

PROPOSED RESOLUTION

**Resolution W-5291
WD**

**April 3, 2025
Agenda ID # 23360**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

**Agenda ID # 23360
RESOLUTION W-5291
April 3, 2025**

R E S O L U T I O N

**Resolution W-5291 Point Arena Water Works. Catastrophic Event
Memorandum Account Recovery**

PROPOSED OUTCOME:

- Grants Point Arena Water Works. (PAWW) authority to implement a monthly meter-equivalent surcharge for thirty-six months to recover \$50,595 in incurred expenses for the period of January 4, 2023 to December 30, 2023 recorded in its Catastrophic Event Memorandum Account (CEMA).

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- The typical residential customer's bill will increase by \$4.39 per month or 2.21%.

By Advice Letter 102-W, Filed on November 12, 2024

SUMMARY

This resolution authorizes a monthly meter-equivalent surcharge for thirty-six months, to recover \$50,595 in expenses recorded in the Catastrophic Event Memorandum Account (CEMA) for the period of January 4, 2023, to December 30, 2023. The surcharge of \$4.39 per month increases rates by 2.21% for a typical residential customer.

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BACKGROUND

PAWW provides water utility service to 228 customers in the City of Point Arena and Whiskey Shoals Subdivision Unit No. 1, 2 & 3, in Mendocino County. PAWW's well adjacent to the Garcia River is its primary source of water.

By Advice Letter (AL) 61, effective November 8, 2010, PAWW established a CEMA. By letter dated March 31, 2017, PAWW informed Water Division (WD) that it would begin booking the costs to its CEMA for repairs due to flood damage at its Garcia River well site. By AL 78, effective April 26, 2018, PAWW was authorized to recover a balance of \$124,484 recorded in its CEMA for the period April 1, 2017 to October 31, 2017.

By AL 102, PAWW requested authority under General Order (G.O.) 96-B and Section 454 of the Public Utilities Codes to add a surcharge to ratepayers to recover the balance recorded in its CEMA from January 4, 2023, through June 30, 2023 due to impacts from the severe winter storms of 2022/2023. PAWW's present rates became effective on June 17, 2024, through AL 100 which implemented a Consumer Price Index (CPI) increase of 3.4%. The last general rate increase was approved on May 30, 2019, pursuant to Resolution W-5195, which authorized a rate increase of \$91,486 or 30.00%.

By Advice Letter 102, filed on November 12, 2024, Point Arena Water Works (PAWW), a Class D water utility, seeks to recover the balance of \$50,979 recorded in its Catastrophic Event Memorandum Account for the period of January 4, 2023, through December 30, 2023.

NOTICE

Notice of AL 102-W was served to the customers on November 12, 2024. PAWW states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter 102-W was not protested.

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DISCUSSION

On December 27, 2022, Governor Gavin Newsom signed a Proclamation of a State of Emergency¹ due to severe winter storms, high winds, and severe flooding. On January 17, 2023, PAWW requested to activate its CEMA related to the severe winter storms as was described in the Governor's Proclamation of a State Emergency.

The strong winds with heavy rain caused damage to PAWW's main tanks and other facilities located at 145 Riverside Drive on January 4, 2023. These damages included the main electrical panel, the supply lines from main tank #3, uprooted trees and fences around tank #2. PAWW cleared the fallen trees around tank #2 and repaired the fence around tank #3. Tank #3, a 125,000-gallon redwood tank, was repaired, cleaned, and refilled. PAWW also reported a water service line break on Port Road. The utility incurred expenses to locate and repair the break. A detailed account of the activities undertaken by PAWW are detailed in the invoices supplied with AL 102.

By AL 102, PAWW seeks to recover the accumulated balance in the CEMA for the period of January 4, 2023, through December 30, 2023, necessitated by repairs to the facilities listed above. PAWW also requests authority to establish CEMA balancing account to track the recovery of the balances in CEMA. PAWW provided WD with a detailed report of the work done and the expenses incurred. WD reviewed the report, and the expenses booked to PAWW's CEMA. The accumulated balance in the CEMA for the period of January 4, 2023 to December 30, 2023 requested by PAWW is \$50,979. The utility requests a surcharge of \$10.57 for each connection every month for twenty-four months to amortize the balance. However, WD proposes an alternative method of recovery below.

When a utility seeks recovery of the costs recorded in its memorandum account, it has the burden to meet the following standard:²

- 1) it acted prudently when it incurred these costs;
- 2) the utility paid reasonable amounts for these costs;

¹ Governor's Proclamation of a State Emergency can be found on this website:

<https://www.gov.ca.gov/wp-content/uploads/2023/01/1.4.23-SOE.pdf?emrc=e53f34>

² More information on Memorandum Accounts can be found on Standard Practice U-27-W:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M090/K002/90002198.PDF>

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- 3) the memorandum account costs are not covered by other authorized rates; and
- 4) It is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates (see e.g., Ordering Paragraph 5 of Res. W-4824.)

As discussed above, WD's review of the emergency repairs necessitated by the 2022/23 winter storm, PAWW acted prudently in incurring the costs recorded in its CEMA.

With respect to reasonableness of costs, WD verified PAWW's invoices for labor, equipment, and supplies, and found minor discrepancies between the invoices and cost analysis provided by PAWW. The WD presented the discrepancies to PAWW, and it agrees with the corrections.

With respect to whether the costs may be included in any other rates, PAWW could not have anticipated the necessary repairs on its well site as recorded in its CEMA. As such, the costs could not have been included in the utility's previously authorized rates.

Whether these CEMA costs are appropriate for payment by ratepayers, WD finds that the costs booked to the CEMA were necessary for repairs required to assure safe, reliable water service to ratepayers

Recovery of CEMA Costs

PAWW has 164 customers that are using 5/8 x 3/4 – inch meter, 14 customers using 3/4-inch meter, 15 customers using 1-inch meter, 6 customers using 2-inch meter, and 2 customer using 4-inch meters. PAWW requests to implement a uniform surcharge to each of its 201 metered customers, regardless of the meter size. However, WD recommends PAWW use the “meter-equivalent” method which recognizes the demand on service from larger metered customers, to calculate a fairer surcharge, since most of PAWW's customers are residential customers using 5/8 x 3/4 – inch meters. “Meter-equivalent” method converts number of customers from each meter size into a 5/8 x 3/4 – inch meter equivalent amount by multiplying the number of customers in each meter size with a meter ratio. The sum of all the converted values is the total 5/8 x 3/4 – inch meter equivalent amount, and that value is used to determine the surcharge for a 5/8 x 3/4 – inch meter.³

³ More information on “Meter-Equivalent” Method can be found on this website: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M530/K179/530179593.pdf>

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PAWW requests to recover the balance of CEMA over twenty-four months. However, WD recommends PAWW recover the CEMA balance over a thirty-six-month period consistent with Standard Practice U-27-W,⁴ which recommends a recovery period of three years if the under collection exceeds 10% of gross revenues. As the CEMA balance of \$50,595 is 12.89% of PAWW’s most current authorized gross annual revenues, the recovery period should be thirty-six months. PAWW agrees with WD’s recommendations regarding, a surcharge period of thirty-six months and use of the “meter-equivalent” method to determine the surcharge charge. Table A below summarizes the WD’s recommendations and provides the new surcharge per month for each meter size.

Table A

Authorized Geoss Revenue from AL#100	\$ 392,450
Outstanding Balance to be amortized	\$ 50,595
Percent of Gross Revenue	12.89%

Meter Size	Number of Connection	Meter Ratio	Meter Equivalent	Surcharge per Month per Meter
5/8 X 3/4 - Inch	164	1	164	\$ 4.39
3/4 - Inch	14	1.5	21	\$ 6.58
1 - Inch	15	2.5	37.5	\$ 10.96
1.5 - Inch	0	5	0	\$ 21.93
2- Inch	6	8	48	\$ 35.08
3 - Inch	0	15	0	\$ 65.78
4 - Inch	2	25	50	\$ 109.63
Total	201		320.5	

Amortization Period (months)	36
Surcharge Amount (5/8 X 3/4 - Inch)	\$ 4.39

Using WD’s recommended surcharge of \$4.39 for 5/8 X 3/4 - inch meter size, a typical residential customer using 5 CCF would see a bill increase from \$198.24 to \$202.63, or 2.21%.

⁴ More information on Standard Practice U-27-W can be found on this website:
<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M090/K002/90002198.PDF>

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PAWW requests to establish a CEMA balancing account to track the recovery of the balances in CEMA. WD finds that PAWW should be permitted to transfer the balance of \$50,595 from the CEMA to a balancing account for recovery and to recover the amounts in the balancing account by imposing a surcharge based on the meter size, per month for a period of thirty-six months.

Affordability of Proposed Rates

As discussed above, the proposed surcharge would increase the typical monthly bill to \$202.63, which is 2.3% of the annual median household income of \$105,726 for Point Arena, California in 2023.⁵

It should be noted that no affordability criteria have been developed and adopted in any Commission Decision or legislation. Instead, the discussion regarding affordability is presented to indicate to the Commission the relationship between the proposed water bills 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 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)⁶ provided by the California Office of Environmental Health

⁵ Median household income in Point Arena, CA can be found on this website:
<https://data.census.gov/table/ACSST5Y2023.S1901?q=point%20arena%20california>

⁶ <https://oehha.ca.gov/calenviroscreen>.

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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 Point Arena in the 19th percentile. At the 19th percentile, PAWW's service area is not a DAC.⁷ Given WD's review of these current definitions and considerations, PAWW is expected to provide improvements for the existing water service conditions within PAWW's service area.

SAFETY

The resolution provides adequate revenues for the utility so that it can provide safe and reliable water service to its customers. The water served by the utility meets all applicable primary water quality standards set forth by the State Water Resources Control Board, Division of Drinking Water.

COMPLIANCE

The WD reviewed the utility's compliance with water standards, financial regulations, and required User Fee payments to the Commission as part its review of AL 102.

DDW Sanitary Survey

PAWW was recently issued a notice of violation for a lead and copper monitoring violation. PAWW is required to take 10 samples but have only collected 5 samples. State Water Resources Control Board's (SWRCB) Division of Drinking Water has directed PAWW to take 10 samples between June 1st and September 30th in 2025, which PAWW proposes to do.

UAB Financial Review

WD reviewed PAWW's compliance with financial audit reviews conducted by the Commission's Utility Audits Branch (UAB). The most recent UAB financial audit was conducted on PAWW'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

⁷ 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.

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Commission's Uniform System of Accounts (USOA), UAB identified eight recommendations regarding long-term debt and internal control deficiencies in PAWW's annual report. PAWW implemented all eight 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 PAWW is current with its annual fee payments.

Annual Reports

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

COMMENTS

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

FINDINGS AND CONCLUSIONS

1. Point Arena Water Works (PAWW) seeks to recover the costs booked to its Catastrophic Event Memorandum Account (CEMA). The CEMA was established on November 8, 2010, by approval of Advice Letter (AL) 61.
2. PAWW notified Water Division on January 17, 2023, that it would begin booking costs to its CEMA.
3. By AL 102, filed on November 12, 2024, PAWW seeks to recover expenses which PAWW recorded in its CEMA from January 4, 2023, through December 30, 2023.
4. AL 102 was served on November 12, 2024, in accordance with the provisions of General Order (G.O.) 96-B. A notice of the proposed rate increase request was mailed to customers on November 12, 2024. No protest was received.

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5. PAWW incurred and recorded costs with a total amount of \$50,595 in the CEMA from January 4, 2023, through December 30, 2023.
6. PAWW should be permitted to transfer the balance of \$50,595 from the CEMA to a balancing account for recovery.
7. PAWW should be permitted to recover the amounts in a balancing account by imposing a surcharge based on the meter size, per month for a period of thirty-six months.

THEREFORE, IT IS ORDERED THAT:

1. Point Arena Water Works shall transfer the amount of \$50,595, the combined balance in its Catastrophic Event Memorandum Account, to a balancing account for recovery over a period of thirty-six months. Accrued interest at the 90-day commercial paper rate may be added on the uncollected amounts from the effective date of this Resolution.
2. Point Arena Water Works shall recover the amounts in the balancing accounts reflected in Ordering Paragraph 1 above by imposing a surcharge based on each meter size, for a period of thirty-six months.
3. Point Arena Water Works shall submit a supplement to Advice Letter 102 with the rate schedule attached to this resolution as Appendix A and concurrently cancel the second sheet of its presently effective Schedule No. 1, General Metered Service. The effective date of the rate schedule shall be five days after the date of filing.

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This resolution is effective today.

The foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on April 3, 2025; the following Commissioners voting favorably thereon:

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

April 3rd, 2025 at San Francisco, California

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APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

(Continued)

SPECIAL CONDITIONS (continued)

- 4. The California Department of Forestry (Cal Fire) will be charged at the rate of the 2-inch meter charge.
- 5. All bills are subject to a one-time surcharge of \$50,595 to be collected per customer per month over a period of 36 months from the effective date of Advice Letter No. 102-W and/or terminated upon the full amortization or recovery of the CEMA. This surcharge is specifically for the recovery of expenses accrued in the CEMA for the period of January 4, 2023 – December 30, 2023. The surcharge shall be collected over a period of 36 monthly billing periods based on meter-equivalent surcharge: (N)

		<u>Per Meter Per Month</u> <u>Over a Period of</u> <u>36 Months</u>	(N)
For	5/8 x 3/4 -inch meter	\$ 4.39	----- (N)
For	3/4-inch meter	\$ 6.58	
For	1-inch meter	\$ 10.96	
For	1 1/2 -inch meter	\$ 21.93	
For	2-inch meter	\$ 35.08	
For	3-inch meter	\$ 65.78	
For	4-inch meter	\$ 109.63	
For	Over 4-inch meter	\$ 109.63	

End of Appendix

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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-5291 on all parties in these filings or their attorneys as shown on the attached lists.

Dated March 12, 2025 at San Francisco, California.

/s/ LEVI GOLDMAN

Levi Goldman

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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**POINT ARENA WATER WORKS
ADVICE LETTER NO. 102-W
SERVICE LIST**

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