

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



May 20, 2022

Proposed Resolution W-5252

Agenda ID: 20625

To: All Interested Persons

Enclosed is Proposed Resolution W-5252 of the Water Division, which authorizes Fulton Water Company a general rate increase producing an additional annual revenue of \$116,459 or 13.01%, for Test Year 2021 to be paid by the Ratepayers. Proposed Resolution W-5252 is scheduled to appear on the June 23, 2022 Commission Meeting Agenda (ID# 20625).

The Commission may act on this Proposed Resolution, or it may postpone action until later. When the Commission acts on a Proposed Resolution, the Commission may adopt all or part of the Proposed Resolution, as written, or amend or modify the Proposed Resolution; or the Commission may set the Proposed Resolution aside and prepare a different resolution. Only when the Commission acts does the Resolution become binding.

Interested persons may submit comments on Proposed Resolution W-5252 via email to [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov) on or before **June 9, 2022**. Please reference **"Proposed Resolution W-5252"** in the subject line.

Interested persons must also serve a copy of their comments on the utility on the same date that the comments are submitted to the Water Division. If email is unavailable, please submit comments to:

California Public Utilities Commission  
Water Division  
505 Van Ness Avenue  
San Francisco, CA 94102

Comments should focus on factual, legal, technical errors, or policy issues in the proposed resolution.

Persons interested in receiving comments submitted may contact the Water Division at [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov) or (415) 703-1133. Please reference "Proposed Resolution W-5252."

/s/TERENCE SHIA

Terence Shia, Director  
Water Division

Enclosures: Proposed Resolution W-5252  
Certificate of Service  
Service List

# PROPOSED RESOLUTION

Resolution W-5252  
WD

Agenda ID #20625

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5252

June 23, 2022

### RESOLUTION

(RES. W-5252) FULTON WATER COMPANY. ORDER  
AUTHORIZING A GENERAL RATE INCREASE  
PRODUCING AN ADDITIONAL ANNUAL REVENUE OF  
\$116,459, OR 13.01%, FOR TEST YEAR 2021, TO BE PAID BY  
THE RATEPAYERS.

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### SUMMARY

By Advice Letter (AL) 78-W, filed on July 30, 2020, Fulton Water Company seeks a general rate increase producing additional annual revenues of \$179,113, or 20.01%, for Test Year (TY) 2021, based on a 10.40% Rate of Return.

This Resolution grants Fulton Water Company an increase in gross annual revenues of \$116,459, or 13.01%, for Test Year 2021, which is estimated to provide a Rate of Return of 9.80%. The annual bill for an average residential customer with a 3/4-inch flat rate service will increase from \$902.95 to \$1,019.15, or 12.87%, for TY 2021.

### BACKGROUND

Fulton Water Company (FWC) has requested authority under General Order (GO) 96-B, Rule 1.7 and 7.6.2, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its annual revenues from \$895,150 to \$1,074,263, an increase of \$179,113, or 20.01%, for TY 2021, based on a Rate of Return (ROR) of 10.40%.

FWC's last general rate increase was granted on February 28, 2008, by Commission Resolution (Res.) W-4677, which authorized a rate increase of \$199,227, or 46.60%, resulting in a ROR of 11.30% for TY 2008. Since FWC's last General Rate Case (GRC) in 2008, one Rate Base Offset (RBO) was approved by Res. W-4846 on October 28, 2010, which authorized a rate increase of \$61,548, or 9.41%, for plant additions including

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wells, pumps, mains, meter sets, and vehicles to comply with Department of Public Health standards and orders. After the authorized RBO rate increase, FWC filed for annual Consumer Price Index (CPI) increases from 2013 to 2019.

Additionally, by AL 77-W, filed on July 30, 2020, FWC requested an interim rate increase in accordance with Commission Resolutions (Res.) W-4950 and W-4658. AL 77-W was approved on November 16, 2020 with an effective date of January 1, 2021 and authorized an interim rate increase of 2.30% at the CPI, which resulted in an increase in annual revenues in the amount of \$19,011. FWC's interim rate increase is subject to refund or increase, relative to the rates established in this GRC.

FWC is a Class C investor-owned water utility with 977 service connections, consisting of 946 flat rate service and 31 fire protection connections. FWC's service territory is comprised of two noncontiguous service areas next to Lake Tahoe, approximately two miles north of Tahoe City, CA 96140. The 2019 median household income (MHI) for Placer County, where FWC's service territory is located, is \$89,691.<sup>1</sup>

FWC's water system is comprised of two water systems: the Links System and Cedar Flat System. The Links System utilizes the Link Well as its groundwater source with a capacity of 114 gallons per minute (gpm). The Links System serves approximately 40 service connections.

The Cedar Flat System has two active surface water sources: the Dinah Treatment Plant (220 gpm) and Cedar Flat Intake (400 gpm) and two active groundwater sources: the Cedar Flat Well (180 gpm) and the Pineywood Well (320 gpm). The Pineywood Well is the utility's main source for the Cedar Flat System. Both water systems have sufficient supply to meet the Maximum Day Demand (MDD)<sup>2</sup> as required by the Commission's General Order 103-A<sup>3</sup> and the State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW).<sup>4</sup>

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<sup>1</sup> The 2019 MHI was obtained from the United States Census Bureau website:  
<https://www.census.gov/quickfacts/placercountycalifornia>

<sup>2</sup> The MDD represents the maximum consumption of water any one day of the year. DDW used peaking factors to estimate the MDD.

<sup>3</sup> Rules Governing Water Service, Including Minimum Standards For Operation, Maintenance, Design and Construction.

<sup>4</sup> SWRCB DDW 2019 Sanitary Survey Inspection Report, Page 2.

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## **NOTICE, PROTESTS, AND PUBLIC MEETING**

In accordance with GO 96-B, FWC served a copy of AL 78-W to its service list on July 30, 2020. A notice of the proposed rate increase was mailed to each customer and to the general service list on January 4, 2021.

Five customer protests were timely received on FWC's rate increase request, and the utility replied to each customer protest. The protests raised concerns over the magnitude of the proposed rate increase and the appropriate use of revenues towards improvements and capital projects since the last rate increase in 2008.

FWC in its responses to the customer protests explained that the utility has not filed a rate case since 2008 and provided a list of infrastructure projects completed since its last GRC. The utility emphasized in its response that all operating expenses especially power, insurance, employees, and health care have risen since 2008, necessitating the rate increase request to cover these expenditures. The Water Division's staff review of these expenditures confirms that these operating expenses have increased since 2008.

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.<sup>5</sup> On March 16, 2020<sup>6</sup> and September 12, 2020,<sup>7</sup> the California Department of Public Health (CDPH) issued formal guidance on public gatherings. In response to the ongoing COVID-19 outbreak, and to abide by current directives on public gatherings, the Water Division has taken precautions for the safety of the involved parties, including Water Division's staff, utility representatives, and utility customers by determining that in-person public participation meetings would not be held since California is in a State of Emergency in dealing with the ongoing COVID-19 pandemic.

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<sup>5</sup> 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>.

<sup>6</sup> 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>

<sup>7</sup> 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>

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## DISCUSSION

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

### Operating Expenses

The Water Division verified FWC's operating expense estimates for TY 2021 by reviewing supporting documents for substantiation and accuracy and included the amounts that were deemed reasonable and prudent. FWC based most of its operating expense estimates using the recorded amounts from 2017 to 2019, calculating the three-year average and applying the 2020 and 2021 inflation factors to bring the operating expense estimates to TY 2021.

The Water Division finds FWC's methodology for estimating operating expenses reasonable since it uses recorded utility operating expenses obtained from its annual reports and the average of these expenses, thus accounting for fluctuations in expenditures from the day-to-day utility operations. Based on the Water Division's review and analysis of FWC's cost estimates for TY 2021, the Water Division finds FWC's operating expense estimates reasonable for the following expenses: other volume related expenses, materials, contract work, transportation expense, other plant maintenance, professional services, office services and rentals, and general expenses.

### Purchased Power

FWC requested \$80,414 for purchased power. The utility purchases power from Liberty Utilities, and FWC's electric service consists of four different rate schedules that include a demand consumption charge (residential rate schedule E06, small commercial rate schedules E50 and E5A, and medium commercial rate schedule E52). FWC, for its purchased power expenses calculation, utilized actual power consumption from June 2019 to May 2020 and Liberty Utilities' electric rates effective March 1, 2020. In support of its calculation, FWC also provided monthly power consumption statistics, Liberty Utilities' rate schedules, and a breakdown of the energy and demand charges that

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make-up the utility's requested amount. The Water Division reviewed all supporting documentation provided by the utility to substantiate the requested amount for purchased power and finds the \$80,414 requested amount for TY 2021 reasonable.

### Employee Labor

FWC requested \$119,500 for employee labor. This amount was obtained from the 2019 reported amount of \$114,187 and applying a 2.30% escalation factor to estimate TY 2021. The utility based its request on 2019 employee labor expenses because the FWC hired three additional part-time employees in 2019 which currently remain employed. FWC currently employs four employees, one full-time and three part-time, to handle its field operations. These employees are responsible for: 1) operating, maintaining, and disinfecting water wells, 2) water sampling for the required water quality testing, 3) performing calculations for volumes and chemical treatment dosages, 4) issuing notices to customers regarding outages, advisories, and orders, 5) formulating plans and procedures during system disruption, 6) operating, installing, and maintaining water services, distribution and transmission mainlines, pumps, and ancillary systems, 7) responding to customer concerns, and 8) performing stand-by emergency response duties. The breakdown of salaries and employee positions for the requested labor expense is as follows:

<u>Full-Time Water System Field Operator</u>	\$73,257
<u>Part-Time Water System Field Operator</u>	\$26,628
<u>Part-Time Water System Field Operator</u>	\$15,957
<u>Part-Time Water System Field Operator</u>	\$3,658

To assess the reasonableness of the requested salary amounts, the Water Division reviewed field operator salaries of nearby utilities. The salaries of nearby utilities ranged from \$64,000 for Lukins Brothers Water Company, a Class C water utility in the South Lake Tahoe area, to \$75,658 for South Tahoe Public Utility District's (STPUD) Plant Operator I.<sup>8</sup> Based on the responsibilities and comparison of salaries from utilities in the area, the Water Division finds FWC's requested amount of \$119,500 to be

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<sup>8</sup> Salary obtained from STPUD's Annual Salary Schedule effective January 1, 2022.

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reasonable, since the salary amounts cover one full-time and three part-time water system field operators.

### Management Salaries

FWC requested \$108,002 for management salaries. This amount is significantly lower than that of previous years because FWC no longer employs two managers. FWC's only manager is the owner of the utility, Craig Fox, who is now also handling the responsibilities of the previous co-manager. The manager's duties and responsibilities include: 1) the supervision of all direct and indirect work performed by employees of the utility, 2) function as Operator of Record with the County Health Department and other agencies, 3) coordinates with all state and federal agencies, developers, lenders, and vendors with their associated deliverables, 4) perform repair, maintenance, and operation of the water system, 5) respond to any customer concerns or emergencies that arise, 6) collect water samples required for water testing, and 7) perform any field and office duties of the other staff as needed. The manager also holds Grade D-2 and T-3 certifications as a Water Distribution Operator and Water Treatment Operator, respectively.

To assess the reasonableness of the requested management salary for TY 2021, the Water Division reviewed management salaries of nearby utilities. The salaries of nearby utilities ranged from \$74,500 for Lukins Brothers Water Company (Lukins) to \$256,250 for South Tahoe Public Utility District's General Manager.<sup>9</sup> One of the reasons why Lukins' management salary is lower than the amount requested by FWC is because Lukins' employs both a General Manager and Assistant Manager with salaries of \$74,500 and \$72,000, respectively. FWC's manager is also handling the additional responsibilities of its previous co-manager and has higher water treatment operator certification Lukins' managers. Given FWC's manager's increased responsibilities and qualifications, the Water Division finds FWC's requested amount of \$108,002 for management salaries reasonable.

### Professional Services

FWC utilized the recorded amounts from 2017 to 2019 for professional services and applied an escalation factor to the 2019 and 2020 recorded amounts to estimate the requested amount of \$36,183. FWC's professional service expenses include accounting

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<sup>9</sup> Salary obtained from STPUD's Annual Salary Schedule effective January 1, 2022.

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services (bookkeeping and preparing the CPUC Annual Report, CPUC User Fee report, and State and Federal tax filings), engineering consulting work (infrastructure repairs and upgrades, drafting operating procedures), and legal expenses (water rights services and corporation matters). The Water Division reviewed the supporting documentation provided by the utility and finds reasonable FWC's request of \$36,183 for Professional Services for TY 2021.

### Insurance

FWC requested \$76,324 for insurance coverage and the Water Division recommends \$31,227, the amount FWC paid to renew its current insurance premium in 2021. FWC's requested amount of \$76,324 is more than double the amount the utility currently pays for insurance coverage and is based on a single estimate provided by the utility's insurance broker. The proposed insurance expense by FWC also included coverage for additional categories and increased premium coverages for General Liability, Property Coverage, Crime, Flood & Earthquake, Pollution, Management Liability, Cyber Crime, and Excess Umbrella Liability. FWC's justification for the requested insurance expense amount and additional categories revolved around the statement that its current coverage was not as comprehensive as the utility would like. However, the utility did not cite any specific reasons or events to justify the need for the additional insurance coverage and significant increase to the utility's insurance expense. For these reasons, the Water Division recommends \$31,227 for insurance expense for TY 2021.

### Regulatory Commission Expense

FWC requested \$10,611 for its Regulatory Commission Expense for TY 2021. The utility's Regulatory Commission Expense request is comprised of two expense amounts: 1) the three-year average of \$2,011 for 2017 to 2019 for annual regulatory commission expenses, and 2) \$8,600 annually for GRC consultation fees of \$25,800 amortized over three years. This consultant expense covers the preparation of the GRC filing, responding to WD's staff data requests, preparation and mailing of the required customer notice, and responding to customers' protests filed on the utility's GRC request and to comments filed on the proposed Resolution. This estimated consultant fee also covers filing of any additional ALs required by the Commission for this GRC.

The Water Division recommended amount of \$10,111 excludes \$500 FWC had included as regulatory expenses for the GRC public meeting costs, since public participation



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meetings were not held. FWC agrees with the Water Division's recommended amount of \$10,111 for Regulatory Commission Expense for TY 2021.

### Taxes

The Water Division's State and Federal Income Taxes estimates for FWC's income tax expense for this GRC are based on income tax rates of 8.84%<sup>10</sup> for State and 21.00% for Federal Income Taxes. FWC is structured as a C-Corporation, and in its 2019 and 2020 annual reports, reported paying State and Federal Income Taxes at the applicable income tax rates for C-Corporations. Accordingly, WD's State and Federal Income Tax expense estimates for FWC's TY 2021 GRC are \$27,481 for State and \$59,512 for Federal Income Taxes. WD's income tax calculations are provided in Appendix D of this Resolution.

### Utility Plant and Rate Base

For TY 2021, the Water Division's analysis of FWC's rate base estimate included examining utility plant-in-service based on the information provided in the utility's annual reports from the last three years (2017 through 2019). The WD also reviewed the utility's requested materials and supplies and working cash and agrees with FWC's requested values included in Appendix A of this Resolution. The differences in FWC and WD estimates for average utility plant and average accumulated depreciation are discussed below.

### Rate Base

For TY 2021, FWC requested to add \$190,000 to rate base for two additional back-up generators which cost \$150,000, and a 4x4 tractor which cost \$40,000. FWC purchased the tractor in 2019 and placed it into service already. In 2020, FWC purchased and installed the back-up generators, both Cashman brand diesel power generators. FWC added these generators to the utility's water system to ensure it minimizes the impact on water service from wildfires, power outages, and Public Safety Power Shutoff (PSPS) events. The Water Division finds the requested additions to rate base to be reasonable and prudent.

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<sup>10</sup> State Income Tax Rate for C-Corporations, <https://www.ftb.ca.gov/file/business/types/corporations/c-corporations.html>

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### Average Plant

The Water Division's estimated average plant of \$4,204,026 is lower than FWC's amount of \$4,299,026. The Water Division used the average of the total plant in service at the beginning and end of the year to estimate average utility plant in service for TY 2021. FWC's utility plant estimate was higher than the Water Division's because it only used the end of the year 2021 total plant in service and included the \$190,000 in requested plant additions as discussed above.

### Accumulated Depreciation

The Water Division's estimated average for accumulated depreciation of \$1,973,836 is lower than FWC's amount of \$2,081,402 because FWC inadvertently included an amount of \$107,567 three times in its calculations. The Water Division's calculation includes depreciation expense once for 2021 and the beginning and end of year depreciation expense is averaged for TY 2021.

### Rate of Return

FWC's rate increase request was based on an ROR of 10.40%. FWC based its request on the 2020 ROR range recommended by the Water Division for Class C water utilities which was between 9.90% and 10.90%.<sup>11</sup> In accordance with Commission ratemaking policies adopted for Class C water utilities by D. 92-03-093, two methods can be used for ratemaking, the ROR and Rate of Margin (ROM) methods.<sup>12</sup> D.92-03-093 directs the Water Division 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.<sup>13</sup> In this rate case, the Water Division determined that the ROR method produced the higher revenue requirement.

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<sup>11</sup> March 9, 2020, Water Division Memorandum, Rates of Return and Rates of Margin for Class C, Class D Water and Sewer Utilities.

<sup>12</sup> 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.

<sup>13</sup> D.92-03-093, Ordering Paragraph 8.

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For 2021, the Water Division's recommended ROR for Class C water utilities is between 9.00% and 10.00%.<sup>14</sup> Accounting for the 2020 ROR range utilized by FWC, the Water Division recommends a ROR of 9.80% for FWC's TY 2021 GRC. FWC agrees with Water Division's recommended ROR. Using the ROR of 9.80%, the WD calculated a revenue requirement of \$1,011,609.

## **Rates and Rate Design**

FWC's rate structure consists of three rate schedules: Schedule No 1A, Annual General Metered Service, Schedule No. 2RA, Annual Residential Flat Rate Service, and Schedule No. 4, Service to Privately Owned Fire Protection Systems.

At the recommended rates, the annual bill for a flat rate customer under Schedule No. 2RA with a 3/4-inch service will increase from \$902.95 to \$1,019.15 (12.87%) for TY 2021. A comparison of customer bills at present and recommended rates is provided in Appendix C of this Resolution.

While FWC has a rate schedule tariff for metered connections, the utility currently does charge customers taking service on this General Metered tariff schedule. Accordingly, the Water Division designed rates for metered service to be comparable to a flat rate service customer with FWC's estimated average annual water usage of 156 hundred cubic feet (CCF).<sup>15</sup> FWC has been installing meter sets for the past 10 years for its flat rate customers and is approximately 80% complete. The utility expects to finish metering the remaining 20% in the next two years at which time all meters will be placed into service. For water meters that have been installed and operational, the Water Division recommends that these customer services be transitioned to FWC's Annual General Metered Service tariff by July 1, 2023 to encourage and promote water conservation, consistent with the Commission's and statewide goals<sup>16</sup> of promoting and achieving higher levels of water conservation.<sup>17</sup> FWC's service area is located in Placer

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<sup>14</sup> March 3, 2021, Water Division Memorandum, Rates of Return and Rates of Margin for Class C, Class D Water and Sewer Utilities.

<sup>15</sup> One CCF is equivalent to 748 gallons, and 156 CCF is equivalent to 116,688 gallons.

<sup>16</sup> Governor's Executive Orders (EO) N-10-21 and EO N-7-22 issued July 8, 2021, and March 28, 2022, respectively calling on all Californians to voluntarily reduce water usage by 15.00% from 2020 levels.

<sup>17</sup> The 2010 Water Action Plan notes the Commission's goal to increase metered water service to promote conservation and comply with Assembly Bill (AB) 2572. Approved September 29, 2004, AB 2572 requires "urban water suppliers" to install water meters on all service connections on or before January 1, 2025.

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County, which is one of the counties experiencing severe drought conditions as indicated in Governor Newsom's May 10, 2021, State of Emergency Proclamation.<sup>18</sup> Any efforts to address water conservation in these service areas should be pursued. For these reasons, the Water Division recommends that FWC establish a plan for converting all flat rate customers to metered service by July 1, 2023. Furthermore, if FWC experiences a significant change in revenue by switching customers from flat rate service to metered service, the rate design for these rate schedules can be reviewed and evaluated in the utility's next GRC filing to ensure that there are no significant revenue shortfalls as a result of switching customers to metered service.

## **Affordability of Proposed Rates**

As discussed above at the recommended rates for TY 2021, the annual bill for a Flat Rate residential customer with a 3/4-inch service will increase from \$902.95 to \$1,019.15 (12.87%) for TY 2021, which is 1.14% of the 2019 median household income (MHI) of \$89,691 for Placer County where FWC's service territory is located.<sup>19</sup>

Commission D.20-07-032 adopted in Rulemaking (R.) 18-07-006,<sup>20</sup> defines affordability as the degree to which a representative household is able to pay for an essential utility service, given its socioeconomic status. D. 20-07-032 also adopts three metrics and supporting methodologies to be used for assessing the affordability of essential electricity, gas, water, and communications utility services in California. The three adopted metrics include: 1) the hours of minimum wage (HM) required to pay for essential utility services, 2) the socioeconomic vulnerability index (SEVI) of various

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"Urban water supplier" means a supplier, either publicly or privately owned, providing water for municipal purposes either directly or indirectly to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually, per Water Code Section 10617. FWC has 564 service connections and is therefore not subject to the meter requirement by 2025 stated in AB 2572. However, AB 2572 also states that all new service connections be metered, for all water suppliers, including those with less than 3,000 customers.

<sup>18</sup> Governor Newsom Expands Drought Emergency to Klamath River, Sacramento-San Joaquin Delta, and Tulare Lake Watershed Counties. Office of Governor Gavin Newsom. May 10, 2021.

<https://www.gov.ca.gov/2021/05/10/governor-newsom-expands-drought-emergency-to-klamath-river-sacramento-san-joaquin-delta-and-tulare-lake-watershed-counties/>

<sup>19</sup> The 2019 MHI was obtained from the United States Census Bureau website:

<https://www.census.gov/quickfacts/placercountycalifornia>

<sup>20</sup> Decision adopting metrics and methodologies for assessing the relative affordability of utility service in Rulemaking 18-07-006.

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communities in California, and 3) the ratio of essential utility service charges to non-disposable household income - known as the affordability ratio (AR).

Using these three metrics, the Water Division computed the following values for FWC: HM value of 6.07,<sup>21</sup> AR<sub>20</sub> value of 6.51%,<sup>22</sup> and SEVI value of 0.056 (on a scale from 0 to 1) based on 2019 data.<sup>23</sup>

The Water Division continues to adhere to the Commission to cost-of-service regulatory principles in developing rates for its jurisdictional utilities, and the Water Division's recommended rates for FWC are at the minimum required to satisfy the utility's technical, managerial, and financial capacity. The discussion regarding affordability is presented to indicate to the Commission 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 the sectors the Commission regulates. On April 7, 2022, the Commission adopted Version 2.0 of its Environmental and Social Justice (ESJ) Action Plan to guide its decisions and make sure its broad regulatory authority continues to advance equity throughout the state. With this Resolution, the Commission addresses two goals of the ESJ Action Plan: Goal #1: "Consistently integrate equity and access considerations throughout Commission regulatory

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<sup>21</sup> HM value is calculated as the monthly water bill for a household using 13.0 CCF divided by the state's minimum hourly wage of \$14.00 per hour for FWC's service area. The 6.07 HM value appears to be in line with the average HM for small CPUC regulated water utilities.

<sup>22</sup> The AR<sub>20</sub> value was calculated using the AR calculator and assumes a 10.00% benchmark for water, based on the statewide distribution of water AR<sub>20</sub> values. The AR calculator can be found here: [https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/affordability-proceeding/arc\\_2019\\_11152021.xlsm](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/affordability-proceeding/arc_2019_11152021.xlsm)

<sup>23</sup> These metrics indicate that the census tract in which FWC's is located is more socioeconomically vulnerable (as measured by poverty, unemployment, education, housing burden, and linguistic isolation) than 5.60% of census tracts in the state. The SEVI metric is not directly correlated or impacted by rate changes.

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activities,” and Goal #3: Strive to improve access to high-quality water, communications, and transportation services for ESJ communities.

The Water Division considered equity and access considerations through its review of the proposed transaction in this Resolution even though the Carnelian Bay area served by FWC is not classified as a disadvantaged community. The California Communities Environmental Health Screening Tool, Version 4 (CalEnviroScreen 4.0)<sup>24</sup> provided by the Office of Environmental Health Hazard Assessment (OEHHA), identifies disadvantaged communities by collecting multiple metrics and calculating a single value for the census tract scale.

Given the Water Division’s review of these current definitions and considerations, the proposed GRC for FWC will only improve the existing conditions in the Carnelian Bay area by providing the utility the necessary revenues to continue to provide safe and reliable water service to its customers. As discussed below, the water served by FWC meets all applicable water quality standards set-forth by SWRCB’s DDW. Therefore, Water Division concludes FWC is meeting the ESJ Action Plan’s goal of providing access to high-quality water for all its customers.

### COMPLIANCE

The Water Division reviewed the utility’s compliance with water quality standards, required User Fees payments to the Commission, and financial audits as part of its review of FWC’s GRC request.

#### Sanitary Survey

FWC had several deficiencies noted in its 2019 Sanitary Report conducted by the SWRCB’s DDW’s Lassen Section.<sup>25</sup> The DDW inspection of FWC was conducted on August 14, 2019. The Water Division confirmed with the utility and DDW that FWC has resolved all noted deficiencies since then. Accordingly, the Water Division finds that FWC currently complies with all SWRCB’s DDW applicable water quality standards and regulations for safe drinking water.

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<sup>24</sup> <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40>

<sup>25</sup> August 21, 2020, Fulton Water Company 2019 Sanitary Survey Inspection Report. State Water Resources Control Board, Division of Drinking Water.

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## User Fees

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

## Financial Audit

The Water Division also reviewed the Utility Audit Branch's (UAB) formerly Utility Audit, Finance and Compliance Branch) 2017 financial audit of FWC's financial statements which comprised the balance sheets as of December 31, 2015, and 2014, and related statements of income for those years then ended.<sup>26</sup> In response to the audit in 2017, FWC prepared a Corrective Action Plan to address the deficiencies identified in the UAB's financial audit. FWC also hired a bookkeeper and set-up a Splashtop system to automate its accounting system. Accordingly, the Water Division finds that the utility has taken the necessary steps to address the accounting deficiencies identified in the 2017 financial audit and has also put in place necessary controls to ensure that the utility's accounting and financial records are maintained in accordance with the Commission's Uniform System of Accounts (USOA).

## UTILITY SAFETY

Safety for water utilities considers a multitude of factors such as water quality, system design, operation and maintenance, and service. Among the highest safety priorities for the Commission is ensuring that water utilities serving water for human consumption provide water that is not harmful or dangerous to human health. As discussed previously, the Water Division reviewed the utility's response to its 2019 Sanitary Survey and verified that FWC addressed all noted deficiencies and complies with SWRCB's DDW's applicable water quality standards for safe drinking water.

## COMMENTS

Public Utilities Code section 311(g)(1) requires that a proposed resolution be served on all parties and subject to a public review and comment period of at least 30 days or more, prior to a vote of the Commission.

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<sup>26</sup> April 25, 2017, Financial Audit of Fulton Water Company Financial Statements For the Years Ended December 31, 2015 and 2014.

## PROPOSED RESOLUTION

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Accordingly, the proposed resolution was mailed to the service list, protestants, and made available for public comment on May 20, 2022.

### 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 the WD (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the 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 water served by FWC meets all applicable water quality standards set-forth by State Water Resources Control Board's Division of Drinking Water.
6. For customer with water meters installed and operational, FWC should transition these customers to FWC's Annual General Metered Service tariff by July 1, 2023, to encourage and promote water conservation, consistent with the Commission's and statewide goals of promoting and achieving higher levels of water conservation.
7. FWC should be authorized to file a supplement to Advice Letter No. 78-W to incorporate the revised rate schedule (Appendix B) for Test Year 2021 and to concurrently cancel its presently effective rate schedule.

After the rates approved by this Resolution become effective, FWC should be allowed to file a Tier 2 AL within 30 days to collect the under-collected revenues from the interim rate effective date to the effective date of the newly adopted rates. This AL should become effective upon approval by the Water Division.



## PROPOSED RESOLUTION

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### **THEREFORE, IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454, for Fulton Water Company to file a supplement to Advice Letter 78-W to incorporate the revised rate schedule attached to this Resolution as Appendix B for Test Year 2021, and concurrently cancel its presently effective rate schedules: Schedule No. 1A, Annual General Metered Service, Schedule No. 2RA, Annual Residential Flat Rate Service, and Schedule No. 4, Service to Privately Owned Fire Protection Systems. The effective date of the revised schedule shall be five days after the date of filing.
2. Fulton 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, 2021, the interim rate effective date, to the effective date of the new rates established in this Resolution. This advice letter shall become effective upon approval by Staff of the Water Division.
3. Fulton Water Company shall transition customers with meters installed and operational to the utility's Annual General Metered Service tariff by July 1, 2023, to encourage and promote water conservation, consistent with the Commission's and statewide goals of promoting and achieving higher levels of water conservation.

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 June 23, 2022; the following Commissioners voting favorably thereon:

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RACHEL PETERSON  
Executive Director

# PROPOSED RESOLUTION

Resolution W-5252  
WD

June 23, 2022

## APPENDIX A Fulton Water Company Summary of Earnings Test Year 2021

	Fulton Water Company		Water Division	
	Present Rates	Requested Rates	Present Rates	Recommended Rates
<b>Operating Revenues</b>				
Metered Revenue	\$ -	\$ -	\$ -	\$ -
Flat Rate Customers	\$ 884,889	\$ 1,061,949	\$ 884,889	\$ 998,782
Private Fire Protection	\$ 10,261	\$ 12,314	\$ 10,261	\$ 12,827
<b>Total Revenue</b>	<b>\$ 895,150</b>	<b>\$ 1,074,263</b>	<b>\$ 895,150</b>	<b>\$ 1,011,609</b>
<b>Operating Expenses</b>				
610 Purchased Water	\$ -	\$ -	\$ -	\$ -
615 Purchased Power	\$ 80,414	\$ 80,414	\$ 80,414	\$ 80,414
618 Other Volume Related Expenses	\$ 5,915	\$ 5,915	\$ 5,915	\$ 5,915
630 Employee Labor	\$ 119,500	\$ 119,500	\$ 119,500	\$ 119,500
640 Materials	\$ 10,129	\$ 10,129	\$ 10,129	\$ 10,129
650 Contract Work	\$ 20,105	\$ 20,105	\$ 20,105	\$ 20,105
Water Testing	\$ -	\$ -	\$ -	\$ -
660 Transportation Expenses	\$ 18,888	\$ 18,888	\$ 18,888	\$ 18,888
664 Other Plant Maintenance	\$ 14,245	\$ 14,245	\$ 14,245	\$ 14,245
670 Office Salaries	\$ -	\$ -	\$ -	\$ -
671 Management Salaries	\$ 108,002	\$ 108,002	\$ 108,002	\$ 108,002
674 Employee Pensions and Benefits	\$ 30,822	\$ 30,822	\$ 30,822	\$ 30,822
676 Uncollectable Accounts	\$ -	\$ -	\$ -	\$ -
678 Office Services and Rentals	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000
681 Office Supplies and Expenses	\$ 24,884	\$ 24,884	\$ 24,884	\$ 24,884
682 Professional Services	\$ 37,866	\$ 37,866	\$ 37,866	\$ 37,866
684 Insurance	\$ 76,324	\$ 76,324	\$ 31,227	\$ 31,227
688 Regulatory Commission Expense	\$ 10,611	\$ 10,611	\$ 10,111	\$ 10,111
689 General Expenses	\$ 14,578	\$ 14,578	\$ 14,578	\$ 14,578
<b>Subtotal</b>	<b>\$ 596,283</b>	<b>\$ 596,283</b>	<b>\$ 550,686</b>	<b>\$ 550,686</b>
403 Depreciation	\$ 107,567	\$ 107,567	\$ 107,567	\$ 107,567
408 Taxes Other Than Income	\$ 42,345	\$ 42,345	\$ 42,345	\$ 42,345
409 State Income Taxes	\$ 13,220	\$ 29,001	\$ 17,198	\$ 27,493
410 Federal Income Taxes	\$ 28,629	\$ 62,804	\$ 37,244	\$ 59,539
<b>Total Expenses</b>	<b>\$ 191,761</b>	<b>\$ 241,717</b>	<b>\$ 204,355</b>	<b>\$ 236,944</b>
<b>Net Revenue</b>	<b>\$ 107,106</b>	<b>\$ 236,263</b>	<b>\$ 140,109</b>	<b>\$ 223,979</b>
<b>Rate Base</b>				
Average Plant	\$ 4,299,026	\$ 4,299,026	\$ 4,204,026	\$ 4,204,026
Average Accumulated Depreciation	\$ 2,081,402	\$ 2,081,402	\$ 1,973,836	\$ 1,973,836
<b>Net Plant</b>	<b>\$ 2,217,624</b>	<b>\$ 2,217,624</b>	<b>\$ 2,230,191</b>	<b>\$ 2,230,191</b>
<b>Less:</b>				
Advances	\$ 44,378	\$ 44,378	\$ 44,378	\$ 44,378
Contributions in Aid of Construction	\$ 55,045	\$ 55,045	\$ 55,045	\$ 55,045
Deferred Income Tax	\$ 360,080	\$ 360,080	\$ 360,080	\$ 360,080
<b>Plus:</b>				
Unamortized Investment	\$ -	\$ -	\$ -	\$ -
Construction Work in Progress	\$ 513,650	\$ 513,650	\$ 513,650	\$ 513,650
Working Cash	\$ -	\$ -	\$ -	\$ -
Materials and Supplies	\$ -	\$ -	\$ -	\$ -
<b>Rate Base</b>	<b>\$ 2,271,771</b>	<b>\$ 2,271,771</b>	<b>\$ 2,284,338</b>	<b>\$ 2,284,338</b>
<b>Rate of Return</b>	<b>4.71%</b>	<b>10.40%</b>	<b>6.13%</b>	<b>9.80%</b>

END OF APPENDIX A

# PROPOSED RESOLUTION

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## APPENDIX B Fulton Water Company Test Year 2021

### SCHEDULE NO. 1A ANNUAL GENERAL METERED SERVICE

#### APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

#### TERRITORY

An area located approximately one mile southeast of Carnealian Bay, Lake Tahoe, Placer County.

#### RATES

##### Quantity Rate:

All water, per 100 cu. Ft.	\$	3.13	(I)
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##### Annual Service Charge:

For	5/8 x 3/4-inch meter	\$	372.46	(I)
For	3/4-inch meter	\$	558.68	
For	1-inch meter	\$	931.14	
For	1- 1/2-inch meter	\$	1,862.28	
For	2-inch meter	\$	2,979.65	
For	3-inch meter	\$	5,586.85	
For	4-inch meter	\$	9,311.41	(I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered services, and to which is to be added to the monthly charge computed at the Quantity Rate.

#### SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing period for water used.
2. The charge for water used may be billed monthly, bi-monthly, or quarterly at the option of the utility.
3. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty fifth (1/365) of the number of days remaining in the year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period in which service is taken. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

# PROPOSED RESOLUTION

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## APPENDIX B Fulton Water Company Test Year 2021

### SCHEDULE NO. 2RA ANNUAL RESIDENTIAL FLAT RATE SERVICE

#### APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

#### TERRITORY

An area located approximately one mile southeast of Carnealian Bay, Lake Tahoe, Placer County.

#### RATES

	<u>Per Service Connection</u>	
	<u>Per Year</u>	
For a single-family residential unit, including premises:		
Served through a 3/4-inch service:	\$ 1,019.15	(I)
1-inch service	\$ 1,701.99	(I)
1-1/2-inch service	\$ 3,393.79	(I)
For each additional single-family residential unit on the same premises and served from the same connection		
	\$ 713.41	(I)

#### SPECIAL CONDITIONS

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No 1A, Annual General Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, a refund of the prorated difference between such flat rate payment and the metered service charge for the same period shall be made on or before that day.
2. The annual flat rate charge applies to service during the 12 month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bi-monthly, or quarterly), in accordance with the utility's established billing periods. A non-permanent resident may elect to pay the annual charge in two equal installments. Where such a resident has failed to pay the first half of the annual charge due January 1, service will not be restored until the total annual charge has been paid.
3. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty fifth (1/365) of the number of days remaining in the year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period in which service is taken. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

# PROPOSED RESOLUTION

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## APPENDIX B Fulton Water Company Test Year 2021

### SCHEDULE NO. 4 SERVICE TO PRIVATELY OWNED FIRE PROTECTION SYSTEMS

#### APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

#### TERRITORY

An area located approximately one mile southeast of Carnealian Bay, Lake Tahoe, Placer County.

#### RATES

		<u>Per Service</u>	
		<u>Per Year</u>	
For each inch of diameter of service connection	\$	242.01	(I)

#### SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made under Schedule No. 1A, Annual General Metered Service or Schedule No. 2RA, Annual Residential Flat Rate Service.
2. The Utility undertakes to supply only such water at such pressure as may be available from time to time as a result of normal operation of Utility's system. Section 774 of the Public Utilities Code limits the liability of the Utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. This limit of liability includes but is not limited to the construction and repair of fire protection facilities. Acceptance of service under this tariff is acknowledgement of notice of the provisions of Section 774 of the Public Utilities Code.
3. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by underwriters having jurisdiction, are installed according to specifications of the Utility and are maintained to the satisfaction of the Utility. The Utility may require the installation of a detector check valve with meter for protection against theft, leakage or waste of water and these costs will be paid by the applicant. These costs shall not be subject to refund.
4. Maintenance will be the responsibility of the customer of record at his cost.

END OF APPENDIX B

# PROPOSED RESOLUTION

Resolution W-5252  
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## APPENDIX C Fulton Water Company Comparison of Rates Test Year 2021

<b>Fulton Water Company</b>						
<b>Test Year 2021</b>						
<b>Comparison of Rates</b>						
<b><u>Fiat Rate:</u></b>						
				<b><u>Per Service Connection Per Year</u></b>		
				<b>Present</b>	<b>Recommended</b>	<b>Percent</b>
				<b><u>Rates</u></b>	<b><u>Rates</u></b>	<b><u>Increase</u></b>
For a single-family residential unit, including premises:						
Served through a 3/4 inch service				\$ 902.95	\$ 1,019.15	12.87%
1 inch service				\$ 1,507.89	\$ 1,701.99	12.87%
1-1/2 inch service				\$ 3,006.73	\$ 3,393.79	12.87%
For each additional single-family residential unit on the same premises and served from the same connection				\$ 632.06	\$ 713.41	12.87%
<b><u>Metered:</u></b>						
				<b><u>Per Meter Per Year</u></b>		
				<b>Present</b>	<b>Recommended</b>	<b>Percent</b>
				<b><u>Rates</u></b>	<b><u>Rates</u></b>	<b><u>Increase</u></b>
<b>Service Charge:</b>						
For 5/8 x 3/4-inch meters				\$ 304.56	\$ 372.46	22.29%
For 3/4-inch meters				\$ 456.82	\$ 558.68	22.30%
For 1-inch meters				\$ 761.36	\$ 931.14	22.30%
For 1-1/2-inch meters				\$ 1,522.69	\$ 1,862.28	22.30%
For 2-inch meters				\$ 2,436.36	\$ 2,979.65	22.30%
For 3-inch meters				\$ 4,568.12	\$ 5,586.85	22.30%
For 4-inch meters				\$ 7,613.58	\$ 9,311.41	22.30%
<b>Quantity Charge:</b>						
All water, per 100 cu. ft.				\$ 1.91	\$3.13	63.9%
An Annual bill comparison for a customer with a 3/4-inch meter is shown below:						
	<b>Usage</b>	<b>Present</b>	<b>Recommended</b>	<b>Amount</b>	<b>Percent</b>	<b>Annual</b>
	<b><u>Per 100 cu. ft.</u></b>	<b><u>Rates</u></b>	<b><u>Rates</u></b>	<b><u>Increase</u></b>	<b><u>Increase</u></b>	<b><u>Total</u></b>
	0	\$ 456.82	\$ 558.68	\$ 101.86	22.30%	\$ 558.68
	50	\$ 552.42	\$ 715.41	\$ 162.99	29.50%	\$ 715.41
	100	\$ 648.02	\$ 872.14	\$ 224.12	34.58%	\$ 872.14
Average	156	\$ 755.09	\$ 1,047.67	\$ 292.58	38.75%	\$ 1,047.67
	175	\$ 791.42	\$ 1,107.23	\$ 315.81	39.90%	\$ 1,107.23
	200	\$ 839.22	\$ 1,185.59	\$ 346.37	41.27%	\$ 1,185.59
<b><u>Fire Protection:</u></b>						
				<b><u>Per Service Connection Per Year</u></b>		
				<b>Present</b>	<b>Recommended</b>	<b>Percent</b>
				<b><u>Rates</u></b>	<b><u>Rates</u></b>	<b><u>Increase</u></b>
For each inch of diameter of service connection				\$ 193.61	\$ 242.01	25.00%

END OF APPENDIX C

## PROPOSED RESOLUTION

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### APPENDIX D Fulton Water Company Adopted Quantities

1. Purchased Power (Electric)

Vendor:	Liberty Utilities
Total Cost:	\$80,414

2. Service Connections –

<u>Flat Rate:</u>	
3/4-inch	877
1-inch	32
1-1/2-inch	9
Add'l Single	28
Family	
Total:	946

3. Annual Water Sales: 147,473 CCF

4. Tax Calculations

<u>Category</u>	<u>TY 2021</u>
Operating Revenues	\$1,011,609
Operating Expenses	\$550,686
Taxes Other than Income	\$42,345
Depreciation	\$107,567
Taxable Income for State	\$311,011
State Taxes (Corporate rate 8.84%)	\$27,493
Taxable Income for Federal	\$283,517
Federal Income Taxes (Corporate rate 21.00%)	\$59,539

END OF APPENDIX D

## PROPOSED RESOLUTION

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## CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5252 on all parties in these filings or their attorneys as shown on the attached lists.

Dated May 20, 2022, at San Francisco, California.

/s/ JENNIFER PEREZ

Jennifer Perez

Parties should notify the Water Division, Third Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.



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### FULTON WATER COMPANY ADVICE LETTER 78-W SERVICE LIST

Agate Bay Water P.O. Box 444 Carnelian Bay, CA 96140	North Tahoe Public Utilities District P.O. Box 139 Tahoe Vista, CA 96148	Tahoe City Public Utilities District P.O. Box 5249 Tahoe City, CA 96145
Amy Martin <a href="mailto:amy65@pacbell.net">amy65@pacbell.net</a>	Cedar Flat Improvement Association P.O. Box 7705 Tahoe City, CA 96145-7705	Gerald & Kerri Hansen 2420 Faretto Lane Reno, NV 89511
Ilko Vuica <a href="mailto:crni9@aol.com">crni9@aol.com</a>	Scott Wright 868 Holly Hill Dr. Walnut Creek, CA 94596	