PROPOSED RESOLUTION

Resolution W-5318
WD

August 13, 2026
Agenda ID# 24392

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION **RESOLUTION W-5318**
August 13, 2026

R E S O L U T I O N

Resolution W-5318 Lake Alpine Water Company General Rate Case

PROPOSED OUTCOME:

- Grants Lake Alpine Water Company (LAWC) a general rate increase of $124,924, or 15.28%, estimated to provide a Rate of Return (ROR) of 9.00%.

SAFETY CONSIDERATIONS:

- This general rate increase provides additional funding to Lake Alpine Water Company to ensure the utility remains current with its infrastructure updates and system repairs.
- Lake Alpine Water Company has no major outstanding compliance issues with the State Water Resources Control Board, Division of Drinking Water.

ESTIMATED COST:

- Producing an increase in gross annual revenues of $124,924, or 15.28%, for Test Year (TY) 2026.

By Advice Letter 149, filed on January 21, 2026, and Advice Letter 149-A filed on April 22, 2026

SUMMARY

This Resolution grants LAWC an increase in gross annual revenues of $124,924, or 15.28%, for TY 2026, which is estimated to provide a ROR of 9.00%.

BACKGROUND

LAWC is a Class D investor-owned water utility with 494 metered connections according to LAWC's 2025 Annual Report. LAWC's service area consists of tracts within Bear Valley and vicinity located about three miles west of Lake Alpine, adjacent to State Highway 4, Alpine County.

By Advice Letter (AL) 149, LAWC requested authority under General Order 96-B, Water Industry Rule 1.7 and General Rule 7.6.2, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase revenues for water service by $135,116,[1] or 16.75%, over present rates based on a ROR of 9.00%.

The Property Insurance amount of $14,400 included in AL 149 was an unverified estimate. Accordingly, Water Division (WD) requested documents that supported the requested amount of Property Insurance of $14,400 in AL 149. In response, LAWC states:

> "Currently not available. LAWC was dropped by its long-term provider in Sept 2025. Searching for coverage from, among others, the California FAIR Plan Association. $14,400 was based on an initial estimate from California Fair Plan."

In an email on April 15, 2026, LAWC provided an invoice from the California FAIR Plan Association for Property Insurance of $16,180, an increase of $1,780 from the $14,400 estimate in AL 149. In a subsequent email on April 17, 2026, LAWC requested an additional adjustment to the insurance premium estimate by an increase of $8,300 (invoice from IAT Insurance Group showed $8,310) for Difference in Condition (DIC) coverage since the California Fair Plan coverage is limited to fire and a few other conditions, but not protection from snow, ice, falling trees, etc. This increase in property insurance is further discussed in the insurance section of operating expenses below.

Due to the increases in Property Insurance, LAWC filed supplemental AL 149-A which increased total revenue requested for water service by $136,697, or 16.77%. LAWC's last

[1] $135,116 is based on a Present Operating Revenue of $806,844. The correct Operating Revenue is $815,353 based on AL 145, LAWC's present rate revenue AL. The corrected increase for AL 149 based on $815,353 is $126,607 ($941,960 - $815,353 = $126,607) or 15.53%.

General Rate Case (GRC) became effective on December 5, 2024, pursuant to Commission Resolution (Res.) W-5286, which authorized a general rate increase of $103,812, or 13.77%, based on a Rate of Return (ROR) of 9.05%. LAWC's present rates became effective on June 1, 2025, by AL 145, which authorized a Consumer Price Index (CPI) increase for 2025 of $24,871 or 2.90%.

LAWC's source of water supply is surface water from Bear Lake.[2] LAWC has three storage tanks, two wood tanks with a combined capacity of 300,000 gallons and one steel tank with a capacity of 300,000 gallons for a total storage capacity of 600,000 gallons.[3] With this storage and source capacity, LAWC meets its Maximum Day Demand (MDD)[4] of 177,000 gallons for 2025[5] as required by General Order 103-A.[6] The utility's annual water production averaged about 15.4 million gallons[7] over the last three years (2023 through 2025), and its annual water sales averaged 8.0 million gallons over the same period.[8] This excessive water loss (almost 50%) is being addressed through leak detection and leak repairs every summer.[9]

LAWC customers use an average of 1.8 centum cubic feet (CCF) or about 1,350 gallons per month.[10]

NOTICE

In accordance with GO 96-B, LAWC served a copy of AL 149 to its service list on January 21, 2026, and AL 149-A on April 22, 2026.

A notice of the proposed rate increase was mailed to each customer and to the general service list on January 21, 2026, for AL 149 and on April 22, 2026, for AL 149-A. On May 1, 2026, notice of a public meeting scheduled for June 1, 2026, was inserted in the customer's May invoices.

[2] 2025 Annual Report of Lake Alpine Water Company, California Public Utilities Commission.
[3] LAWC 2025 Annual Report Schedule J.
[4] The MDD represents the maximum consumption of water in any one day of the year. DDW applied peaking factors to estimate the MDD.
[5] See response to Data Request #4, question 3.
[6] General Order 103-A Rules Governing Water Service, Including Minimum Standards for Operation, Maintenance, Design, and Construction, Section II-B.3.
[7] See response to Data Request #4, question 2.
[8] See response to Data Request #4, question 2.
[9] See response to Data Request #6, question 1.
[10] See LAWC's GRC AL 149, page 1.

PROTESTS

Advice Letters 149 and 149-A were not protested.

Site Visit

WD staff, with the assistance of LAWC's general manager, lead plant operator and plant operator, inspected LAWC's water system on June 1, 2026. LAWC's water system includes a surface water source (Bear Lake and an unnamed spring), water treatment, storage tanks, and a distribution system. Water treatment consists of membrane filtration of raw water followed by granulated activated carbon (GAC) filtration and limestone contact treatment. Various chemicals are injected throughout the system: potassium permanganate ($KMnO_4$), chlorine, and phosphoric acid to maintain water quality.

WD conducted the site visit/inspection simultaneously with the Division of Drinking Water's (DDW) Sanitary Survey.[11] Staff inspected all three storage tanks (2 wooden and 1 steel) and observed that the tanks and system facilities were well-maintained.

The system, prior to the issuance of the DDW citation in 2022,[12] operated a single GAC vessel. To address and comply with the 2022 DDW citation, LAWC converted an empty limestone tank to a second GAC vessel. This measure addressed the DDW citation for compliance with the Maximum Contaminant Level (MCL) for Haloacetic Acids 5 (HAA5) on an ongoing basis.

Engineering consultants have advised LAWC to install four new GAC vessels in place of the current GAC vessel and refurbished limestone tank. LAWC applied for a grant under SWRCB's Safe and Affordable Funding for Equity and Resilience program to fund the design and installation of the four new GAC vessels. The grant funding is still being considered by the SWRCB.

[11] Gena Farley was the Water Resource Control Engineer from DDW - Stockton District who conducted the Sanitary Survey.

[12] State Water Resources Control Board Division of Drinking Water Compliance Order No. 01-10-22R-001: LAWC exceeded the Maximum Contaminant Level (MCL) for Disinfection Byproduct Haloacetic Acids Five (HAA5).

Public Meeting

An informal public meeting was scheduled for June 1, 2026, at 5:00 pm at the Cathedral Lounge of the Bear Valley Lodge located at 265 Bear Valley Road, Bear Valley, California to discuss the proposed rate increase. No customers showed up for the Public Meeting. An employee from the Local Agency Formation Commission (LAFCO) came to observe only. WD staff and LAWC waited until 5:30 pm before ending the Public Meeting.

DISCUSSION

In reviewing LAWC's rate increase request for water service, the WD made an independent analysis of the utility's rate increase request and its operations. Appendix A provides a comparison of LAWC's and the WD's estimated Summary of Earnings (SOE) at present, requested, and recommended rates. LAWC agrees with the WD's recommendations for the SOE shown in Appendix A and rates shown in Appendix B.

Operating Expenses

The WD verified LAWC's operating expense estimates for TY 2026 by reviewing supporting documents for substantiation and accuracy and included the amounts that were deemed reasonable and prudent. WD's recommendation differed from LAWC's total estimated operating expenses by a difference of -$5,743, as shown in Appendix A. The WD agrees with all LAWC's requested operating expenses except for contract work (excluding water testing), transportation expenses, uncollectable accounts, and office services and rentals. Other minor differences in recommendations are due to the use of different escalation factors, resulting in a $541 reduction. LAWC used 2026 escalation figures of 3.3% for Labor and 3.0% for Non-Labor while the WD used the February 2026 escalation factors as published by the California Public Advocates Office, which are 2.7% for Labor and 2.8% for Non-Labor.

Contract Work (Excluding Water Testing)

LAWC requests $17,732 for contract work (excluding water testing) expense. LAWC's request is based on the three-year average for the 2022 to 2024 recorded expenses with the relevant escalation factor applied. The WD reviewed LAWC's transaction listing for 2022 to 2024 and removed items that were one-time expenses or did not occur on a regular basis.[13] These items are the Dupont audit of the membrane plant (2022),[14] leak detection services (2024), and Kaeser Compressor troubleshooting and repair (2024).[15] Recalculating the three-year average without the one-time expenses and with the relevant escalation factor applied, the WD recommends $13,614 for contract work (excluding water testing) expense, or a $4,118 reduction.

Transportation Expenses

LAWC requests $9,239 for transportation expenses. LAWC's request is based on the three-year average for the 2022 to 2024 recorded expenses with the relevant escalation factor applied. The WD reviewed LAWC's transaction listing for years 2022 to 2024. In reviewing LAWC's transportation expenses, WD discovered the recorded amount of $11,229 in 2024 appears inconsistent with the amounts of $7,979 and $7,474 in 2022 and 2023, respectively. LAWC confirmed that $11,229 included items that were one-time expenses or did not occur on a regular basis.[16] These items are a snowmobile cover replacement, a snowmobile starter replacement, and new truck tires, costing $856, $735, and $1,247, respectively.[17]

Additionally, for ALs 149/149A, LAWC used $7,703 for transportation expenses in 2023. However, the annual report recorded $7,474. This difference is due to a reclassification into general expenses of a $229 mileage reimbursement to a director for a meeting.[18] In the WD's estimate, the $7,474 amount was used. Recalculating the three-year average with the relevant escalation factor applied, the WD recommends $8,170 for transportation expenses, or a $1,069 reduction.

Uncollectable Accounts

LAWC requested $15 for uncollectable accounts based on a three-year average using the 2022 to 2024 annual expenses. However, since LAWC has not reported any uncollectable account expenses in the last three years from 2023 to 2025, the WD does not recommend including any amount for this expense.

[13] WD sent data requests inquiring as to the nature of the expenses.
[14] See response to Data Request #7, question 1. LAWC confirmed that the identified expense was non-recurring.
[15] See response to Data Request #5, questions 3eii1 and 3eii2. LAWC confirmed that the identified expenses were non-recurring.
[16] WD sent data requests inquiring as to the nature of the expenses.
[17] See responses to Data Request #2, question 7b and DR #5, question 3f. LAWC confirmed that the identified expenses were non-recurring.
[18] See response to Data Request #2, question 7a.

Office Services and Rentals

LAWC requested $5,006 for office services and rentals. This request is based on a monthly rental of $405 or $4,860 for TY 2026 with the relevant escalation factor applied. However, LAWC has reported consistent annual expenses in the last three years: $4,857; $4,860; and $4,860 for 2023, 2024, and 2025, respectively. This amount is derived from their monthly rent of $405 and does not show escalation. Therefore, the WD recommends $4,860 for office services and rentals, or a $146 reduction.

Insurance

LAWC originally requested $57,841 for the insurance expense in AL 149. This request is based on insurance for workers' compensation, auto, general liability, and property. The increase from the present expense of $33,408 is because LAWC had exceeded their loss ratio and were notified that they would not be renewed for general liability and property insurance in September 2025. Additionally, LAWC is considered a high wildfire risk because of its location. The cost of workers' compensation and auto insurance has decreased but the new general liability insurance cost has increased.

LAWC submitted a supplement to AL 149, AL 149-A, to include an updated property insurance quote and additional coverage. Initially, LAWC requested $14,400 for property insurance based on an estimate from California Fair Plan (CFP). However, this estimate assumed that LAWC is a government property. After proving to CFP that it is an investor-owned utility, LAWC received a new quote from CFP of $16,180 and submitted the related documents for verification. CFP covers fire, lighting, extended coverage (including windstorm or hail, smoke, and sinkhole collapse), and vandalism and malicious mischief. This increases the total insurance expense by $1,780 from $57,841 to $59,621. Additionally, LAWC requested Difference in Conditions (DIC) coverage because CFP coverage is limited. DIC coverage is necessary to have protection from conditions like snow, ice, and falling trees. This increases the total insurance expense by $8,310, resulting in a total requested insurance expense of $67,931. With the corrected escalation factor, WD recommends $67,870 for total insurance expense.

Employee Pensions and Benefits

LAWC requested $65,272 for employee pension and benefits. This request is based on the Health Savings Account contribution limits for 2026 and their current bill for health and dental insurance. The increase from the present expense of $56,786 is caused by the addition of a third employee into the health and dental insurance plans. With the corrected escalation factor, WD estimate of $65,145 is comparable to LAWC's estimate, and therefore the LAWC estimate of $65,272 for employee pensions and benefits is reasonable.

Income Taxes

Since LAWC is structured as a C-corporation, the WD's and LAWC's State and Federal Income Taxes estimates for LAWC's income tax expense for this GRC are based on income tax rates for a C-Corporation, i.e., LAWC pays federal income taxes (FIT) at a rate of 21.00% and state income taxes (SIT) at 8.84%. In computing Income Taxes, LAWC multiplied the SIT rate of 8.84% with the Net Income (or Return on Rate Base) and the FIT rate of 21.00% with the same Net Income.[19] The WD applied the 8.84% SIT rate to the state taxable income,[20] and the 21.00% FIT rate to the federal taxable income.[21] LAWC's methodology results in total Income Tax Expense lower by $12,868[22] than the WD's total income tax expense as shown in Appendices A and D.

Utility Plant and Rate Base

WD's analysis of LAWC's rate base estimate includes examining utility plants in service, construction work in progress (CWIP), working cash,[23] accumulated depreciation, contributions in aid of construction (CIAC), and deferred income taxes. WD's and LAWC's estimating methods for rate base are different for the average plant and the depreciation calculation components.

LAWC's estimated rate base for TY 2026 is $2,002,704. LAWC's rate base calculation is based on last approved rate base of $1,606,181, authorized by Res. W-5286, and new

[19] Since LAWC's taxable income for both state and federal tax purposes is based on return on rate base, expenses are not included in the computation. LAWC's requested rate base amount for this GRC is $2,002,704. Net income or return on rate base at 9% is then $180,243.36. Applying the State Income Tax rate of 8.84% results in state tax of $15,933.51. Applying the Federal Income Tax rate of 21% to the same net income or return on rate base results in federal tax of $37,851.11. Total LAWC income taxes are $ 53,784.62.
[20] Revenue requirement less the sum of total operating expenses, depreciation, TOTI and Interest.
[21] State taxable income less state income tax.
[22] Per SP U-3-SM, "Income taxes are calculated on a pro-forma basis by applying the applicable tax rates to the utility's net revenue based on straight-line depreciation. When doing this calculation, the prior year's state income tax is used as a deduction from the current year federal income tax for the test year (D.89-11-058, December 22, 1989).
[23] LAWC's present working cash amount of $235,200 is based on the total current and accrued assets reported in LAWC's 2024 annual report, while WD's present working cash for LAWC is based on the average cash asset amount reported in 2023 and 2024 annual reports.

plant investments in 2025 of $207,220, of which $7,197 is contributed capital, and $196,500 in 2026.

WD's recommended rate base for TY 2026 is $1,905,910, a decrease of $96,794 or 4.83% from LAWC's requested rate base of $2,002,704. WD estimated its rate base using averages of plant in service, accumulated depreciation, CIAC, accumulated amortization of CIAC, deferred income tax, and CWIP. On May 6, 2025, CPUC's Utility Audit Branch (UAB) performed a review of LAWC's financial statements for 2023. In the audit report, UAB found that LAWC overstated CIAC, and accumulated amortization of CIAC and CWIP. Deferred income tax was found by UAB to be materially misstated.[24] Water rights with a definite life were misclassified as Intangible Plant.[25] LAWC amended its 2023 and 2024 annual reports to correct the inaccuracies found in the UAB review. WD determined that LAWC's 2025 annual report represents accurate current financial state of LAWC. Therefore, WD based its rate base estimation on LAWC's 2025 annual report for Water Plant in Service, CIAC, deferred income tax, and CWIP. WD presented LAWC with its rate base estimation and LAWC agrees with WD's recommendations. Detailed comparison of requested and recommended rate base can be found in Appendix A.

<u>Average Plant</u>

LAWC uses an average utility plant amount of $4,447,251 for TY 2026 for its rate base calculation. LAWC's requested average plant is based on approved average plant of $4,043,531 in Res. W-5286 for TY 2024 with estimated plant additions of $207,220, of which $7,197[26] is CIAC, in 2025 and $196,500 in 2026. Plant financed by contributions is included as part of plant in service.[27] However, plant financed through contributed funds is not eligible to be included in utility rate base on which rates are based. As such, only plant in service financed by the utility net of any plant funded through contributions is included in rate base to be paid for in rates. Per Standard Practice U-5 SM, CIAC are deducted from plant in service in the calculation of rate base for ratemaking purposes.[28]

[24] The misstatements of Deferred Income Tax and Retained Earnings were the reasons UAB issued a Qualified Conclusion on LAWC 's 2023 financial statements (see UAB Report pages 9 to 10 of 49).
[25] UAB Report pages 19 to 20 of 49.
[26] Since $7,197 of $207,220 is CIAC, the net plant addition in 2025 to be paid by ratepayers is $200,023.
[27] USOA for Small Water, Appendix C (Grant Funds): cash CIACs are recorded in a Special Cash Deposit from which funds are withdrawn to finance the construction of the utility plant.
[28] SP U-5-SM, item 6.

WD's recommended average plant is $4,773,619. WD's recommendation is based on end of year (EOY) plant in service amount of $4,332,870 and water rights in the amount of $440,749 reported in LAWC's 2025 annual report.[29] As mentioned above, the UAB audit report showed that LAWC misclassified $440,749 of water rights with a definite life as intangible plant. Therefore, LAWC was advised to reclassify the cost of water rights as Water Plant in Service-Other. WD agrees with UAB's findings and incorporated the changes in WD's average plant recommendation.

WD also reviewed invoices for plant additions in 2024 and 2025. Since LAWC's last GRC, the utility invested $499,130 in utility plant: $260,004 in 2024 and $239,126 in 2025. The most significant investment is in water mains ($108,258 in 2024 and $143,936 in 2025) to address installation of new service line, replacing galvanized water pipe with poly tubing, and repairing leaks in the Clearwell Zone. The Clearwell Zone leak was caused by small leaks from an exposed portion of metal pipe which LAWC replaced with poly tubing to prevent future leaks. WD requested LAWC to provide invoices for plant additions made in 2024 and 2025. WD reviewed the invoices provided by LAWC and determined that the plant additions were fully supported by invoices. Therefore, WD included the plant additions into its recommended rate base.

LAWC also requested to include $196,500 of plant additions for TY 2026; however, since the construction of the planned plant additions did not start yet, WD did not include any plant additions in its GRC's rate base estimate for TY 2026. LAWC can recover the cost of these additions through either of two methods: 1) submitting a rate base offset advice letter when LAWC finishes its construction and the new plants are in service or 2) including the plant additions in its next GRC.

<u>Depreciation</u>

In AL 149's Summary of Earnings (SOE), LAWC's stated that LAWC's requested depreciation expense of $113,384 is based on LAWC's 2024 Annual Report. However, WD reviewed LAWC's 2024 annual report and found that the reported depreciation expense was $107,735. Additionally, WD's review of LAWC's work papers showed that LAWC was utilizing estimated average depreciable water plant in service in 2025 to calculate the requested depreciation expense. LAWC calculated the estimated depreciable plant of $4,189,775 by averaging the $4,089,763 of 2025 Beginning of Year (BOY) depreciable plant and 2025 EOY depreciable plant of $4,289,786. LAWC's 2025 EOY depreciable plant reflects the estimated plant addition of $200,023 in 2025. Then,

[29] For 2026, WD did not recommend new plant investments. There are also no new water rights for 2026.

LAWC utilized the "straight-line remaining life depreciation accruals method"[30] with 2.72% depreciation rate to calculate the depreciation expense of $113,962, as shown in LAWC's work paper. The UAB recommended LAWC utilize a depreciation rate of 2.72% from its latest UAB audit report. LAWC's requested depreciation expense of $113,384 and LAWC's calculated depreciation expense of $113,962 have a difference of $578.

WD's recommended depreciation expense of $105,451 is based on $117,081 of depreciation expense for the EOY 2025 depreciable plant of $4,304,437 less $12,650 depreciation expense attributable to CIAC plus $1,020 of depreciation expense attributable to water rights. As discussed previously, WD has not included any TY 2026 plant addition as none of the plant additions are in service. Therefore, WD utilized the EOY 2025 depreciable plant of $4,304,437 for its calculation of TY 2026 average depreciable plant amount. Using a 2.72%[31] depreciation rate, the total depreciation expense of the plant in service is $117,801. WD subtracted $12,650 depreciation expense attributable to Contributions in Aid of Construction from the total depreciation expense of $117,081 to derive the depreciation expense estimate of $104,431.[32]

The UAB audit report also found that LAWC incorrectly recorded $25,381 of water rights as Construction Work in Progress in 2023 instead of Water Plant in Service-Other and the amount has not been depreciated. Since the water rights[33] have an estimated life of 25 years, $1,020 is the depreciation expense per year. WD combined the depreciation expense of the plant and water rights to arrive at the WD recommended depreciation expense of $105,451. LAWC agrees with WD's recommendation.

<u>Materials and Supplies</u>

LAWC requested $4,724 for Materials and Supplies is based on approved Materials and Supplies amount from Res. W-5286. Since LAWC has not recorded any amount for Materials and Supplies in the last three years from 2023 to 2025, the WD does not recommend any amount for this account.

[30] More information regarding "straight-line remaining life depreciation method" can be found on this website: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M042/K177/42177433.PDF
[31] Per SP U-03-SM (new), for small water companies, 2.5% is a typical depreciation rate.
[32] Definition of account 403 Depreciation Expense (see Uniform System of Accounts for Class B, C, and D Water Utilities, page 40 of 56).
[33] Water rights are booked under account 101.3 Water Plant in Service – Other.

Rate of Return and Rate of Margin

LAWC requests a Rate of Return (ROR) of 9.0% for this general rate increase. In accordance with Commission ratemaking policies adopted for Class C and D water utilities by D. 92-03-093, two methods can be used for ratemaking, the Rate of Return (ROR) and Rate of Margin (ROM) methods.[34] D.92-03-093 directs the WD to calculate the company's rates and revenue requirement using both methods and to recommend the ratemaking method resulting in the greater return.[35]

In May 2026, the WD released a memo containing its ROR and ROM recommendations for Class D water utilities for 2026 [36] which are 12.80% to 14.30%, and 27.50% respectively. At the WD recommended ROM of 27.50% and ROR of 12.80%, the revenue requirements would be $964,692 and $1,014,954, respectively. These revenue requirements are 1.32% and 6.61% higher, respectively, than requested by LAWC in supplemental AL 149-A. This significant difference is a result of applying LAWC's lower requested ROR of 9.00%, rather than the 12.80% ROR that would otherwise be reasonable. During a meeting with LAWC, this difference was brought to LAWC's attention. However, LAWC explained that it preferred the lower ROR as a benefit to customers. Consequently, this rate has been applied by WD in determining a revenue requirement. At the proposed 9.00% ROR, the WD's recommended revenue requirement is $942,529 for TY 2026 which is a 1.00% decrease from LAWC's requested revenue requirement under supplemental AL 149-A.

Rates and Rate Design

LAWC's rate structure consists of a single rate schedule, Schedule No. 1A Annual Metered Service.

For the rate design of LAWC's Schedule No. 1A, the WD concurs with LAWC's fixed cost allocation of 100.00% to the service charge. Recovery of 100% of fixed costs in the service charge is one method of reducing risk to small water utilities.[37] In addition, "increased recovery of fixed costs through the service charge can mitigate capital risk,

[34] 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.
[35] D.92-03-093, Ordering Paragraph 8.
[36] The WD released its 2026 ROR and ROM recommendations on May 5, 2026.
[37] D.93-03-093, "Inadequate Recovery of Fixed Cost" page 10. Class D water companies were concluded to be riskier (9.7 times) than Class A and B companies which were allowed 50% recovery in service charge ("Recovery of Fixed Cost," pages 30 to 31).

thus making small companies more attractive in terms of securing loans for capital improvements and encouraging increased equity investment."[38] Based on a 100%[39] fixed cost recovery through service charges, the total increase in revenues from present rates will be $124,924 for this GRC. At the recommended rates shown in Appendix B, the average monthly water bill for a metered customer with a 5/8 x 3/4-inch size meter using 1.8 CCF will increase from approximately $133.79 to $142.69, or 6.66%, for TY 2026.

A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

Affordability of Proposed Rates

As discussed above, at the recommended rates, the average monthly water bill for a metered customer with a 5/8 x 3/4-inch meter size consuming 1.8 CCF under LAWC's Annual Metered Service Schedule No. 1A will increase from $133.79 to $142.69, or 6.66%, for TY 2026. The typical water bill at the rate increase represents 1.62% of the median household income of $105,521 on an annual basis for Alpine County where LAWC's service area is located.[40]

The Commission adheres to cost-of-service regulatory principles in developing rates for its jurisdictional utilities, and the WD's recommended rates for LAWC 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

[38] Quote from D.93-03-093, "Recovery of Fixed Cost," pages 31.
[39] D.92-03-093, Ordering Paragraph 6 authorized Class D water utilities to include up to 100% of fixed costs in the service charge. See also SP-07-W (Section D: Calculating Metered Rates, item 3).
[40] U.S. Census Bureau QuickFacts: Alpine County, California.

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)[41] 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 Bear Valley in the 22nd percentile. At the 22nd percentile, LAWC's service area is not a DAC.[42] Given the WD's review of these current definitions and considerations, the proposed rate increase for LAWC should lead to improvements for the existing water service conditions within the community of Bear Valley and its vicinity.

COMPLIANCE

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

DDW Sanitary Survey

DDW inspected LAWC's domestic water system on June 1, 2026. The Sanitary Survey Report is scheduled to be released later this summer. DDW does not anticipate there will be any major compliance issues.[43] WD notes that while LAWC currently meets water quality standards, replacement of the GAC vessels is necessary long-term solution for LAWC to continue to comply with the HAA5 MCL.

UAB Financial Review

WD reviewed LAWC's compliance with financial audit reviews conducted by the Commission's Utility Audit Branch (UAB). The most recent UAB financial audit was conducted on LAWC's Financial Statements on May 16, 2025, for the year ended on

[41] https://oehha.ca.gov/calenviroscreen.
[42] 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.
[43] Last DDW inspection was on August 17, 2023. LAWC responded to the DDW sanitary survey on September 26, 2023. WD inquired of DDW on August 13, 2024, to determine if LAWC resolved all outstanding issues noted in the 2023 Sanitary Survey. DDW responded on August 19, 2024, that LAWC's submitted response dated September 26, 2023, addressed all nine (9) directives of DDW satisfactorily.

December 31, 2023, and found that the utility complies with the Commission's Uniform System of Accounts (USOA).[44]

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 LAWC is current with its annual fee payments. [45]

Annual Reports

LAWC has filed annual reports on time as required by the Commission.

UTILITY SAFETY

Safety for water utilities includes several factors such as water quality, system design, operation and maintenance, and service. One of the highest safety priorities for the Commission is to ensure that water utilities provide water for human consumption that is not harmful or dangerous to health. As previously noted, LAWC currently complies with DDW's applicable water quality standards for safe drinking water.

COMMENTS

This is an uncontested matter that pertains solely to a water corporation in which the resolution grants the relief requested.

Accordingly, pursuant to Public Utilities Code section 311(g)(3), the otherwise 30-day period for public review and comment is being waived.

[44] The UAB has an exception finding on Retained Earnings and Accumulated Deferred Income Taxes-Accelerated Tax Depreciation. The letter of Program and Project Supervisor, Raymond Yin to Charles Toeniskoetter dated May 16, 2025 explained the reason for UAB's qualified conclusion: "LAWC's ending balances of $1,227,164 and $194,008 for Retained Earnings and Accumulated Deferred Income Taxes- Accelerated Tax Depreciation, respectively, presented in the accompanying financial statements are materially misstated due to significant errors in its accounting records."

[45] Email from CPUC's Fiscal Office dated January 23, 2026.

FINDINGS AND CONCLUSIONS

1. LAWC filed a supplement to AL 149, AL 149-A, to cover increases in Property Insurance. WD finds these increases to property insurance reasonable.

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

3. The rates (Appendix B) recommended by the Water Division are reasonable and should be adopted.

4. The quantities (Appendix D) used to develop the recommendations of the Water Division are reasonable and should be adopted.

5. The water rate increases authorized herein are justified and the resulting rates are just and reasonable.

6. The water served by Lake Alpine Water Company meets all applicable water quality standards set forth by the State Water Resources Control Board's Division of Drinking Water.

7. Lake Alpine Water Company should be authorized to file a supplement to Advice Letter 149 as previously supplemented by Advice Letter 149-A to incorporate the revised rate schedules (Appendix B) for Test Year 2026 and to concurrently cancel its presently effective rate schedules.

THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Lake Alpine Water Company to file a supplement to Advice Letter 149 as previously supplemented by Advice Letter 149-A to incorporate the revised water rate schedule attached to this Resolution as Appendix B for Test Year 2026 and concurrently cancel its presently effective rate Schedule No. 1A, Annual Metered Service. The effective date of the revised schedule shall be five days after the date the supplement is filed.

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 August 13, 2026; the following Commissioners voting favorably thereon:

____

Executive Director

President

Commissioners

APPENDIX A
LAKE ALPINE WATER COMPANY
Summary Of Earnings
Test Year 2026

	LAWC		WD	
Operating Revenues	**Present Rates**	**Test Year 2026 Requested Rates**	**Present Rates**	**Test Year 2026 Recommended Rates**
470 Metered Water Revenue	$ 786,520	$ 923,217	$ 789,037	$ 922,205
462 Fire Protection Services	$ 5,385	$ 5,385	$ 5,388	$ 5,385
480 Other Water Revenue	$ 23,448	$ 23,448	$ 23,180	$ 14,939
Total Revenue	**$ 815,353**	**$ 952,050**	**$ 817,605**	**$ 942,529**
Operating Expenses				
610 Purchased Water	$ -	$ -	$ -	$ -
615 Purchased Power	$ 39,002	$ 37,756	$ 39,002	$ 37,683
618 Other Volume Related Expenses	$ 28,144	$ 25,338	$ 28,144	$ 25,289
630 Employee Labor	$ 150,551	$ 143,000	$ 150,551	$ 143,000
640 Materials	$ 14,479	$ 13,668	$ 14,479	$ 13,641
650 Contract Work	$ 18,788	$ 17,732	$ 18,788	$ 13,614
Water Testing	$ 12,871	$ 12,736	$ 12,871	$ 12,736
660 Transportation Expenses	$ 11,229	$ 9,239	$ 11,229	$ 8,170
664 Other Plant Maintenance	$ 2,633	$ 2,553	$ 2,633	$ 2,548
670 Office Salaries	$ -	$ -	$ -	$ -
671 Management Salaries	$ 67,488	$ 82,200	$ 67,488	$ 82,200
674 Employee Pensions and Benefits	$ 56,786	$ 65,272	$ 56,786	$ 65,145
676 Uncollectable Accounts	$ -	$ 15	$ -	$ -
678 Office Services and Rentals	$ 4,860	$ 5,006	$ 4,860	$ 4,860
681 Office Supplies and Expenses	$ 14,253	$ 13,510	$ 14,253	$ 13,484
682 Professional Services	$ 23,634	$ 18,396	$ 23,634	$ 18,396
684 Insurance	$ 33,408	$ 67,931	$ 33,408	$ 67,870
688 Regulatory Compliance Expense	$ 35,467	$ 28,572	$ 35,437	$ 28,572
689 General Expenses	$ 10,820	$ 13,951	$ 10,820	$ 13,924
800 Caplitalized Expenses	$ -	$ -	$ -	$ -
Subtotal	**$ 524,413**	**$ 556,875**	**$ 524,383**	**$ 551,132**
403 Depreciation	$ 97,191	$ 113,384	$ 96,417	$ 105,451
408 Taxes Other Than Income	$ 40,859	$ 41,512	$ 40,859	$ 41,512
409 State Income Taxes	$ 800	$ 15,934	$ 800	$ 21,055
410 Federal Income Taxes	$ -	$ 37,851	$ -	$ 45,597
427 Interest Expense	$ 13,480	$ 6,250	$ 13,480	$ 6,250
Total Expenses	**$ 676,743**	**$ 771,806**	**$ 675,939**	**$ 770,997**
Net Revenue	**$ 138,610**	**$ 180,244**	**$ 141,666**	**$ 171,532**
Rate Base				
Average Plant	$ 4,430,037	$ 4,447,251	$ 4,430,037	$ 4,773,619
Average Accumulated Depreciation	$ 2,315,910	$ 2,233,448	$ 2,315,523	$ 2,544,130
Net Plant	**$ 2,114,127**	**$ 2,213,803**	**$ 2,114,515**	**$ 2,229,489**
Less:				
Advances	$ -	$ -	$ -	$ -
Contributions in Aid of Construction	$ 461,478	$ 557,208	$ 505,745	$ 468,675
Deferred Income Taxes	$ 195,576	$ 100,000	$ 194,792	$ 189,988
Plus:				
Accumulated Amortization of CIAC	$ 232,993	$ 279,874	$ 256,390	$ 251,968
Working Cash	$ 235,200	$ -	$ 3,012	$ -
Materials and Supplies	$ -	$ 4,724	$ -	$ -
Construction Work in Progress	$ 72,052	$ 161,511	$ 116,782	$ 83,116
Total Rate Base	**$ 1,997,318**	**$ 2,002,704**	**$ 1,790,161**	**$ 1,905,910**
Rate of Return	**6.94%**	**9.00%**	**7.91%**	**9.00%**

END OF APPENDIX A

APPENDIX B
LAKE ALPINE WATER COMPANY
Tariff Sheet

Lake Alpine Water Company				
(WTD 148)		Revised	*Cal. P.U.C. Sheet No.*	641-W
Alpine County	*Canceling*	Revised	*Cal. P.U.C. Sheet No.*	631-W

SCHEDULE No. 1A
Annual Metered Service
Test Year 2026

APPLICABILITY
Applicable to all metered water service furnished on a monthly basis.

TERRITORY
This schedule is applicable within the entire territory served by the utility.

RATES

Quantity Rate:

For all water per 100 cubic feet …………………………………………	$	12.07	(I)

Service Charges:

		Per Meter Per Year	
For	5/8 x 3/4 inch meter ……………………………………………	$ 1,451.61	(I)
	condo unit service	$ 1,451.61	(I)
	3/4- inch meter ……………………………………………	$ 2,177.42	(I)
	1-inch meter ……………………………………………	$ 3,629.03	(I)
	1- 1/2-inch meter ……………………………………………	$ 7,258.06	(I)
	2-inch meter ……………………………………………	$ 11,612.90	(I)
	3-inch meter ……………………………………………	$ 21,774.19	(I)
	4-inch meter ……………………………………………	$ 36,290.31	(I)

The service charge is a readiness-to-serve charge, which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

(To be inserted by utility)		*Issued By*	(To be inserted by Cal P.U.C.)	
Advice Letter No.	149/149A	Kimi Johnson Name	Date Filed	
			Effective	
Decision No.		General Manager Title	Resolution No.	

END OF APPENDIX B

APPENDIX C
LAKE ALPINE WATER COMPANY
Comparison of Rates
Test Year 2026

Metered Customers

	Present Rates	Recommended Rates	Amount Increase	Percent Increase
Service Charge (annual):				
For 5/8 x 3/4-inch meters	$1,384.94	$1,451.61	$66.67	4.81%
For 3/4-inch meters	$2,077.42	$2,177.42	$100.00	4.81%
For 1-inch meters	$3,462.37	$3,629.03	$166.66	4.81%
For 1-1/2-inch meters	$6,924.73	$7,258.06	$333.33	4.81%
For 2-inch meters	$11,079.57	$11,612.90	$533.33	4.81%
For 3-inch meters	$20,774.19	$21,774.19	$1,000.00	4.81%
For 4-inch meters	$34,623.66	$36,290.31	$1,666.65	4.81%
Quantity Charge:				
All use, per 100 cu. ft.	$10.21	$12.07	$1.86	18.22%

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

Usage Per 100 cu. ft.		Present Rates	Recommended Rates	Amount Increase	Percent Increase
0.0		$115.41	$120.97	$5.56	4.81%
1.4		$130.11	$138.35	$8.23	6.33%
1.8	AVG	$133.79	$142.69	$8.90	6.66%
2.2		$137.47	$147.04	$9.57	6.96%
2.7		$142.98	$153.56	$10.58	7.40%

END OF APPENDIX C

APPENDIX D
LAKE ALPINE WATER COMPANY
Adopted Quantities
Test Year 2026

1. Purchased Power $ 37,683.05
   Energy Provider Pacific Gas and Electric Company (PG&E)

2. Service Connections

Meter Size	Metered	Flat Rate
5/8 x 3/4 - inch	296	0
Condo unit	178	
3/4 - inch	11	0
1 - inch	5	0
1-1/2 - inch	2	0
2 - inch	1	0
3 - inch	0	0
4 - inch	1	0
Total	**494**	0

3. Annual Water Sales 10,736 CCF

4. Tax Calculations

Calculations		TY 2026
Operating Revenues	$	942,529
Operating Expenses	$	551,132
Taxes Other than Income	$	41,512
Depreciation	$	105,451
Interest Expense	$	6,250
Taxable Income for State	$	238,184
State Taxes	$	21,055
Taxable Income for Federal	$	217,129
Federal Taxes	$	45,597

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-5286 on all parties in these filings or their attorneys as shown on the attached lists.

Dated July 23, 2026, 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.

Lake Alpine Water Company
PO BOX 5013, BEAR VALLEY, CA 95223
Telephone (209) 753-2409
Email: info@lakealpinewater.com

ADVICE LETTER NO. W-149 SERVICE LIST

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