

WATER/RSK/JB5/RAS/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4711
October 2, 2008

R E S O L U T I O N

**(RES. W-4711), GOLDEN STATE WATER COMPANY (GSWC).
ORDER APPROVING GSWC'S PLAN TO REDUCE WATER LOSS IN
THE CLEARLAKE CUSTOMER SERVICE AREA AND MANDATING
THE FILING OF ANNUAL PROGRESS REPORTS.**

SUMMARY

By Advice Letter No. 1280 (AL 1280) filed on May 27, 2008, GSWC provided the Commission with a 6-year (2008 – 2013) plan (Plan) that GSWC has begun to implement to reduce water loss in the Clearlake customer service area (CSA). AL 1280 was filed in response to Commission concerns with the forecasted water loss for the Clearlake CSA that is significantly higher than other CSA's, as well as significantly above the 7% target adopted by the Commission in its General Rate Case Plan Rulemaking [Decision (D.) 07-05-062]. This Resolution approves the Plan developed by GSWC to reduce water loss in the Clearlake CSA and orders GSWC to report annually on its progress in meeting the Plan's goals starting in 2008.

The Clearlake CSA is located in Clear Lake, California with 2,160 active service connections.

BACKGROUND

By AL 1280, GSWC, a Class A water utility, complied with Ordering Paragraph 9 of D.08-01-043 which states,

9. We expect Golden State to make progress on reducing its water loss in Clearlake and to seek any additional Commission approvals necessary to accomplish this goal. Toward this end, Golden State must file an advice letter within 120 days of the date of this decision with a proposal to reduce Water Loss in the Clearlake CSA. Upon reviewing this advice letter and finding the proposal reasonable, Water Division shall issue a resolution either approving the advice letter or requiring further improvement on the situation.

The last general rate case for GSWC Clearlake CSA was granted January 31, 2008, pursuant to D.08-01-043 which authorized a rate increase of \$84,800 or 25.94% in test year 2008 for a Rate of Return of 8.87 %. This result was achieved through a stipulation agreement between parties which resolved the significant issues.

Left unresolved in the Clearlake CSA was the issue of water loss which the Commission observed was, "significantly above the Water Loss experienced in the other CSA's and significantly above the 7% target we adopted in D.07-05-062" (D.08-01-043, pg. 47, par. 3).

NOTICE, PROTESTS, AND PUBLIC MEETINGS

GSWC distributed AL 1280 to all parties on the service list. The service list was included as part of AL 1280 and attached thereto. This was done pursuant to General Order 96-B, General Rules, § 4.3.

DISCUSSION

Water loss is the difference between supply and sales. "As of March 2008, water loss in the Clearlake system has decreased to 28.7% from 47% in March 2007." (AL 1280, p. 2, para. 4). A known amount of water loss is water used in operations. Water used in operations includes water used for flushing mains, water treatment, and fire control. GSWC has taken steps to reduce the water used in operations and has reduced loss in this area from 12.99% in March 2007 to 12.31% in March 2008. The remaining water loss is "Water Unaccounted For" which has shown a substantial improvement. Unaccounted for water loss has decreased from 33.5% in March 2007 to 16.4% in March 2008. This is the area which GSWC's Plan expects to produce further measureable results.

The Division of Water and Audits staff made an independent analysis of GSWC's water loss Plan. AL 1280 detailed the following actions that are being implemented for the Clearlake CSA:

1. A yearly small meter replacement program;
2. A yearly testing program of all production meters;
3. A main replacement program;
4. Annual leak detection surveys; and
5. A program to reduce water used in operations.

Appendix A contains a table quantifying GSWC's goals to reduce the water loss in the Clearlake CSA. The Plan specifically identifies meter and water line replacements as

the most effective means of addressing unaccounted for water loss. Water meter replacements are scheduled as shown in Appendix A. The schedule for meter replacements is determined by when a meter has reached the end of its depreciable life. GSWC has also committed to replace 1,000 feet of water main annually.

The Plan is based on realizing a reduction in unaccounted for water loss similar to the results achieved to date. GSWC cites 40,516 gallons saved per year for each meter replaced in 2006. The water main replacement accounts for an additional 36,000 gallons per year reduction in water loss for each 1,000 feet of water main replaced. The data and the proposed reductions in unaccounted for water loss are based on 2007 water production and water loss figures.

The complete water loss program, including the Plan, does not include any allowance for monitoring GSWC's efforts by the Commission. GSWC is required to report water losses on an annual basis in order to monitor the success of the program. This allows GSWC and the Commission to adjust the focus of the Plan and deploy resources where they would be most beneficial. GSWC should report annually the results of the water loss reduction efforts to the Commission's Division of Water and Audits on a calendar year basis beginning with 2008. This report should be filed by March 1 of the subsequent year. The annual water loss report should include, at a minimum, monthly and a year-end summary of water loss. A table comparing forecast and actual annual water loss reductions should also be included.

Implementation of the Plan will not result in an increased revenue requirement above what was approved by the Commission in GSWC's last general rate case (D.01-08-43).

COMPLIANCE

GSWC has no outstanding Commission compliance orders. GSWC has been filing annual reports as required and all of the tariff schedules in its tariff book are up-to-date.

COMMENTS

No public review or comment is necessary pursuant to Public Utilities Code (PU Code) §311(g) (3).

FINDINGS

1. The GSWC's water loss reduction efforts, including steps described in AL 1280 and the Plan as illustrated in Appendix A, are reasonable and should be approved.
2. GSWC should report the results of its water loss reduction efforts in an annual report for each calendar year of the Plan beginning in 2008. This report should be

filed with the Director of the Division of Water and Audits with a copy provided to the Director of the Division of Ratepayer Advocates. Annual Reports should be filed no later than March 1 of the subsequent year.

THEREFORE IT IS ORDERED THAT:

1. Advice Letter 1280 is reasonable and is accepted including the 6-year plan described above and illustrated in Appendix A.
2. Golden State Water Company is ordered to file annual reports on its water loss reduction efforts for the Clearlake Customer Service Area for each calendar year of the 6-year plan beginning in 2008. This report should be filed with the Director of the Division of Water and Audits with a copy provided to the Director of the Division of Ratepayer Advocates. Annual Reports should be filed no later than March 1 of the subsequent year.
3. This resolution does not preclude water loss issues from being revisited in the next General Rate Case or any other rate-making proceeding.
4. 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 October 2, 2008; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

Appendix A

GSWC Water Loss Reduction Plan Re: Data Request No. GSWC-3

Year	No. of Meter Change-outs	Annual Reduction (gal)	Cumulative Reduction (gal)	Unaccounted Water Loss (%)
2007				17%
2008	29	1,174,960	1,174,960	16%
2009	28	1,134,444	2,309,403	16%
2010	53	2,147,340	4,456,743	15%
2011	153	6,198,925	10,655,668	11%
2012	50	2,025,792	12,681,461	10%
2013	72	2,917,141	15,598,602	9%