PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION **RESOLUTION W-5240**
August 05, 2021

R E S O L U T I O N

(RES. W-5240) COLD SPRINGS WATER COMPANY, INC. ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING AN ADDITIONAL ANNUAL REVENUE OF $123,674 OR 32.94%, FOR TEST YEAR 2020, TO BE PAID BY THE RATEPAYERS.

SUMMARY

By Advice Letter (AL) 75-W, filed on April 23, 2020, Cold Springs Water Company, Inc. (CSWC) seeks a general rate increase producing additional annual revenues of $116,000 or 33.65% to recover increased operating expenses and utility plant investments. Based on the Water Division's (WD) review of CSWC's rate increase request, the utility miscalculated the amount of its revenue rate increase request in its AL filing. The WD corrected CSWC's revenue rate increase request to $127,962 or 33.65%.[1]

This Resolution grants CSWC an increase in gross annual revenues of $123,674, or 32.94% for Test Year (TY) 2020, which is estimated to provide a Rate of Margin (ROM) of 22.57%. A monthly bill for an average full-time residential customer with a 5/8 x 3/4 - inch meter size using 3.50 hundred cubic feet (CCF)[2] will increase from $82.17 to $100.18, or 21.93%.

BACKGROUND

Cold Springs Water Company, Inc. (CSWC) has requested authority under General Order (GO) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by $116,000 or 33.65% in gross annual revenues for TY

[1] Computation based on CSWC's requested revenue requirement of $508,257 for TY 2020 and present rate revenues of $380,295, as shown in Appendix A.
[2] One CCF equals 748.1 gallons.

2020, based on a ROM of 22.57%. CSWC's last general rate increase was granted on April 27, 2017 by Commission Resolution (Res.) W-5135, which authorized a rate increase of $98,040, or 35.80%, for TY 2017. CSWC's present rates became effective on February 24, 2020 by AL 73-W, which authorized a Consumer Price Index increase of $8,893, or 2.30%.

CSWC is a Class C investor-owned water utility with 533 metered service connections, as reported in its 2019 annual report, and provides service in or near Cold Springs and the Peter Pam subdivision, located eight miles east of Long Barn, in Tuolumne County. The utility's customer base consists of mostly seasonal residents that own vacation homes within the service area. The median household income in Tuolumne County is $60,108.[3]

CSWC's source of supply consists of the Kerns Creek and one groundwater well, the Peter Pam Well. The Kerns Creek is a surface water diversion and is the primary source of the utility's water supply. The Peter Pam Well is a hard rock well with a pumping capacity of 50 gallons per minute (gpm) and is the utility's backup source of water supply during the summer months when the Kerns Creek supply diminishes. The utility has a total of five storage tanks with a total storage capacity of 834,000 gallons, according to its 2020 annual report.

The State Water Resources Control Board's (SWRCB) Division of Drinking Water (DDW) provided the latest Sanitary Survey for CSWC for its system inspection conducted on November 19, 2015. CSWC and the DDW also provided the utility's most recent Domestic Water Supply Permit revision issued by DDW on June 30, 2019. The revision includes the Engineering Report for the inspection conducted on November 13, 2018 in consideration of the permit revision.[4] The permit revision removed two provisions regarding requirements for bacteriological monitoring and treatment, accurately renamed the active permitted groundwater source, and reclassified the Chief Distribution Operator requirement for operating CSWC's water system from a Grade II Distribution Operator to a Grade I Distribution Operator.[5] Prior to the 2018 revision, the

[3] In 2019 dollars, most recent data from the United States Census Bureau available at: https://www.census.gov/quickfacts/tuolumnecountycalifornia.
[4] Engineering Report for the Consideration of a Revised Permit for Cold Springs Water Company, State Water Resources Control Board – Division of Drinking Water – Southern California Branch, June 2019.
[5] Drinking Water Treatment & Distribution System Operators, https://www.waterboards.ca.gov/drinking_water/certlic/occupations/DWopcert.html.

permit previously identified the utility's groundwater source as "Well 2" without being tied to the same source known as the "Peter Pam" well.[6]

The DDW's Sanitary Survey and Engineering Report confirmed that Cold Springs has a total storage capacity of 839,000 gallons.[7] The Engineering Report also indicates a maximum day demand (MDD) of 72 gpm, and an estimated peak hour demand (PHD) of 108 gpm. Furthermore, the Engineering Report and DDW's Sanitary Report confirms that CSWC has adequate source capacity to meet both MDD and PHD without the use of storage.[8]

NOTICE, PROTESTS, AND PUBLIC MEETING

In accordance with General Order 96-B, CSWC served copies of AL 75-W to its service list on April 23, 2020. A notice of the proposed rate increase was mailed to each customer and to the general service list on July 7, 2020.

One customer protest was timely received, and the utility provided a response to the protest. The protest expressed concerns regarding the amount of the requested rate increase and the accuracy of the utility's proposed capital improvement costs. CSWC responded to the customer's protest via mail, e-mail, and telephone call to address the customer's concerns. The utility in its response to the customer's protest explained that the magnitude of the rate increase was due to the infrequent GRC filing requests submitted to the CPUC, and also assured the customer that the proposed rate structure is intended to be equitable to both full-time and part-time customers.

As discussed in more detail in the Rates and Rate Design section of this Resolution, the WD finds CSWC's proposed rate design for this GRC reasonable and consistent with prior Commission adopted rate designs for the utility in TYs 2012 and 2017. The proposed rate design (allocation of 80.00% of the fixed costs to the service charge) is intended to balance the rates paid by full-time and part-time residents. The utility's proposed rate design also attempts to minimize the increase to the quantity usage rate, which intends to mitigate the overall bill increase to all customers. In contrast, if WD applies a rate design that allocates less of the utility fixed costs to the service charge (i.e.,

[6] Engineering Report for the Consideration of a Revised Permit for Cold Springs Water Company, State Water Resources Control Board – Division of Drinking Water – Southern California Branch, June 20, 2019.
[7] Water Division notes a minor discrepancy of 5,000 gallons in the total storage capacity reported in the utility's annual report and engineering report.
[8] Sanitary Survey of Cold Springs Water Company, State Water Resources Control Board – Division of Drinking Water – Merced District, July 20, 2016.

allocating 70.00% of the fixed costs), this would increase the quantity rate because more of the fixed costs would be allocated to the quantity rate and would result in higher water bills to all customers. This type of rate design would have a greater impact on the full-time customers that make-up a smaller portion of the utility's customer base and actively use water service on a more regular basis.

Regarding the capital improvement costs, CSWC provided invoices and documentation to support and substantiate its capital expenditures and completion of the projects listed in Appendix E, which WD reviewed and verified, as further discussed in the Utility Plant and Rate Base section of this Resolution.

On March 4, 2020, Governor Gavin Newsom declared a State of Emergency as part of the State of California's response in addressing the COVID-19 outbreak.[9] On March 16, 2020[10] and September 12, 2020,[11] the California Department of Public Health (CDPH) issued formal guidance on gatherings. In response to the ongoing COVID-19 outbreak, and to abide by current directives on public gatherings, the WD has taken precautions for the safety of the involved parties, including WD staff, utility representatives, and utility customers by determining that public participation meetings would not be held since California is in a State of Emergency in dealing with the ongoing COVID-19 outbreak.

DISCUSSION

In reviewing CSWC's rate increase request, the WD conducted an independent analysis of the utility's rate increase request and its operations. Appendix A provides CSWC's and the WD's estimated Summary of Earnings (SOE) at present, requested, and recommended rates. CSWC was informed of the differing views of revenues, expenses and rate base, and the utility agrees with the WD's recommended revenue requirement and rates shown in Appendix B.

[9] March 4, 2020 Proclamation of a State of Emergency, https://www.gov.ca.gov/wp-content/uploads/2020/03/3.4.20-Coronavirus-SOE-Proclamation.pdf.
[10] March 16, 2020 CDPH Guidance for the Prevention of COVID-19 Transmission for Gatherings, https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/CDPH-Guidance-for-the-Prevention-of-COVID-19-Transmission-for-Gatherings.aspx.
[11] September 12, 2020 CDPH Guidance for the Prevention of COVID-19 Transmission for Gatherings, https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Guidance-for-the-Prevention-of-COVID-19-Transmission-for-Gatherings.aspx.

Operating Revenues

CSWC in its present rate revenue calculation included $8,671 as Other Revenue. The utility clarified to the WD that this revenue amount was for $3,847 in late payment charges and $4,824 for the PUC user fees. The WD excluded the $4,824 in PUC user fees from Other Revenue in its recommended revenue requirement because PUC user fees are excluded from the utility's rates and the revenue requirement.

Operating Expenses

The WD verified CSWC's operating expenses estimates for TY 2020 by reviewing supporting documents for substantiation and accuracy and included the amounts that were deemed reasonable and prudent.

CSWC based most of its operating expenses estimates on a three-year average from 2017 through 2019 reported operating expenses from its annual reports. The utility did not apply an escalation factor to escalate its operating expense estimates to TY 2020 dollars. WD reviewed the annual reports and verified the utility's calculations. Based on the WD's review of the utility expense estimates for TY 2020, the WD finds CSWC's operating expense estimates reasonable for: Purchased Power, Employee Labor, Materials, Transportation Expense, Office Salaries, Management Salaries, Uncollectible Accounts, Office Services and Rentals, Office Supplies and Expenses, Insurance, and Regulatory Compliance Expense.

CSWC, in estimating several of its operating expenses for TY 2020, inadvertently used incorrect 2017 operating expense figures that were different from what the utility reported in its 2017 annual report for the following expenses: Other Volume Related Expenses, Contract Work, Other Plant Maintenance Expenses, Employee Pensions and Benefits, Professional Services, and General Expenses. This inconsistency resulted in the differences between the WD's and the utility's estimates for these operating expenses, as shown in Appendix A. To correct this error, the WD used 2017 recorded expenses in its three-year average computations for estimating these expenses for TY 2020. The utility agrees with the WD's operating expense computation and estimates for TY 2020 for these cost categories.

Employee Labor

CSWC requested $89,640 for the Employee Labor expense for TY 2020. In its 2019 annual report, CSWC only accounted for one employee in its employee labor expense

account. After the filing of AL 75-W, the utility indicated to WD staff that it had employed two part-time system operators. The two current system operators were hired in March 2018 and May 2020. CSWC states in its GRC request that it finds difficulty in maintaining long-term employment for system operators because it is unable to provide full-time salaries and benefits to compete with comparable salaries and benefits of nearby water utilities for these types of positions. The requested amount for employee labor expense therefore is intended to improve employee retention by providing competitive salaries and to transition the two part-time system operators to full-time positions.

In support of its employee labor request, CSWC provided job descriptions for the "shift operation manager" and the "relief operator" to the WD staff. CSWC's requires its shift operation manager to have at minimum a Grade II Water Treatment Plant Operator certificate and a Grade I Distribution System Operator certificate from the SWRCB. CSWC's shift operation manager is responsible for: water quality testing, monitoring, and recordkeeping as required by the SWRCB; leak repair; new service connection installations and service box maintenance; water storage tank monitoring and control; water source and storage facility maintenance; filter maintenance; and snow plowing of water utility properties and the commercial center in the winter.

CSWC's relief system operator position requires a Grade I Water Treatment Plant Operator and a Grade I Distribution System Operator certifications from the SWRCB. The relief operator is responsible for relieving and supporting the shift operation manager. Based on the required certifications and level of responsibility, WD finds CSWC's request of $89,640 for employee labor for TY 2020 to be reasonable.

Office Salaries

CSWC requested $52,000 for office salaries for its office manager and accounting specialist for TY 2020. The utility currently employs one office manager who is also the accounting specialist and has been employed by the utility since February 2017. The requested amount for office salaries is also intended to provide a competitive salary towards the full-time position and to improve employee retention.

The office manager and accounting specialist is responsible for an extensive number of duties, which include: customer service; meter reading and billing; leak detection and reporting; managing accounts receivables and payables; maintaining operator license

records; processing payroll; and preparing regulatory records and reports. CSWC's office staff position requires a minimum of seven years of bookkeeping and accounting experience as well as the ability to maintain regulatory documents for governing agencies. Based on the required experience and level of responsibility WD finds CSWC's request of $52,000 for office salaries for TY 2020 to be reasonable.

Management Salaries

CSWC requested $48,000 for its management salaries for TY 2020. The utility currently employs two management staff, the President and Vice President of CSWC, who both have Grade II Water Treatment Plant Operator certificates and Grade II Distribution System Operator certificates from the SWRCB. The management staff are responsible for making all financial decisions; overseeing financial reports; supervision of the office staff and plant operators; planning, designing, and engineering of all proposed projects and system upgrades. Due to the small number of staff currently employed by the utility, management staff must also be available to relieve some of the responsibilities of office and field staff when neither are available due to vacation, holidays, or sick leave. Based on the level of responsibilities and qualifications, WD finds CSWC's request of $48,000 for management salaries for TY 2020 to be reasonable.

Professional Services

WD's estimate of professional services for TY 2020 is less than CSWC's estimate. As previously noted, the utility used an amount different from what was recorded in its 2017 Annual report for its professional service expense estimate of $15,195. WD's expense estimate for professional services is $14,664, derived from using the amount recorded in the utility's 2017 annual report and escalated to TY 2020 using the escalation rate provided by the Public Advocates Office.[12] Professional services includes expenses for professional engineering service consultation for system improvements and tax preparation services.

Insurance

CSWC requested $12,307 for its insurance expense for TY 2020. CSWC's insurance expense is for worker's compensation insurance and business and auto insurance. To

[12] Memorandum, Public Advocates Office April 2020 Summary of Compensation Per Hour, issued on May 1, 2020.

substantiate this expense, CSWC provided documentation and an invoice from its business and auto insurance provider as well as accounts payable records for its worker's compensation insurance provider. Accordingly, WD finds CSWC's requested amount of $12,307 for insurance expense for TY 2020 to be reasonable.

Taxes

WD's State and Federal Income Taxes estimates for CSWC's income tax expense for this GRC are based on income tax rates of 8.84%[13] for State and 21.00% for Federal Income Taxes for C-corporations. CWSC is structured as a C-corporation. Accordingly, WD's State and Federal Income Tax expense estimates for CSWC's TY 2020 GRC are $9,959 for State and $21,567 for Federal Income Taxes. WD's income tax calculations are provided in Appendix D of this Resolution.

Utility Plant and Rate Base

For TY 2020, WD's analysis of CSWC's rate base estimate included examining utility plant-in-service since the utility's last GRC authorized by Res. W-5135. The WD also reviewed utility plant additions, materials and supplies, working cash, and depreciation reserve.

Utility Plant

The WD's estimate for average utility plant is $1,446,573 as shown in Appendix A. The WD's estimate includes $196,087 in capital expenditures and improvements the utility made in 2020, which are included in Appendix E. These capital expenditures and projects include: 1) $115,885 for the replacement of the utility's 1980 Case 580 backhoe with a Tier 4 emission compliant John Deere 310L backhoe and loader; 2) $22,537 for a backup power generator system and related appurtenances; 3) $16,717 for a back-up power supply system for the utility's supervisory control and data acquisition (SCADA) system; 4) $12,000 for electrical panel improvements to the pump station and treatment plant; and 5) $10,500 for re-roofing of the site #1 pump house and site #3 treatment plant. A complete list of the projects is provided in Appendix E of this Resolution. CSWC substantiated completion of its capital improvements by providing the bills and

[13] State Income Tax Rate for C-Corporations, https://www.ftb.ca.gov/file/business/types/corporations/c-corporations.html.

invoices for the completed projects and capital expenditures to WD staff for the items that are now used and useful.

The WD reviewed all invoices and verified CSWC's $196,087 recorded in capital expenditures and projects listed in Appendix E. The WD's staff confirmed through the supporting bills and invoices provided by CSWC that capital improvements have been made and are in service. The WD therefore finds the $196,087 for the capital expenditures and projects listed in Appendix E prudent for inclusion into CSWC's rate base.

CSWC's total utility plant estimate is $1,500,368 and the WD's utility plant estimate is $1,446,573 as shown in Appendix A for TY 2020. CSWC's utility plant estimate is higher than WD's estimate because it is based on End of Year (EOY) plant in service whereas the WD's estimate is based on average utility plant and reflects the differences in capital expenditures made in 2020.[14] WD reviewed and confirmed CSWC's completed capital projects and expenditures for TY 2020 and determined that they were different from what the utility proposed in its GRC filing and workpapers. Appendix E of this Resolution provides a comparison table identifying these differences. WD confirmed that CSWC completed $196,087 in capital improvements and expenditures in 2020 instead of the $181,025 the utility had anticipated completing in 2020 and included in its GRC workpapers, as shown in Appendix E. For this reason, WD recommended capital expenditures for inclusion into the utility's rate base for TY 2020 is higher than the utility estimated amount.

CSWC's accumulated depreciation reserve estimate for TY 2020 is $580,340. The WD's average accumulated depreciation estimate is $567,110. The difference between CSWC's and the WD's accumulated depreciation estimate is due to the utility using the EOY value for TY 2020, whereas the WD is based on the average value for TY 2020.

The WD is in agreement with CSWC's recorded Contribution in Aid of Construction (CIAC) in the amount of $270,900 for the construction of its surface water treatment plant which treats water diverted from the Kerns Creek. The project was funded by a Safe Drinking Water Bond Act (SDWBA)[15] and was completed in 1983. Accordingly, the

[14] The net plant calculation for estimating the utility's rate base is based on average utility plant and average accumulated depreciation estimates as shown in Appendix A.
[15] D.93138, dated June 2, 1981, authorized CSWC to borrow $251,900 through the SDWBA. D.83-12-004, dated December 7, 1983, authorized an additional $19,000, increasing the total loan to $270,900. The most recent audit report, dated November 9, 2017, and conducted by the CPUC's Utility Audit Branch states that the loan was paid off as of June 30, 2000.

$270,900 is excluded from the rate base calculation since it was funded by a SDWBA loan and not by shareholder funds.

The working cash allowance calculation is directly correlated with the amount of the utility's operating expenses. The WD used one month of total expenses, consistent with the Simplified Method described in Standard Practice U-16 for its cash allowance calculation. Accordingly, WD's estimate of $28,135 for working cash is lower than CSWC's estimate of $28,722 because WD's operating expense estimates for TY 2020 are lower than the utility's estimate.

Based on these calculations, WD's rate base estimate for TY 2020 is $630,656. CSWC was informed of the differing rate base calculation and is in agreement with the WD's utility plant and rate base calculations provided in Appendix A of this resolution.

Rate of Return and Rate of Margin

CSWC's rate increase request was based on a Rate of Margin (ROM) of 22.57%. In accordance with Commission ratemaking policies adopted for Class C and D water utilities by D.92-03-093, two methods can be used for ratemaking: the Rate of Return (ROR) and ROM methods.[16] D.92-03-093 directs the WD to calculate the company's rates and revenue requirement using both of these methods and to recommend the ratemaking method resulting in the greater revenue requirement.[17] In this general rate case, the WD determined that the ROM method produced the higher revenue requirement. For TY 2020, the WD's recommended ROM for Class C water utilities is 22.57%.[18] Using the recommended ROM, the WD calculated a revenue requirement of $499,145. This amount is less than CSWC's estimated revenue requirement of $508,257 due to WD's differing estimates of expenses.

Rates and Rate Design

CSWC's rate structure consists of one rate schedule, Schedule No. 1: General Metered Service. At the recommended ROM, the increase in revenues for TY 2020 will be approximately $123,674 or 32.94% above current revenues. For the rate design of water

[16] The revenue requirement and rates under the ROR method are based on the company's rate base. Under the ROM method the revenue requirement is based on the company's overall expenses which include operating and maintenance and depreciation expenses, income and other taxes, and an operating margin percentage.
[17] D.92-03-093, Ordering Paragraph 8.
[18] March 9, 2020 Water Division Memorandum, Rates of Return and Rates of Margin for Class C, Class D Water and Sewer Utilities, available at https://www.cpuc.ca.gov/General.aspx?id=1404.

rates, D.92-03-093 allows Class C water utilities to recover up to 65.00% of fixed costs through service charge revenues whereas Class D water utilities may recover up to 100% of fixed costs.[19] CSWC currently serves 533 metered service connections, which is marginally greater than the 500-customer minimum threshold required for a water utility to be classified as Class C. In the last two GRCs for TY 2012 and TY 2017, the Commission adopted an "in-between" rate design for CSWC where it authorized 88.10% and 82.50% fixed cost allocation to the service charge, respectively.[20]

CSWC currently serves 55 full-time customers, with the remaining customer base consisting of part-time residents that own vacation homes. The challenge for CSWC's rate design is balancing the interests of the full-time versus the part-time customers. Recovering more of the fixed costs through the service charge benefits the full-time customers since the resulting increase to quantity rates reduces the amount of the overall bill for the customers that use water service on a year-round basis. Recovering more of the fixed costs through the quantity rate would benefit the part-time customers who own vacation homes, since they would not be paying the increased quantity rates during periods when their vacation homes are not in use. This results in lower bills for part-time customers based mostly on the service charge during those inactive periods. Recovering more costs through the quantity rate would also encourage conservation. If a Class C rate design is used with 65.00% of fixed costs allocated to the service charge, the quantity rate would be $19.23 per CCF with a service charge of $50.54 for a 5/8 x 3/4-inch metered size connection. For customers with this meter size using 3.5 CCF of water per month, their monthly water bill would increase from $82.17 to $117.85, or 43.44%.

In the last GRC for TY 2017, approved by Commission Res. W-5135, the Commission approved a rate design which authorized 82.50% of fixed costs to be allocated to the metered service charge, which represented a mid-point fixed cost allocation between a Class C and D water utility. In this GRC filing, the utility proposes to allocate 80.00% of fixed costs to the service charge. The WD finds it reasonable for CSWC to continue using the mid-point allocation of fixed costs to the service charge rate design for this GRC. The WD also recommends maintaining the quantity rate at $10.73 per CCF, the same level authorized in the last GRC, to mitigate the overall bill increase to all customers. At the WD's recommended rates, approximately 80.48% of fixed charges would be recovered through the service charge.

[19] D.92-03-093, Ordering Paragraph 6.
[20] Res. W-4941 and Res. W-5135 authorized the recovery of 88.10% and 82.50% of fixed costs through the service charge, respectively.

At the recommended rates for TY 2020, a monthly bill for an average residential customer with a 5/8 x 3/4-inch meter that uses 3.5 CCF will increase from $82.17 to $100.18, or 21.93%. A comparison of customer bills at present and recommended rates is provided in Appendix C of this Resolution.

The Utility Rate Comparison table below provides a monthly rate comparison with nearby water utilities.

Utility Rate Comparison			
Utility	**Monthly Service Charge 3/4" x 5/8" Meter**	**Quantity Charge ($/CCF) For 3.5 CCF**	**Total**
Cold Springs Water Company	$62.63	$37.56	$100.18
Del Oro Water Company – Strawberry District	$115.52	$41.27	$156.79
Sonora Water Company	$38.67	$14.67	$53.34

* Del Oro Water Company – Strawberry District and Sonora Water Company service charges and quantity charge amounts are based on current Commission-approved tariff rates.

Affordability of Proposed Rates

As discussed above at the recommended rates for TY 2020, a monthly customer's bill for an average residential customer with a 5/8 x 3/4-inch meter that uses 3.5 CCF will increase from $82.17 to $100.18, or 21.86%. This rate increase represents 2.00% of the median household income (MHI) of $60,108 for Tuolumne County, where CSWC's service area is located.

We note that affordability criteria have not been developed or adopted in any Commission Decision or current law. However, the Commission adheres to cost-of service regulatory principles in developing rates for its jurisdictional utilities, and WD's recommended rates for CSWC are, at a minimum, required to satisfy the utility's technical, managerial, and financial capacity. This discussion regarding affordability is intended to demonstrate the relationship between the proposed rates and local incomes.

ENVIRONMENTAL AND SOCIAL JUSTICE

In February 2019, the Commission adopted an Environmental and Social Justice Action Plan (ESJ Action Plan) to serve as a roadmap to expand public inclusion in Commission decision-making processes to targeted communities across California. The ESJ Action Plan establishes a series of goals related to health and safety, consumer protection, program benefits, and enforcement in all sectors the Commission regulates. With this

Resolution, the Commission addresses Goal #1 of the ESJ Action Plan to "[c]onsistently integrate equity and access considerations throughout Commission regulatory activities."

Although the area in Tuolumne County in which CSWC operates is not classified as a disadvantaged community,[21] the WD considered equity and access considerations in its review of the proposed general rate increase in this Resolution. The California Communities Environmental Health Screening Tool, Version 3 (CalEnviroScreen 3.0)[22] provided by the California Environmental Protection Agency, identifies disadvantaged communities by collecting multiple metrics and outputting a single value at the census tract scale. In this instance, the adopted rate design for CSWC's general rate increase attempts to balance the rates paid by part-time and full-time customers by minimizing the impact of the rate increase, while maintaining affordable rates for all customers.

COMPLIANCE

CSWC has no outstanding compliance orders and has been filing annual reports as required. CSWC is in compliance with the SWRCB's DDW applicable water quality standards and regulations for safe drinking water. WD also conducted a review of CSWC's last financial audit report prepared by the Commission's Utility Audit Branch (formerly the Utility Audit, Finance, and Compliance Branch) and found no outstanding compliance orders. [23]

Pursuant to PU Code § 433(a), public utilities are required to pay an annual Public Utilities Reimbursement Fee (annual fee) to the CPUC. The WD confirmed with the CPUC's Fiscal Office that CSWC is current with its annual user fee payments.

UTILITY SAFETY

Safety for water utilities involves a number of factors, including but not limited to water quality, system design, operation and maintenance, and service. One of the highest safety priorities for the Commission is to ensure that water utilities serving water for human consumption provide water that is not harmful or dangerous to health. As previously noted, CSWC is in compliance with the SWRCB's applicable water quality standards for safe drinking water.

[21] Disadvantaged Communities Map, https://oehha.ca.gov/calenviroscreen/sb535.
[22] CalEnviroScreen 3.0, https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30.
[23] November 9, 2017, Financial Audit of Cold Springs Water Company Financial Statements for years ending on December 31, 2016 and 2015.

COMMENTS

Public Utilities Code section 311(g)(1) provides that Resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft Resolution was mailed to the service list, protestants, and made available for public comment on June 30, 2021. No comments were received.

FINDINGS

1. The Summary of Earnings (Appendix A) recommended by the Water Division (WD) is reasonable and should be adopted.

2. The rates recommended by WD (Appendix B) are reasonable and should be adopted.

3. The quantities (Appendix D) used to develop WD's recommendations are reasonable and should be adopted.

4. The water rate increase authorized herein is justified and the resulting rates are just and reasonable.

5. The WD reviewed all invoices and verified the $196,087 in expenditures for the capital improvements projects listed in Appendix E.

6. The WD confirmed through the documentation provided by Cold Springs Water Company (CSWC) that the capital improvements have been made and are in service.

7. The WD finds CSWC's $196,087 incurred for the capital expenditures and improvement projects listed in Appendix E prudent for inclusion into CSWC's rate base for cost recovery.

8. The water served by CSWC meets all applicable water quality standards set-forth by State Water Resources Control Board's Division of Drinking Water.

9. CSWC should be allowed to file a supplement to Advice Letter 75-W to incorporate the revised rate schedules (Appendix B) and to concurrently cancel its presently effective rate schedules.

THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454, for Cold Springs Water Company to file a supplement to Advice Letter 75-W to incorporate the rate schedules attached to this Resolution as Appendix B, and concurrently cancel its presently effective rate Schedule: Schedule No. 1, General Metered Service. The effective date of the revised schedules shall be five days after the date of filing.

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 August 5, 2021; the following Commissioners voting favorably thereon:

/s/*RACHEL PETERSON*

RACHEL PETERSON
Executive Director

MARYBEL BATJER
President
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE L. HOUCK
Commissioners

APPENDIX A

Cold Springs Water Company
Summary of Earnings
Test Year 2020

	Cold Springs Water Company		Water Division	
	Present Rates	Requested Rates	Present Rates	Recommended Rates
Operating Revenues				
Metered Revenue	$ 371,624	$ 499,586	$ 371,624	$ 499,145
Other Revenue	$ 8,671	$ 8,671	$ 3,847	$ -
Total Revenue	**$ 380,295**	**$ 508,257**	**$ 375,471**	**$ 499,145**
Operating Expenses				
Purchased Water	$ -	$ -	$ -	$ -
Purchased Power	$ 19,565	$ 19,565	$ 19,565	$ 19,565
Other Volume Related Expenses	$ 5,125	$ 5,125	$ 4,304	$ 4,304
Employee Labor	$ 89,640	$ 89,640	$ 89,640	$ 89,640
Materials	$ 6,907	$ 6,907	$ 6,907	$ 6,907
Contract Work	$ 21,311	$ 21,311	$ 12,054	$ 12,054
Transportation Expenses	$ 11,200	$ 11,200	$ 11,200	$ 11,200
Other Plant Maintenance	$ 10,389	$ 10,389	$ 13,808	$ 13,808
Office Salaries	$ 52,000	$ 52,000	$ 52,000	$ 52,000
Management Salaries	$ 48,000	$ 48,000	$ 48,000	$ 48,000
Employee Pensions and Benefits	$ 13,413	$ 13,413	$ 13,764	$ 13,764
Uncollectable Accounts	$ 821	$ 821	$ 821	$ 821
Office Services and Rentals	$ 16,760	$ 16,760	$ 16,760	$ 16,760
Office Supplies and Expenses	$ 14,183	$ 14,183	$ 14,183	$ 14,183
Professional Services	$ 15,195	$ 15,195	$ 14,664	$ 14,664
Insurance	$ 12,307	$ 12,307	$ 12,307	$ 12,307
Regulatory Compliance Expense	$ 5,187	$ 5,187	$ 5,187	$ 5,187
General Expenses	$ 2,663	$ 2,663	$ 2,455	$ 2,455
Subtotal	**$ 344,666**	**$ 344,666**	**$ 337,618**	**$ 337,618**
Depreciation	$ 26,461	$ 26,461	$ 26,461	$ 26,461
Taxes Other Than Income	$ 22,409	$ 22,409	$ 22,409	$ 22,409
State Income Taxes	$ 800	$ 7,660	$ 800	$ 9,959
Federal Income Taxes	$ -	$ 17,249	$ -	$ 21,567
Total Expenses	**$ 394,336**	**$ 418,445**	**$ 387,288**	**$ 418,013**
Net Revenue	**$ (14,041)**	**$ 89,812**	**$ (11,817)**	**$ 81,131**
Rate Base				
Total Average Plant	$ 1,500,368	$ 1,500,368	$ 1,446,573	$ 1,446,573
Less: Average Depreciation Reserve	$ 580,340	$ 580,340	$ 567,110	$ 567,110
Net Plant	**$ 920,028**	**$ 920,028**	**$ 879,464**	**$ 879,464**
Less: Advances	$ 8,403	$ 8,403	$ 8,403	$ 8,403
Contributions in Aid of Construction	$ 270,900	$ 270,900	$ 270,900	$ 270,900
Plus: Construction Work in Progress	$ -	$ -	$ -	$ -
Working Cash	$ 28,722	$ 28,722	$ 28,135	$ 28,135
Materials and Supplies	$ 2,360	$ 2,360	$ 2,360	$ 2,360
Rate Base	**$ 671,807**	**$ 671,807**	**$ 630,656**	**$ 630,656**
Rate of Margin	**-3.48%**	**22.57%**	**-2.93%**	**22.57%**

(END OF APPENDIX A)

APPENDIX B

Cold Springs Water Company
Test Year 2020

Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service

TERRITORY

Applicable to all services as shown in the Service Area Map

RATES

Quantity Rates	Per Meter Per Month	
Per 100 Cubic Foot	$ 10.73	(I)

Service Charge

For 5/8 x 3/4-inch meter	$ 62.63	(I)
For 3/4-inch meter	$ 93.94	(I)
For 1-inch meter	$ 156.57	(I)
For 1-1/2-inch meter	$ 313.13	(I)
For 2-inch meter	$ 501.01	(I)

The Service Charge is applicable to all metered service.
It is a readiness-to-serve charge which is added to the
monthly charges computed at Quanity Rates for water

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule UF.

(END OF APPENDIX B)

APPENDIX C

Cold Springs Water Company
Comparison of Rates
Test Year 2020

Tariff Description	Tariff Rates Present	Tariff Rates Recommended	Recommended Increase Dollars	Recommended Increase Percentage
Service Charge:				
5/8 x 3/4-inch meter	$ 44.61	$ 62.63	$ 18.02	40.39%
3/4-inch meter	$ 66.92	$ 93.94	$ 27.02	40.38%
1-inch meter	$ 111.55	$ 156.57	$ 45.02	40.36%
1 1/2-inch meter	$ 223.10	$ 313.13	$ 90.03	40.36%
2-inch meter	$ 356.96	$ 501.01	$ 144.05	40.36%
Quantity Charge:				
Per CCF	$10.73	$ 10.73	$ -	0.00%

A month bill comparison for a customer with a 5/8 x 3/4-inch meter is shown below:

	Usage 100 cu. Ft.	Tariff Rates Present	Tariff Rates Recommended	Recommended Increase Dollars	Recommended Increase Percentage
	0	$ 44.61	$ 62.63	$ 18.02	40.39%
	2	$ 66.07	$ 84.09	$ 18.02	27.27%
Average	3.5	$ 82.17	$ 100.18	$ 18.02	21.93%
	5	$ 98.26	$ 116.28	$ 18.02	18.34%
	10	$ 151.91	$ 169.93	$ 18.02	11.86%
	15	$ 205.56	$ 223.58	$ 18.02	8.76%
	20	$ 259.21	$ 277.23	$ 18.02	6.95%
	30	$ 366.51	$ 384.53	$ 18.02	4.92%

(END OF APPENDIX C)

APPENDIX D

Cold Springs Water Company
Adopted Quantities
Test Year 2020

1. Purchased Power: $ 19,565
   Energy Provider: Pacific Gas & Electric
   Energy Tariff Schedule: A1X and A6: Small General Time-of-Use Service

2. Water Sales (CCF) 9,083 CCF

3. Number of Service Connections:

Meter Size	Number of Service Connections
5/8 x 3/4-inch meter	532
3/4-inch meter	0
1-inch meter	1
1 1/2-inch meter	0
2-inch meter	0
Total	533

4. Tax Calculations:

Item	Test Year 2020
Operating Revenues	$ 499,145
Operating Expenses	$ 337,618
Taxes Other than Income	$ 22,409
Deprectiation	$ 26,461
Taxable Income for State	$ 112,657
State Taxes (Corporate Rate 8.84%)	$ 9,959
Taxable Income for Federal	$ 102,698
Federal Income Taxes (Corporate Rate 21.0%)	$ 21,567

(END OF APPENDIX D)

APPENDIX E

Cold Springs Water Company
TY 2020 Proposed and 2020 Completed Capital Improvements

Cost	Capital Improvements Proposed for TY 2020	Cost	Capital Improvements Completed in 2020
$ 40,000	Replacement of 2012 Ford F-250 pickup truck with newer vehicle. Estimated cost includes $10,000 trade-in value on existing vehicle.	$115,885	Purchase of Tier 4 emission compliant John Deere 310L backhoe/loader to replace 1980 Case 580 backhoe.
$ 40,000	Generator backup systems at Site #1 ($25,000) and Site #3 ($15,000) to provide water in Public Safety Power Shutoff (PSPS) and weather-related outages. Includes generator, transfer switch and electrical panel at each site.	$ 22,537	Multiquip backup power generator, battery charger, engine preheater, low coolant shutdown kit.
$ 25,000	Uninterruptible power supply (UPS) systems for supervisory control and data acquisition (SCADA) systems.	$ 16,717	UPS 48-hour backup power supply systems for SCADA systems (5 units).
$ 15,000	Cleaning, inspection, and replacement of all filter media in the Treatment Plant water filter. Only the top 18 inches of media has been replaced since installation in 1983.	$ 12,000	Installation of new electrical system improvements for Site #1 and Site #3.
$ 20,000	Site #1 and Site #3 re-roofing.	$ 10,500	Site #1 and Site #3 re-roofing.
$ 6,000	US Forest Service (USFS) Special User Permit at Site #1. Survey of Site #1 building and improvements for renewal of Special Use Permit with the USFS.	$ 6,000	US Forest Service (USFS) Special User Permit at Site #1. Survey of Site #1 building and improvements for renewal of Special Use Permit with the USFS.
$ 4,525	Hach Bench Turbidity Meter to verify calibration of Hach TU5300 Turbidity Meter and Hach 1720E Turbidity Meter.	$ 4,525	Hach Bench Turbidity Meter to verify calibration of Hach TU5300 Turbidity Meter and Hach 1720E Turbidity Meter.
$ 4,000	Hach Jar Stir Testing Kit for raw water analysis.	$ 4,313	Hach Jar Stir Testing Kit for raw water analysis.
$ 15,000	SCADA Upgrades to accommodate the items on the list of capital improvements proposed for 2020.	$ 2,069	SCADA upgrades placed in service between March and June 2020 to accommodate the items on the list of capital improvements completed in 2020.
$ 7,500	Communications upgrade to WiFi/Cellular transmission of SCADA system at Site #2, Site #3, and Site #5. Currently using MHz radios to communicate between sites.	$ 702	Communications upgrade to WiFi/Cellular transmission of SCADA system at Site #2, Site #3, and Site #5. Currently using MHz radios to communicate between sites.
$ 4,000	Install SCADA-controlled valve at Site #3 to allow water to fill Tank #3 from Tank #4 automatically when Site #1 is down (PSPS event, weather-related outage, other outages).	$ 489	Monthly internet costs for SCADA (4 months of service).
		$ 350	Annual cost for WiFi and cellular communications.
$181,025	**Total Proposed Improvements**	**$196,087**	**Total Completed Improvements**

(END OF APPENDIX E)

COLD SPRINGS WATER COMPANY
ADVICE LETTER 75-W
SERVICE LIST

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