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| **PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA** |
| **WATER DIVISION** | **RESOLUTION W-5289** |
|  | **March 13, 2025** |

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| **R E S O L U T I O N** |
| **(RES. W-5289), YERBA BUENA WATER COMPANY. ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING AN ADDITIONAL ANNUAL REVENUE OF** **$187,433, OR** **44.36%, FOR TEST YEAR 2024, TO BE PAID BY RATEPAYERS**  |

**SUMMARY**

By Advice Letter (AL) 60-W, filed on June 7, 2024, Yerba Buena Water Company (YBWC) seeks a general rate increase of $168,806, or a 37.61% increase in gross revenue which will provide a Rate of Margin (ROM) of 28.51%. YBWC’s general rate increase request of $168,806 will result in an operating revenue of $617,599. Based on the actual operating revenue recorded in YBWC’s 2023 annual report, YBWC’s request of $617,599 for annual operating revenue was calculated by the Water Division (WD) to result in a general rate case increase of $195,097, or 46.18%, estimated to provide a 22.19% Rate of Margin (ROM) for Test Year (TY) 2024.

This Resolution grants YBWC an increase in gross annual revenues of $187,433, or 44.36% for Test Year (TY) 2024, which is estimated to provide a ROM of 28.51%.

**BACKGROUND**

YBWC 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 $195,097, or 46.18%, over current rates for TY 2024, which is estimated to produce a ROM of 22.19%.

YBWC’s last general rate increase became effective November 15, 2016, pursuant to Resolution (Res.) W-5118. In Res. W-5118, the Commission authorized an increase of $85,376, or 28.72%, for TY 2016, and a ROM of 22.75%

YBWC is a Class D water utility with 249 service connections. YBWC’s service area is located approximately 15 miles north of Malibu in Ventura County. YBWC’s water system has five active water wells with an estimated combined capacity of 1,095 gallons per minute (gpm) and two storage tanks with a total capacity of 255,000 gallons, one holding 210,000 gallons and one holding 45,000 gallons. YBWC has adequate source and storage capacity to meet its Maximum Day Demand.[[1]](#footnote-2) YBWC’s water distribution system consists of approximately 15,475 feet of mains ranging from 4- to 8- inches in diameter.

# NOTICE AND PROTESTS

In accordance with GO. 96-B, YBWC served a copy of AL 60 to its service list on June 7, 2024, and a notice of the proposed rate increase was mailed to each customer and to the general service list on June 26, 2024.

One customer letter was received after the protest deadline. The letter inquired about the magnitude of the proposed rate increase. YBWC responded to the letter explaining how it derived the proposed rate increase amount.

**Site Visit**

WD staff, with the assistance of the general manager, president, and plant operator of YBWC, inspected the water system on July 18, 2024. Staff observed that overall, the water system was well maintained.

WD staff noted that there is visible rust on the 210,000-gallon capacity storage tank and this tank currently does not have any alarms or monitoring system. The 45,000-gallon storage tank received updates to the inner lining in 2013, and it has an alarm system that consists of an electrical box with 4 indicator lights that flash depending on the water level inside the storage tank. WD staff also verified that YBWC has an adequate backup generator and a fuel tank for the well, and YBWC told the WD that they perform routine service on the backup generator to make sure it has enough fuel. YBWC maintains a contract with Redtail, who adds and monitors chlorine into the distribution of their water, and the records are kept by Redtail contractors.

YBWC was well organized in maintenance of records such as, method of reading meters, emergency response plan, and water quality records. YBWC commented that meters are read bi-monthly, and bills are computerized. They have 2 technicians residing within 1 hour of the service area who are able to respond to customer requests for assistance. The water quality records are completed through Consumer Confidence Reports (CCR), and the utility is compliant with Department of Drinking Water (DDW) and State Water Resources Control Board (SWRCB) requirements.

**Public Meeting**

An informal public participation meeting was held on July 18, 2024, at the Ventura County Fire Station 56, located in YBWC’s service area. The meeting started at 6:00 PM and seven customers attended the meeting. Staff from the Water Division (WD) provided an overview of the Commission’s General Rate Case (GRC) process for Class B, C, and D water utilities[[2]](#footnote-3), and YBWC provided an overview of its rate increase request and explained the reasons for the proposed rate increase. Customers requested clarification on the company’s expenses and operations Customers also expressed their concerns about the magnitude of the proposed rate increase. Yerba Buena and WD responded to the concerns raised by the customers.

# DISCUSSION

The WD made an independent analysis of YBWC's rate increase request. Appendix A provides YBWC's and the WD’s estimated Summary of Earnings (SOE) at present, requested, and recommended rates. YBWC was informed of the WD’s differing views of revenues, expenses, and rate base and the utility agrees with the WD’s findings.

**Operating Expenses**

The WD verified YBWC’s operating expense estimates by reviewing supporting documents for substantiation and accuracy and included the amounts that were deemed reasonable and prudent for these operating expenses: purchased power, other volume related expenses, materials, contract work, transportation expenses, other plant maintenance, office services and rentals, office supplies and expenses, professional services, insurance, regulatory compliance expense, general expenses, depreciation, and taxes other than income.

YBWC’s estimate for TY 2024 operating expenses was calculated differently than that of the WD. YBWC was planning to file their GRC for TY 2023, so the utility’s requested operating expense were based on the average of utility’s expenses from 2020 to 2022 Annual Reports. YBWC applied the appropriate Consumer Price Index (CPI) escalation increase to these amounts for each respective year. Because YBWC decided to wait and file its GRC for TY 2024, the utility increased the estimated TY 2023 average expense by the 2023 CPI of 6.5% to estimate the TY 2024 expense. The WD took the most recent three-year average of the expense amounts from YBWC’s 2021-2023 Annual Reports and applied the relevant escalation factors. WD used the July escalation factors as published by the California Public Advocates Office; 8% for Labor and 0.10% for Non-labor for 2023 and 4.10% for Labor and 0.70% for Non-labor for 2024.[[3]](#footnote-4)

Uncollectable Accounts

YBWC requested $3,716 for uncollectable accounts. YBWC used the average uncollectable accounts expense from 2020 to 2022 to estimate their TY 2024 uncollectable accounts expense. YBWC recorded $3,216 in this account in 2020 and had no recorded expenses in this account after 2020. Since YBWC did not record any expense for uncollectable accounts from 2021 to 2023, the WD did not approve any amount for this expense in TY 2024. The WD used the average uncollectable accounts expense from 2021 to 2023 as a more accurate reflection to estimate the recommended amount of $0 for the TY 2024 uncollectable account expense.

Office Supplies and Expenses

YBWC requested $18,927 for office supplies and expenses. This expense account includes a phone answering service utilized by YBWC, utilities for the office, and office supplies and postage. YBWC applied the corresponding CPI increase for each year from 2020 to 2022 and used the 3-year average to estimate the 2023 expense and applied the 2023 CPI of 6.5% to estimate TY 2024 expense. The WD used average office supplies and expenses from 2021 to 2023 with the 2024 non-labor escalation factor of 0.1% to estimate TY 2024 expense for this account. After reviewing the expenses for this account, WD recommends $16,500 for Office Supplies and Expenses.

Regulatory Compliance Expense

The WD’s recommended amount for regulatory compliance expense is $5,750.

This recommendation was developed using the average between the utility’s requested amount of $6,500 and the utility’s three-year average of recorded regulatory compliance expenses escalated by the appropriate inflation factors. The utility’s three-year average expense with escalation factor was $5,000, and that was the same amount that the utility was approved for in their previous GRC. YBWC informed the WD that the regulatory compliance expense is increasing due to the lack of available skilled consultants. Therefore, WD and YBWC agreed to use the average of the utility’s requested amount and WD’s calculated average of the three past years escalated by appropriate inflation factors.

**Utility Plant and Rate Base**

For TY 2024, the WD’s analysis of YBWC’s rate base estimate included examining utility plant-in-service from the company’s last GRC, utility plant additions, materials and supplies, working cash, and depreciation reserve. YBWC and WD’s differences and estimating methods will be described below. YBWC’s and the WD’s rate base estimates for TY 2024 are provided in Appendix A of this resolution.

Average Plant

YBWC’s average plant amount of $1,588,296 is different from WD’s recommended average plant, because YBWC used the Beginning-of-Year (BOY) plant balance and WD used End-of-Year (EOY) plant balance from the 2023 annual report to substantiate the calculation for the total utility plant. The YBWC 2023 annual report shows $21,266 in plant additions during the year for an EOY plant balance of $1,609,562. In YBWC’s workpapers, the utility did not include or anticipate any plant additions or retirements for TY 2024. The WD’s recommended average plant of $1,609,562 was obtained from YBWC’s 2023 Annual Report and includes recorded plant additions YBWC did not include.

Working Cash

YBWC and WD determined the working cash amount by taking the total operating expenses excluding taxes, depreciation and uncollectible and dividing that amount by twelve (12) per Standard Practice U-16-W[[4]](#footnote-5) for Class D Water Companies. YBWC requested $36,870, and the WD recommended $34,083. Yerba Buena agrees with WD’s recommended total operating expenses, and thus the recommended working cash estimate is $34,083.

Depreciation

After reviewing YBWC’s depreciation study and computations provided in annual reports and workpapers from 2020 to 2023, WD determined that YBWC used depreciation rates established in 2016. Consequently, while WD agrees with YBWC’s analysis in their depreciation study, WD developed a new depreciation study following guidelines in Standard Practice (SP) U-04 to estimate depreciation in TY 2024.

For TY 2024, YBWC and the WD agreed to utilize a 2.24% composite rate for depreciation rate in calculating the depreciation expense, accumulated depreciation, amortization expense, and accumulated amortization. The composite rate represents the different depreciation rates for wells, pumping equipment, reservoirs & tanks, water mains, and fire hydrants. The other depreciable plant items were either at 0% depreciation rate or fully depreciated. The depreciation expense was estimated as $19,110 and the amortization expense was estimated as $14,587.

Taxes Other Than Income

Taxes other than income (TOTI) is comprised of property taxes, other taxes and licenses. The WD’s recommendation for taxes other than income is $12,458 and is $4,063 less than the requested amount of $16,523. This difference results from YBWC’s use of 2024 present tax rates for their requested amount of $16.523; $1,790 for property taxes; and $14,733 for other taxes and licenses, while WD used the requested property taxes of $1,790 and other taxes and licenses of $10,668 for the recommendation for TY 2024. YBWC’s estimate of $14,733 for other taxes and licenses is based on the utilities recorded other taxes from 2022 ($3,113) and estimated 2 % tax on revenues from Ventura County ($11,620). The WD noticed that the utility was not consistent in how their TOTI was calculated throughout the years, but the staff noted that the TOTI amount stayed relatively similar at $12,318. Because the utility’s method of calculating TOTI was inconsistent, the WD used a three-year average with a 1% increase to determine the other taxes and licenses recommendation. YBWC agreed with the WD’s recommendation.

**Rate of Return vs. Rate of Margin**

In accordance with Commission ratemaking policies adopted for Class C and D water utilities by Decision (D.) 92-03-09, two rate of return methods can be used for ratemaking, the Rate of Return (ROR) and ROM.[[5]](#footnote-6) D. 92-03-09 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 return.[[6]](#footnote-7) The WD’s current recommended ROM for Class D water utilities is 28.51%. The WD’s current recommended ROR for Class D water utilities is 11.00% to 12.30%.[[7]](#footnote-8) YBWC calculated a ROM of 28.51% and a ROR of 23.70% for the requested rate increase of $168,806. YBWC chose the ROM method, since this method produced the greater return in their calculations. YBWC’s calculations takes into account an estimated operating revenue for 2023.

Based on the actual operating revenue recorded in YBWC’s 2023 annual report, the WD calculated that YBWC’s request of $617,599 for annual operating revenue will result in a general rate increase request of $195,097, or 47.18%. The WD is recommending a rate increase of $187,433 at 28.51% that results in a recommended revenue requirement of $609,935 for TY 2024. In comparison, the WD calculated that the ROR method would result in a rate increase of $112,214 at 12.30% with a recommended revenue requirement of $534,716 for TY 2024. Therefore, the WD recommends that the ROM method be used for YBWC’s TY 2024 GRC.

**Rates and Rate Design**

YBWC’s rate structure consists of one rate schedule: Schedule No. 1, General Metered Service.

For the rate design as shown on YBWC’s Schedule No. 1A, WD recommended that 90% of the fixed costs be recovered in the service charge. Initially, YBWC requested 80% of the fixed costs be recovered in the service charge, which would increase the quantity rate by 125%. Although increasing the quantity rate promotes water conservation, WD staff explained to YBWC that, historically, YBWC was recovering over 90% of the fixed costs through the service charge since 2022.[[8]](#footnote-9) YBWC now agrees that a recovery of 90% of the fixed costs should be recovered in the service charge to reduce the rate shock from the increased quantity charge and to maintain consistency with YBWC’s previous service charge and quantity charge percentages from previous years.

At the recommended ROM, the increase in revenues will be $187,433, or 44.36%, for TY 2024. The rates proposed by the WD are shown in Appendix B. At the recommended rates for TY 2024, a monthly customer’s bill for a customer with a 3/4- inch meter size service connection with an average water consumption of 6 CCF will increase from $71.56 to $97.43, or 36.15%.

A comparison of customer bills at present and recommended rates is provided in Appendix C of this resolution.

**Affordability of Proposed Rates**

As discussed above, at the recommended rates, the average monthly water bill for a customer with a 3/4-inch meter size consuming 6 CCF will increase from $71.56 to $97.43, or 36.15%, for TY 2024. This rate increase represents 1.14% of the median household income of $102,141 on an annual basis for Ventura County where YBWC’s service area is located.[[9]](#footnote-10)

It should be noted that no affordability criteria have been developed and adopted in any Commission Decision or legislation. However, the Commission adheres to cost-of-service regulatory principles in developing rates for its jurisdictional utilities, and the WD’s recommended rates for YBWC are at the minimum required to satisfy the utility’s technical, managerial and financial capacity, and operational capability.

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 the ESJ Action Plan to guide its decisions and determine that its broad regulatory authority continues to advance equity throughout the state. With this Resolution, the Commission addresses Goal #1 of the ESJ Action Plan, “Consistently integrate equity and access considerations throughout Commission regulatory activities,” and Goal #3: “Strive to improve access to high-quality water, communications, and transportation services for ESJ communities.”

The California Communities Environmental Health Screening Tool, Version 4 (CalEnviroScreen 4.0)[[10]](#footnote-11) provided by the California Office of Environmental Health Hazard Assessment (OEHHA), identifies disadvantaged communities (DAC) by collecting multiple metrics and outputting a single value at the census tract scale. CalEnviroScreen 4.0 ranks Malibu in the 8th percentile. At the 8th percentile, YBWC’s service area is not a DAC.[[11]](#footnote-12) Given the WD’s review of these current definitions and considerations, the proposed rate increase for YBWC is expected to provide improvements for the existing water service conditions within YBWC’s service area.

**COMPLIANCE**

The WD reviewed the utility’s compliance with water standards, financial regulations, and required User Fee payments to the Commission as part of the GRC analysis.

**DDW Sanitary Survey**

YBWC currently complies with the State Water Resources Control Board’s (SWRCB) Division of Drinking Water applicable water quality standards and regulations for safe drinking water.

**UAB Financial Review**

WD reviewed YBWC’s compliance with financial audit reviews conducted by the Commission’s Utility Audits Branch (UAB). The most recent UAB financial audit was conducted on YBWC’s Financial Statements on January 25, 2021, for the years ended on December 31, 2019. While these financial statements were found in compliance with the Commission’s Uniform System of Accounts (USOA), UAB identified five recommendations regarding long-term debt and internal agreements for services provided by the utility’s affiliated companies. YBWC implemented all five of UAB’s recommendations.

**User Fees**

Pursuant to Public Utilities Code section 433(a), public utilities are required to pay an annual Public Utilities Reimbursement Fee (annual fee) to the Commission. The WD confirmed with the Commission’s Fiscal Office that YBWC is current with its annual fee payments.

**Annual Reports**

YBWC filed its annual reports on time as required by the Commission.

**UTILITY SAFETY**

Safety for water utilities considers several factors such as water quality, system design, operation and maintenance, and service. One of 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 health. As previously noted, YBWC currently complies with SWRCB’s applicable water quality standards for safe drinking water. The SWRCB in its March 8, 2016 updated domestic water supply permit for YBWC’s water system also determined that the design and construction of YBWC’s water system complies with the California Water Works Standards and all other applicable regulations, and that the company has demonstrated adequate technical, managerial, and financial capacity to reliably operate the water system.[[12]](#footnote-13) For these reasons, the WD finds that YBWC is operating and maintaining its water system in a manner that provides safe and reliable water service for its customers.

# COMMENTS

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

Accordingly, this proposed resolution was mailed to the utility and its service list and made available for public comment on February 7, 2025.

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 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 Yerba Buena Water Company meets all applicable primary water quality standards set forth by the State Water Resources Control Board, Division of Drinking Water.
6. Yerba Buena Water Company should be allowed to file a supplement to Advice Letter No. 60 to incorporate the revised rate schedule (Appendix B) attached to this Resolution and to concurrently cancel its presently effective Rate Schedule.

**THEREFORE, IT IS ORDERED THAT:**

* 1. Authority is granted under Public Utilities Code Section 454 for Yerba Buena Water Company to file a supplemental Advice Letter with the revised rate schedule 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 on March 13, 2025; the following Commissioners voting favorably thereon:

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|   ALICE REYNOLDS   President   MATTHEW BAKER  DARCIE HOUCK  JOHN REYNOLDS  KAREN DOUGLAS  Commissioners   |

**APPENDIX A**

**Yerba Buena Water Company**

**Summary of Earnings**

**Test Year 2024**



**END OF APPENDIX A**

**APPENDIX B**

**Yerba Buena Water Company**

**Test Year 2024**



**END OF APPENDIX B**

**APPENDIX C**

**Yerba Buena Water Company**

**Comparison of Rates**

**Test Year 2024**



**END OF APPENDIX C**

**APPENDIX D**

**Yerba Buena Water Company**

**Adopted Quantities**

**Test Year 2024**

1. Purchased Power (Electric)

Vendor: Southern California Edison

Total KwH to be Purchased: 77,124

Estimated Cost per KwH: $0.4964

Total Cost: $38,288

1. Metered Water Sales in Ccf 32,955
2. Service Connections

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| Meter Size: |  |
| 3/4-inch | 165 |
| 1-inch | 42 |
| 1-1/2-inch | 23 |
| 2-inch | 18 |
| 3-inch | 1 |
| Total: | 249 |
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1. Tax Calculations

**Category TY 2024**Operating Revenues $609,935
Operating Expenses $404,474
Taxes Other than Income $12,459
Depreciation $19,110
Taxable Income for State $156,641
State Taxes (Corporate rate 8.84%) $13,847
Taxable Income for Federal $142,794
Federal Income Taxes (Corporate rate 21.00%)) $29,987

**END OF APPENDIX D**

**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-5289 on all parties in these filings or their attorneys as shown on the attached lists.

Dated February 4, 2025 at San Francisco, California.

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|  | /s/ LEVI GOLDMAN |
| Levi Goldman |

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| 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. |

**Yerba Buena Water Company**

**Advice Letter No. 60**

**Service List**

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California American Water Company

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Los Angeles County Water Works District 29

Attn: William Johnson, Area Engineer

Malibu Office

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wjohnson@dpw.lacounty.gov

1. State Water Resources Control Board’s Division of Drinking Water March 8, 2016 Sanitary Survey Report. [↑](#footnote-ref-2)
2. As defined in General order 96-B Water Industry Rules Section 1.2., Class B, C, and D investor-owned water utilities serve 2,001 through 10,000, 501 through 2,000, and less than 500 service connections, respectively [↑](#footnote-ref-3)
3. Memorandum sent on July 31, 2024 by the Public Advocates Office, Water Branch. [↑](#footnote-ref-4)
4. More information on working cash calculation can be found on: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M055/K059/55059235.PDF [↑](#footnote-ref-5)
5. The revenue requirement and rates under the ROR method are based on company’s rate base and under the ROM method the revenue requirement is based on the company’s overall expenses, which include operating, maintenance, and depreciation expenses and other taxes, and an operating margin percentage. [↑](#footnote-ref-6)
6. D. 92-03-093, Ordering Paragraph 8. [↑](#footnote-ref-7)
7. Division of Water and Audits’ March 08, 2024 memorandum on the recommended Rates of Return and Rates of Margin for Class C and D Water Utilities: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/water-division/reports/wd-memorandum/rorandrom-classcd2024.pdf [↑](#footnote-ref-8)
8. Standard Practice 7, Section D, 3, provides that a Class a Class D water utility such as YBWC can establish rates to include 00% of the fixed costs in the service charge. [↑](#footnote-ref-9)
9. The 2022 MHI as obtained from the United States Census Bureau website: https://www.census.gov/quickfacts/fact/dashboard/venturacountycalifornia/INC110220 [↑](#footnote-ref-10)
10. https://oehha.ca.gov/calenviroscreen. [↑](#footnote-ref-11)
11. SB 535 from OHHEA indicates that an area is considered a DAC if they are in the highest 25 percentile, i.e., 75 percentile to 100 percentile. [↑](#footnote-ref-12)
12. SWRCB Domestic Water Supply Permit #: 04-06-16P-001. [↑](#footnote-ref-13)