

WATER/SNR/MEY:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4578

January 12, 2006

R E S O L U T I O N

(RES. W-4578), LAKE ALPINE WATER COMPANY, INC. ORDER AUTHORIZING A SURCHARGE TO RECOVER AN INCREASE IN WATER QUALITY EXPENSES PRODUCING AN INCREASE IN A ONE-TIME ANNUAL REVENUE OF \$2,963.92 OR A ONE-TIME SURCHARGE OF \$6.31 TO EACH CUSTOMER'S BILL.

SUMMARY

By Advice Letter No. 70, filed on May 19, 2005, Lake Alpine Water Company, Inc. (Lake Alpine) seeks to add a one-time surcharge of \$6.31 to its Schedule No 1A, Annual Metered Service, and Schedule No 2AR, Annual Residential Flat Rate Service. The requested surcharge is to recover water quality compliance costs incurred in the period of January 1, 2004 to December 31, 2004 (recorded period) for expenses associated with the Department of Health Services (DHS) fees and for expenses for the Environmental Protection Agency's adopted national Primary Drinking Water Regulations for water testing and to maintain standards under the Surface Water Treatment Rule. The resulting rates will not result in a rate of return in excess of that last found reasonable for Lake Alpine Water Company, Inc.

This granted surcharge is to recover a one-time expense of \$2,963.92 as incurred in 2004, booked in Lake Alpine's Water Quality Memorandum Account (WQMA).

BACKGROUND

Lake Alpine, a Class D utility in Alpine County, provides water service to 470 customers in the town of Bear Valley and its surrounding areas. The surrounding service areas include the Bear Valley Mountain Resort (for snow making) and a baseball field. It requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover \$2,963.92 or 1.00% of its gross revenues in its service area through a one-time surcharge for water quality testing costs in the recorded period. Lake Alpine's present rates became effective on March 25, 2005 authorized as a

Consumer Price Index increase for the year 2004. The last general rate increase became effective July 19, 1999, pursuant to Resolution No.W-4157.

NOTICE AND PROTESTS

Notice of the proposed rate increase for Lake Alpine was published in *Calaveras Enterprise*, a newspaper of general circulation, on May 15, 2005, as evidenced by proof of publication provided to the Water Division by the utility. Notice of the proposed rate increase for Lake Alpine was mailed to each customer on May 15, 2005. There were no protests concerning the proposed surcharges.

DISCUSSION

Res.No. W-4327, dated March 6, 2002, authorized all Class B, C, and D water utilities to establish WQMA for recording expenses resulting from drinking water regulations, including water sampling, testing, and compliance costs not presently included in rates. Class B, C, and D water utilities were also authorized to request recovery of these account balances by advice letter filings in accordance with General Order No. 96-A.

The surcharge requested herein would allow Lake Alpine to recover the WQMA balance for the recorded period. The Water Division reviewed the earnings tests submitted by Lake Alpine for earnings on an actual basis for recorded year 2004. Lake Alpine reported net operating revenue of \$50,821 or 4.28% rate of return for Lake Alpine for 2004 on a recorded basis and is not earning over its authorized rate of return of 13.25%. The Water Division recommends that Lake Alpine be authorized to assess a one-time surcharge of \$6.31 per customer. This represents a one-time increase of 4.1% of an average customer's bill.

FINDINGS

1. Resolution No. W-4327 authorized all Class B, C, and D water utilities to establish WQMAs for recording expenses resulting from drinking water regulations not presently included in rates.
2. Class B, C, and D water utilities are authorized to request recovery of the WQMA account balances by advice letter filings.
3. Lake Alpine Water Company, Inc. filed Advice Letter No. 70 to seek surcharges to recover WQMA costs incurred during the period January 1, 2004 through December 31, 2004.
4. The undercollections in the WQMA represent 1.00% of the 2004 gross revenues for Lake Alpine.

5. The surcharge herein would allow Lake Alpine to recover the WQMA balance, which totals \$2,963.92.
6. It is proper for Lake Alpine to assess a surcharge for \$6.31 per customer to cover the WQMA costs.
7. The Commission finds, after investigation by the Water Division, that the request is justified, and the resulting rate is just and reasonable.
8. This is an uncontested matter subject to the public notice comment exclusion provided in the PU Code Section 311 (g) (3).

THEREFORE IT IS ORDERED THAT:

1. Lake Alpine Water Company, Inc. is authorized, five days after the effective date herein, to make effective revised Schedule No. 1A, Annual Metered Service, and revised Schedule No. 2AR, Annual Residential Flat Rate Service, attached to Advice Letter No. 70, and to concurrently cancel the corresponding presently effective rate schedules.
2. Lake Alpine Water Company, Inc. is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.
3. 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 January 12, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director