RESOLUTION

Resolution W-5156
WD

June 21, 2018

APPENDIX C						
Canada Woods Water Company						
COMPARISON OF RATES						
Test Year 2018						
<u>Water Rates</u>		Per Month		Proposed Increase		
		<u>Present</u>	<u>Proposed</u>	<u>\$</u>	<u>%</u>	
Quantity Rate (Non-inclusionary housing customers):						
	Per 100 cubic feet					
	First 500 cubic feet	\$ 2.95	\$ 5.79	\$ 2.84	96.19%	
	Next 400 cubic feet	\$ 4.41	\$ 11.89	\$ 7.48	169.69%	
	Next 400 cubic feet	\$ 8.85	\$ 27.75	\$ 18.90	213.57%	
	Next 400 cubic feet	\$ 17.70	\$ 53.45	\$ 35.75	201.95%	
	Over 1,700 cubic feet	\$ 30.84	\$ 65.34	\$ 34.50	111.86%	
Quantity Rate (Inclusionary housing customers):						
	Per 100 cubic feet					
	First 500 cubic feet	\$ 1.85	\$ 5.46	\$ 3.61	195.14%	
	Next 400 cubic feet	\$ 3.73	\$ 11.22	\$ 7.49	200.80%	
	Next 400 cubic feet	\$ 5.59	\$ 26.18	\$ 20.59	368.34%	
	Next 400 cubic feet	\$ 7.47	\$ 50.42	\$ 42.95	574.97%	
	Over 1,700 cubic feet	\$ 14.92	\$ 61.64	\$ 46.72	313.14%	
Service Charge (Non-inclusionary housing customers):						
	For 5/8 & 3/4 inch meter	\$ 42.95	\$ 45.45	\$ 2.50	5.82%	
	For 3/4 inch meter	\$ 64.41	\$ 68.17	\$ 3.76	5.84%	
	For 1 inch meter	\$ 107.35	\$ 113.61	\$ 6.26	5.83%	
	For 1 1/2 inch meter	\$ 214.70	\$ 227.23	\$ 12.53	5.84%	
	For 2 inch meter	\$ 343.52	\$ 363.56	\$ 20.04	5.83%	
	For 4 inch meter	\$1,073.51	\$ 1,136.13	\$ 62.62	5.83%	
Service Charge (Inclusionary housing customers):						
	For 5/8 inch meter	\$ 7.86	\$ 16.73	\$ 8.87	112.85%	
<u>Reclaimed Water Rates</u>						
Quantity Rates						
	Per 100 cubic feet	\$ 2.95	\$ 3.26	\$ 0.31	10.34%	
Service Charge						
	For 1-inch meter	\$ 109.60	\$ 113.61	\$ 4.01	3.66%	
	For 4-inch meter	\$1,096.05	\$ 1,136.13	\$ 40.08	3.66%	
<u>Sewer Rates</u>						
Tank size - gallons						
	1000	\$ 51.40	\$ 72.33	\$ 20.93	40.72%	
	1500	\$ 77.14	\$ 108.49	\$ 31.35	40.64%	
	2000	\$ 102.80	\$ 144.65	\$ 41.85	40.71%	
	2500	\$ 128.83	\$ 180.81	\$ 51.98	40.35%	
	2750	\$ 141.35	\$ 198.89	\$ 57.54	40.71%	
	3000	\$ 154.28	\$ 216.98	\$ 62.70	40.64%	
	3500	\$ 179.90	\$ 253.14	\$ 73.24	40.71%	
	4000	\$ 205.60	\$ 289.30	\$ 83.70	40.71%	
	5000	\$ 256.88	\$ 361.63	\$ 104.75	40.78%	
(END OF APPENDIX C)						

PROPOSED RESOLUTION

Resolution W-5156
WD

June 21, 2018

APPENDIX D Canada Woods Water Company ADOPTED QUANTITIES TEST YEAR 2018

1	Service Connections:	156 (water); 3 (reclaimed water); and 149 (sewer)
2	Water usage	28,907 Ccf (water), 80,586 (reclaimed water)
3	Operating revenues and expenses	
	Operating Revenues	\$1,206,863 (water), \$290,931 (reclaimed water) and \$290,313 (sewer); Total: \$1,788,107
	Operating expenses	\$1,160,818 (water), \$267,702 (reclaimed water) and \$232,902 (sewer); Total: \$1,661,422
	Purchased power:	\$90,886 (water), \$53,900 (reclaimed water), and \$18,136 (sewer); Total: \$162,922
4	Taxes	
	Other than Income	\$10,591 (water), \$911 (reclaimed water), and \$4,675 (sewer); Total: \$16,177
	California Franchise Tax	\$467 (water), \$1,610 (reclaimed water), and \$361 (sewer); Total: \$2,437
	Federal income tax	\$722 (water), \$2,490 (reclaimed water), and \$558 (sewer); Total: \$3,770
5	Depreciation	\$30,172 (water), \$4,108 (reclaimed water), and \$48,656(sewer); Total: \$82,936
6	Rate Base	\$497,898 (water), \$128,294 (reclaimed water), and \$456,591(sewer); Total: \$1,082,783

(END OF APPENDIX D)

PROPOSED RESOLUTION

Resolution W-5156
WD

June 21, 2018

CANADA WOODS WATER COMPANY SERVICE LIST ADVICE LETTER NO. 15-W-A AND 13-S-A

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California American Water Company
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Monterey, CA 93942

General Manager
Monterey Peninsula Water Management
District
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State Water Resources Control board
Division of Drinking Water
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