

WATER/RSK/KOK/DLW/RHG

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**DIVISION OF WATER AND AUDITS
UTILITY AUDIT, FINANCE AND
COMPLIANCE BRANCH**

**RESOLUTION W-4911
March 22, 2012**

R E S O L U T I O N

RESOLUTION W-4911. RESOLUTION GRANTING LAKE ALPINE WATER COMPANY'S REQUEST TO REFUND APPROXIMATELY \$251,336 FROM ITS SAFE DRINKING WATER STATE REVOLVING FUND TRUST ACCOUNT AND INCREASE SURCHARGE RATES.

By Advice Letter No. 97 filed on December 28, 2011 and supplemented by AL 97-A filed on January 11, 2012.

SUMMARY

This Resolution grants Lake Alpine Water Company (LAWC) the authority requested in its Advice Letter (AL) 97, as supplemented by AL 97-A, with conditions.

LAWC requests authority pursuant to the Water Industry Rule 8.5 of General Order 96-B (GO 96-B) to:

1. Refund to its customers through surcredit, approximately \$251,338 of excess funds deposited in its Safe Drinking Water State Revolving Fund (SDWSRF) trust account.
2. Increase the SDWSRF surcharge rates starting July 1, 2012, in order to provide adequate collection for future semiannual payments of \$76,251.35 for its SDWSRF loan.

This Resolution requires certain conditions to ensure proper treatment of the refund, including but not limited to, specific document retention, recording and reporting requirements. In addition, this Resolution notes that this refunding is subject to audit.

BACKGROUND

LAWC, a California corporation, is a Class D water utility subject to the jurisdiction of this Commission. LAWC provides water service to approximately 488 metered customers in the Bear Valley Tract, Tract 1, located three miles west of Lake Alpine,

adjacent to State Highway 4 in the western portion of Alpine County. LAWC also provides private fire protection service to 6 customers within its service area.

A. Safe Drinking State Revolving Fund Loan

In Res. W-4480, dated July 8, 2004, the Commission authorized LAWC to enter into a loan agreement with the Department of Water Resources (DWR), acting on behalf of the California Department of Health Services (CDPH), to borrow \$1,037,554 under the SDWSRF program for water system improvements required by CDPH. The loan agreement provides for a 20-year loan at a 2.39% interest rate. The Commission authorized a surcharge on existing water rates to repay the loan principal and interest. The surcharge rates were calculated in direct proportion to the capacity of each customer's meter or service connection. LAWC's obligation under the promissory note was secured by all of its assets.

As required by DWR, the first ten years of the surcharge rates included an amount to accumulate a 10% reserve loan repayment fund equal to two semiannual payments. The estimated annual payment for the SDWSRF loan was \$72,974 for the first 10 years and \$65,564 for years 11 to 20.

In Res. W-4508, dated December 2, 2004, the Commission authorized LAWC to enter into a loan agreement with DWR to borrow an additional \$1,500,000 under the SDWSRF and to increase the then existing surcharge rates to repay the additional loan principal and interest. The additional \$1,500,000 was to complete the filtration facilities included in its water system improvement plan. The estimated annual payment for the combined SDWSRF loan of \$2,537,554 (\$1,037,554 plus \$1,500,000) was \$177,199 for the first 10 years and \$160,350 for years 11 to 20.

B. SDWSRF Surcharge Rates Reduction and Undercollection

On November 19, 2010, LAWC received a revised semi-annual payment schedule from DWR. The schedule indicates a uniform semi-annual payment of \$76,251.35 based on a final loan amount of \$2,413,361.51. Soon thereafter, LAWC submitted to the Commission a status report on its SDWSRF trust account as required by Res. W-4508 and indicated that the balance in the trust account was higher than necessary.

By AL 92-A, effective December 27, 2010, LAWC, having metered all of its flat-rate customers, cancelled the flat rate schedule in its tariff book. The filing indicated that flat-rate customers with a 5/8-inch connection and individual condominium units will be charged the same rates as the 5/8 x 3/4-inch meter service.

On June 30, 2011, LAWC filed AL 95 requesting a 24% reduction in surcharge rates due to the high balance in its trust account and because it had accumulated the 10% reserve requirement required by DWR. The reduction in surcharge rates was estimated to produce a semi-annual surcharge collection of \$68,758.44. With a revised semi-annual loan payment of \$76,251.35, LAWC intended to fund the difference of \$7,492.91 in undercollection with the excess amount in its trust account. AL 95 became effective on July 1, 2011. The reduced surcharge rates are shown in the following table.

Table 1
Reduced Surcharge Rates

Metered Service	July 1, 2011 – July 1, 2028
<u>Size of Service</u> <u>or Meter</u>	<u>Surcharge</u>
5/8 x 3/4-inch meter	\$ 22.08
condo unit service	22.08
3/4-inch meter	22.08
1-inch meter	36.81
1 1/2-inch meter	73.62
2-inch meter	117.79
3-inch meter	220.85
4-inch meter	368.09

C. Fiscal Services Agreement

LAWC, with the approval of DWR, engaged the California Bank and Trust (CBT) as its fiscal agent and on December 7, 2004 executed a Fiscal Services Agreement with CBT, which was amended by Amendment A-1 on December 27, 2005.¹ CBT agreed to act as trustee for the loan repayment funds it will deposit to the trust account and perform certain services. CBT cannot release funds from LAWC's account except for loan payments without written consent of DWR.

D. Review of the Trust Account

After LAWC's surcharge reduction in July 2011, the Division of Water and Audits (DWA) Utility Audit, Finance and Compliance Branch (UAFCB) initiated review of the excess funds in LAWC's trust account. In September, 2011, the Commission requested CDPH's Fiscal Services Unit (FSU) to approve the withdrawal of excess funds from the trust account for purposes of refunding them to customers. On November 7, 2011, FSU,

¹ Dates shown are dates DWR received the signed copies of the Fiscal Services Agreement and Amendment A-1.

via email to UAFCB, relayed its approval to release funds from the trust account, provided the appropriate reserve amount is retained in the trust account.

E. Current Request

LAWC's AL 97, as supplemented, requests authority to refund to customers approximately the \$251,338 excess amount accumulated in LAW C's SDWSRF trust account. LAW C calculated the amount of the refund to be sent to current and previous owners based on the prorated time they owned the property in the service area. The timeline begins when LAW C started collecting the surcharge from January 1, 2006 through June, 2011 (before the surcharge rates were reduced) or a total of 66 months. LAW C proposes that current owners be provided a monthly surcredit to their service charge for five months and previous owners be sent a check. LAW C requests a refund surcredit over a 5-month period in order to avoid billing negative amounts.

LAW C's calculation for the amount to be refunded, included in Appendix A to AL 97, as supplemented, is shown in the following table.

**Table 2
 Calculation of Refund
 and Surcharge Increase
 as of December 31, 2011**

Semi-Annual Loan Payment Amount	\$ 76,251.53
Number of Remaining Payments	34
Total Due	\$2,592,545.90
Trust Account Estimated Balance as of 12/31/11	\$490,585.07
Less:	
10% Reserve or 2 Semi-Annual payments	152,502.70
Reserve for Uncollectibles	3,000.00
Amount of 1/1/2012 DWR Payment	76,251.35
Provision for Undercollection 1/1/12 through 6/30/12	<u>7,492.91</u>
Sub-total	\$239,246.96
Estimated Amount to be Refunded	<u>\$251,338.11</u>
Annual Revenue Requirement	\$152,502.70
Current Annual SDSRF Surcharge Collection	<u>137,516.88</u>
Change in Annual Surcharge Collection	\$ <u>14,985.82</u> or 10.5%

LAWC's proposed refund is shown in the following table.

Table 3
LAWC's Refund Design

Metered Service	Customers	Meter	Refund	Total	Monthly Refund
<u>Size of Service or Meter</u>	<u>2011</u>	<u>Ratio</u>	<u>per Meter</u>	<u>Refund</u>	<u>per Customer</u>
5/8 x 3/4-inch meter	292	1.00	\$ 482.41	\$140,863.72	\$ 96.48
condo unit service	179	1.00	482.41	86,351.39	96.48
3/4-inch meter	11	1.00	482.41	5,306.51	96.48
1-inch meter	3	1.70	820.10	2,460.29	164.02
1 1/2-inch meter	2	3.30	1,591.95	3,183.91	318.39
2-inch meter	2	5.30	2,556.77	5,113.55	511.35
3-inch meter	0	10.00	4,824.10	0.00	0.00
4-inch meter	1	16.70	8,056.25	<u>8,056.25</u>	1,611.25
Estimated Total Credit				<u>\$251,335.61</u>	

Example:

A previous condo unit service customer from 2006 to 2009 or 48 months will get a total refund of \$350.84 or \$70.17 each for 5 months.²

The current condo unit service customer from 2010 to June, 2011 or 18 months will get a refund of \$131.57 or \$26.31 each for 5 months.³

If a condo unit service customer has resided and paid the surcharge from 2006 to June, 2011, the total refund will be \$482.41 or \$96.48 each for 5 months.

LAWC claims that there are a few accounts that still owe LAWC money for past due payments. LAWC plans to credit the refund to the balance due and no refund would be sent to previous owners until the balance due has been covered.

² \$482.41 times 48 months divided by 66 months equals \$350.84.

³ \$482.41 times 18 months divided by 66 months equals \$131.57.

LAWC’s AL 97, as supplemented, also requests authority to increase the surcharge rates by 10.50% to provide enough funds to make the semiannual payments, as shown in the following table.

**Table 4
 Proposed Surcharge Rates**

Metered Service Size of Service or Meter	Current Surcharge	Proposed Surcharge	
		July 1, 2012-July 1, 2028	Increase
5/8 x 3/4-inch meter	\$ 22.08	\$ 24.39	10.5%
condo unit service	22.08	24.39	10.5%
3/4-inch meter	22.08	24.39	10.5%
1-inch meter	36.81	40.65	10.4%
1 1/2-inch meter	73.62	81.32	10.5%
2-inch meter	117.79	130.20	10.5%
3-inch meter	220.85	243.94	10.5%
4-inch meter	368.09	406.58	10.5%

The total monthly bill for a 5/8 x 3/4-inch metered customer using 600 cubic feet of water (at a quantity rate of \$6.36 per 100 cu.ft.), a service charge of \$70.96, and the SDWSRF surcharge would increase from \$131.20 to \$133.51, or 1.8%, from July 1, 2012 onwards.⁴

NOTICE AND PROTESTS

Pursuant to General Order 96-B, Water Industry Rule 4.1, on December 26, 2011, LAWC served its AL 97 on its service list. Notice of AL 97 was made by publication in the Commission’s Daily Calendar of December 30, 2011. On January 11, 2012, LAWC filed supplemental AL 97-A.

On January 2, 2012, LAWC notified its customers by mail of the proposed refund and the need for an increase in surcharge rates due to the rate reduction in July, 2011. LAWC also published a public notice describing the proposed refund and the proposed surcharge increase expressed in both dollar and percentage terms in the January 2012 issue of the Cub Reporter, a local publication circulated in Bear Valley, Alpine County.

On January 17, 2012, one of LAWC’s ratepayers, who is also the secretary of an unincorporated association of Ratepayers in LAWC (RLAWC) concurred with the amount of the refund indicated in AL 97, as supplemented. However, the customer

⁴ \$6.36 times (600/100) quantity rate plus \$70.96 service charge plus \$22.08 current surcharge equals \$131.20.

suggested that the refund be executed as a one-time cash refund and mailed 15 days after approval of this Resolution so that ratepayers will not have to monitor for 5 months whether the refund has been properly credited against their account.

LAWC acknowledged receipt of and responded to the customer's concern on January 24, 2012. LAWC stated that the Commission would act on its request for refund based on regulations and the requirements of DWR.

DISCUSSION

Section 8.5 of the Water Industry Rules in General Order (GO) 96-B, provides that an overcollection shall be refunded as soon as possible by crediting the customer's service charge. An undercollection shall be recovered within one year by a surcharge on the service charge or commodity charge, as appropriate. The Commission has routinely authorized utilities to refund overcollections via surcredit or to collect undercollections via surcharge.

Similarly, the DWA's Standard Practice (SP) U-27-W provides the procedures to be observed by Commission staff and all regulated water utilities to ensure a uniform and complete method of processing requests for offset rate increases and reserve and memorandum account amortizations. For instance, a utility must establish a reserve account for each item for which revenue offsets have been authorized. The reserve account tracks the revenues recovered by the rate offset and the offsettable costs incurred. Undercollected reserve accounts are amortized by a surcharge on the service charge or the commodity charge, depending upon the type of expense being offset. An overcollection in a reserve account is refunded by a surcredit applied only to the service charge based on the meter equivalent size of the service connection. For flat rate customers, the surcredit is applied to individual lots, based on the equivalent value in the utility's flat rate tariff schedule. According to SP U-27-W, refunding should occur as soon as reasonably possible.

It has been the Commission's practice to refund overcollection, overearnings or other regulatory adjustments for regulated utilities through surcredit or surcharge. For example, in Res. W-4794, dated November 20, 2009, the Commission required the Rural Water Company to refund overcollected revenues, as a surcredit for a 12-month period.

In Res. W-4508, the Commission indicated certain conditions pertaining to LAWAC's surcharge rates. One of the conditions specifies that any surplus accrued in LAWAC's trust account shall be refunded or applied on behalf of the customers when ordered by the Commission.

Providing customers with a refund check instead of a surcredit to accomplish the refund would necessitate certain costs that would need to be subtracted from the

amounts owed to customers. These costs would include the drafting of the individual checks and mailing costs. In addition, providing the refund by check would be administratively burdensome. Customers who may be unaware of the refunds may not open or cash the checks. Lost checks would need to be traced, cancelled and reissued. And since interest is earned on the monies in the trust account, to the benefit of ratepayers, ratepayers are not harmed by the delay. Instead they are provided the largest amount of refund possible.

In this respect, we believe that LAWC's proposal to refund excess surcharge collections in its trust account through surcredit is proper and just. There are no overriding circumstances that should dissuade us from giving favorable consideration pertaining to the refund in this Resolution. While we recognize the suggestion of one of LAWC's customers for a one-time cash refund, we believe it is reasonable to be consistent with existing practices commonly applied to all industries that we regulate. Any refund may be subject to certain conditions and audit. To this end, we will ensure that customers will receive what is due to them. LAWC has informed us that a bill insert with a template to calculate the refund and information based on company records regarding property and condo unit ownership and surcharge payments will be included when the refund commences.

As set forth herein, we will authorize LAWC to refund to its customers \$50,268 per month for a period of 5 months, for a total of \$251,338 of excess funds in its CBT trust account. The Fiscal Services Agreement specifies that no funds from LAWC's trust account be released except for loan payments without written consent of DWR. It is therefore necessary that DWR give its written permission to CBT to make effective LAWC's request to refund approximately \$251,338 of the excess funds in its trust account. This Resolution will provide DWR and CBT the specifics of how the refund will be conducted.

DWR or CDPH shall instruct CBT in writing to release to LAWC the amount of \$50,268 per month for a period of 5 months, for a total of \$251,338. A copy of the instruction letter shall be provided by DWR or CDPH to DWA's UAFCB.

To ensure proper treatment of the refund, the Commission will impose the following conditions:

- a) LAWC shall establish a separate bank account to deposit all funds received from CBT for the refund process.
- b) LAWC shall provide UAFCB a copy of the checks received from CBT during the 5-month refund period within ten (10) days of receipt.
- c) Upon receipt of the refund check from CBT, LAWC shall in its current billing, credit the refund to current property owners or send a check to

prior property owners, pursuant to the refund design, prorated for the time customers paid towards the overcollection and each month thereafter for five months.

- d) On or before the 10th day of the following month, LAWC shall provide UAFCB a monthly list indicating the amount refunded to customers and any undistributed amounts that will be returned to the trust account.
- e) LAWC shall provide UAFCB a copy of any check remitted to CBT for refund amounts that were undisbursed or undistributed within ten (10) days of remittance.
- f) LAWC shall record all refund transactions in its balancing account.
- g) LAWC shall keep and maintain copies of other documents related to the trust account, bank statement, and proof of payment and shall provide copies to UAFCB within ten (10) days of execution.
- h) LAWC shall in writing inform DWA's UAFCB when the refund has been completed.
- i) The refunding will be subject to audit when ordered by the Commission.

When LAWC reduced the surcharge rates on July 1, 2011, LAWC intended to fund the semi-annual undercollection of \$7,492.91 with the excess amount in the trust account. However, with the proposed refund in this filing of the excess amount in the trust account, it is reasonable to adjust the surcharge rates to provide adequate collection for future semiannual payments to DWR. A \$7,492.91 or 10.5% increase in surcharge rates is needed in order to meet the semi-annual payment (\$76,251.33 less \$68,758.44).

The requested increase in surcharge rates is reasonable and will provide LAWC sufficient surcharge revenue to continue paying the SDWSRF loan. As set forth herein, we will authorize LAWC to increase the surcharge rates. Ordering Paragraph Number 4 of Res. W-4508 specifies that changes in future surcharge rates should be accomplished by normal advice letter procedures.

On or before May 31, 2012, LAWC should file a Tier 2 advice letter to request implementation of the proposed surcharge rates in order to collect enough revenue before the next semiannual loan payment in January 2013. The filing shall include the cover sheet, table of contents and the tariff sheet indicating the adjusted surcharge rates.

COMMENTS

PU Code § 311(g) (1) generally requires that draft resolutions be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

The draft resolution in this matter was mailed to the parties and the customer who expressed concerns in accordance with PU Code § 311(g) (1) and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on March 13, 2012 by Gloria Dralla, who claims to be the representative of the RLAWC.

Ms. Dralla claims that the draft resolution fails to substantiate that the surcharge over-collection is the result of LAWC's failure to comply with the terms of the loan with respect to maintaining an appropriate level of reserve and that LAWC failed to monitor or comply with the terms of the loan agreement. Ms. Dralla states that there is no justification to hold the ratepayers' monies and no reason why a check cannot be made out to each ratepayer. She asserts that the refund should be distributed as a one-time refund within 15 days after the resolution passes.

Ms. Dralla further asserts that a surcredit is a laborious and elaborate procedure because each ratepayer will need to monitor their bill each month for 5 months; private residential owners and condo unit customers will have to determine how the refund is calculated; LAWC will be required to submit proof to DWA's UAFCB of the credit for 5 months; the resolution should show the refund for private residences; the calculation of the 66 month period over which the overcollection occurred is ambiguous; LAWC will be required to manage another account to hold the monies released by the fiscal agent; additional responsibilities will be required of the fiscal agent; and DWA's UAFCB will need to monitor or audit the transactions.

Lastly, Ms. Dralla claims that there is no legal justification for retaining over-collected funds to be used as a credit or insurance for other fees due LAWC. By failing to refund ratepayers' monies collected exclusively for repayment of the loan, DWA has failed to follow its own rules and the CPUC regulations.

The Commission agrees that LAWC should have acted sooner to bring down the excess funds in the trust account. However, the overcollection did not violate the terms of the loan agreement. The calculation of the 66 months is not ambiguous but described fully on pages 4 and 5 of this Resolution and the refund amounts for private residential owners are set forth in Table 3 of this Resolution. Consequently, we do not need to make any changes to clarify these areas. However, we clarified that LAWC will inform customers by bill insert about how the refund was calculated.

We remind LAWC to strictly observe the requirement of Res. W-4508 to send semi-annually, a comparative report to the Director of DWA stating the changes in the number of connections by type of customer and by size of connection, the amount of service fees collected, the outstanding balance of the loan, the overages and shortages in the utility's balancing account, and if any changes in surcharge rates would be

forthcoming. We expect LAWC to do everything necessary and proper to secure compliance with Commission orders or directions. LAWC is placed on notice that any repeated late action in this area may result in the assessment of penalties.

To stress the importance of the report required by Res. W-4508, we add a new Finding of Fact reminding LAWC that it must file semi-annually, a report indicating among other things, if any changes in surcharge rates would be forthcoming.

While we recognize the simplicity of Ms. Dralla's proposed one-time cash refund, we need to be consistent with existing practices commonly applied to all of the industries that we regulate, unless otherwise ordered by the Commission. In this case, the convenience of a one-time refund check for customers does not outweigh our concerns about the costs associated with drafting and mailing a check to each of approximately 488 customers. It would not be reasonable for customers to have the amounts owed to them reduced by these costs, especially since ratepayers are not harmed by the delayed refund because the trust account earns interest. Any interest earned in that account benefits ratepayers. To clarify our concerns about the costs associated with a one-time refund check, we added a description of those costs and our concerns in the discussion section.

LAWC's proposed refund of excess surcharge collections through surcredit for a period of 5 months is proper and just. The refunding which shall occur upon receipt of the first release of funds from the fiscal agent is reasonable and conforms with the requirement of SP U-27-W, that refunding will occur as soon as reasonably possible.

FINDINGS

1. LAWC, a California corporation, is a Class D water utility subject to the jurisdiction of this Commission.
2. In Res. W-4480, the Commission authorized LAWC to borrow \$1,037,554 under the SDWBA program to be paid through surcharge rates.
3. In Res. W-4508, the Commission authorized LAWC for an additional \$1,500,000 under the SDWBA program and authorized an increase in surcharge rates to repay the additional loan principal and interest.
4. On November 19, 2010, LAWC received a revised semi-annual payment schedule from DWR.
5. By AL 95 that became effective July 1, 2011, LAWC reduced the surcharge rates by 24% due to the high balance in its trust account.

6. When LAWC reduced the surcharge rates, it expected a semi-annual undercollection of approximately \$7,492.91 that LAWC intended to fund through the remaining excess balance in its trust account.
7. LAWC's trust account balance as of December 31, 2011 was estimated at \$490,585.07.
8. LAWC's 10% reserve requirement of 2 semi-annual payments is \$152,502.70.
10. As of December 31, 2011, LAWC has approximately \$251,338.11 overcollection in its trust account.
10. On November 7, 2011, CDPH agreed to release funds from LAWC's trust account to refund LAWC's customers the overcollection, provided the appropriate reserve amount is retained in the trust account.
11. AL 97, as supplemented, proposes to refund an estimated \$251,338.11 and to keep in the trust account the total amount of \$239,246.96 that consists of the 10% reserve of \$152,502.70, a reserve for uncollectibles of \$3,000, DWR payment for January 2012 of \$76,251.35, and the provision for undercollection from January to June 2012.
12. The refund per property will be divided by 66 months. Customers will get a surcredit on their account based on the number of months they owned the property.
13. LAWC estimates the credit for a condo unit service customer who has resided and paid the surcharge from 2006 to June, 2011 will be \$482.41 or \$96.48 each, for five months, per customer.
14. LAWC received a letter from one customer, who is also the secretary of RLAWC regarding the method of the refund. A cash refund is suggested instead of a 5-month surcredit.
15. LAWC acknowledged receipt of the customer's concern and responded to the customer on January 24, 2012. LAWC stated that the Commission will decide on the merits by which the refund will be conducted.
16. DWR or CDPH are the sole agencies that can permit CTB and give its written instruction to release funds to LAWC to be refunded to customers.
17. LAWC needs to increase the surcharge rates in July 2012, in order to provide the utility adequate collection for future semi-annual payments of \$76,251.33.

18. Notice of the filing appeared on the Commission's Daily Calendar on December 30, 2011. No protests have been received except for the one discussed herein.

19. On January 2, 2012, LAWC notified its customers by mail of the proposed refund and an increase in surcharge rates.

20. LAWC published a public notice containing the proposed refund and the proposed surcharge increase the January 2012 issue of the Cub Reporter.

21. The Commission has routinely authorized utilities to refund overcollection, overearnings or other regulatory adjustments via surcredit or surcharge.

22. According to the Water Industry Rule of GO 96-B and DWA's SP U-27-W, refunding should occur as soon as reasonably possible.

23. LAWC requests a refund based on a 5-month period in order to avoid negative billing of its customers.

24. Providing customers with a refund check instead of a surcredit to accomplish the refund would reduce the amount of refund due each customer and would create administrative burdens for LAWC.

25. LAWC will do the refund to current and previous owners based on the prorated time they owned the property in the service area. Current owners will be credited via surcredit and previous lot owners will be sent a check.

26. Adding conditions to the Commission's authorization will help protect ratepayers and ensure proper treatment of the refund.

27. In Res. W-4508, the Commission stated that LAWC shall send semi-annually, a comparative report to the Director of DWA stating the changes in the number of connections by type of customer and by size of connection, the amount of service fee collected, the outstanding balance of the loan, and the overages and shortages in the utility's balancing account and indicate in the report if an advice letter will be forthcoming to reflect changes in the surcharge rates.

28. In Res. W-4508, the Commission specified that changes in surcharge collection rates should be accomplished by normal advice letter procedures.

29. A Tier 2 advice letters is effective only upon approval and facilitates review of documents, updated for correct amounts or for any other changes.

CONCLUSIONS OF LAW

1. It has been the Commission's policy to refund overcollection, overearnings or other regulatory adjustments for regulated utilities through surcredit or surcharge.
2. It is in the public interest that LAWC refund \$251,338 of excess funds in its trust account.
3. LAWC should be authorized to refund excess funds in its trust account.
4. It is reasonable to require certain conditions for the refund and the reporting requirements as set forth in this Resolution.
5. DWR should instruct CBT in writing to release to LAWC the excess funds discussed in this Resolution.
6. It is reasonable to adjust the current surcharge rates to provide adequate collection for LAWC's future semiannual payments to DWR.
7. LAWC should file a Tier 2 advice letter on or before May 31, 2012, to request authority to implement the surcharge rates authorized in this Resolution.

THEREFORE, IT IS ORDERED that:

1. Lake Alpine Water Company is authorized to refund \$251,338 of excess funds deposited in its trust account administered by its fiscal agent, California Bank and Trust.
2. Within 15 days from the effective date of this Resolution, the Department of Water Resources, acting by and on behalf of the California Department of Health Services, shall provide California Bank and Trust its written instruction and permission to release \$50,268 every month for 5 months, for a total of \$251,338 to Lake Alpine Water Company to be refunded to customers via surcredit.
3. The Department of Water Resources shall provide Lake Alpine Water Company and the Division of Water and Audit's Utility Audit, Finance and Compliance Branch a copy of its written permission and instruction to California Bank and Trust within 5 days of execution.
4. Upon receipt of the refund check from the California Bank and Trust, Lake Alpine Water Company shall in its current billing, credit the refund to current property owners or send a check to prior property owners, pursuant to the refund design discussed in this Resolution.

5. The California Bank and Trust shall provide the Department of Water Resources and the Division of Water and Audit's Utility Audit, Finance and Compliance Branch a copy of the monthly refund remittance or check to Lake Alpine Water Company and a copy of the trust account bank statement during each month of the refund period.
6. Pursuant to this Resolution, Lake Alpine Water Company is required to:
 - a) Establish a separate bank account to deposit all funds received from California Bank and Trust for the refund process.
 - b) Provide the Division of Water and Audit's Utility Audit, Finance and Compliance Branch a copy of the check received from California Bank and Trust during the 5-month refund period within ten (10) days of receipt.
 - c) Provide on or before the 10th day of the following month and each of the five following months to the Division of Water and Audit's Utility Audit, Finance and Compliance Branch a monthly list indicating the amount refunded to customers and any undistributed amounts that will be returned to the trust account.
 - d) Upon receipt of the refund check from the California Bank and Trust, credit the refund to current property owners or send a check to prior property owners pursuant to the refund design shown on Table 3 of this Resolution, prorated for the time customers paid towards the overcollection.
 - e) Provide the Division of Water and Audit's Utility Audit, Finance and Compliance Branch a copy of any check remitted to California Bank and Trust for refund amounts that were undisbursed or undistributed within ten (10) days of remittance.
 - f) Record all refund transactions in its balancing account.
 - g) Keep and maintain copies of any documents related to the trust account, bank statement, and proof of payment and provide copies of such to UAFCB within ten (10) days of execution.
 - h) Notify in writing the Division of Water and Audit's Utility Audit, Finance and Compliance Branch when the refund has been completed.
 - i) The refunding will be subject to audit when ordered by the Commission.
7. On or before May 31, 2012, Lake Alpine Water Company shall file a Tier 2 advice letter to request implementation of the surcharge rates authorized in this Resolution. The filing shall include the cover sheet, table of contents and the tariff sheet indicating the adjusted surcharge rates.

8. 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 22, 2011. The following Commissioners approved it.

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

Commissioners