

WATER/FLC/PTL/LEP/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4569  
November 18, 2005

R E S O L U T I O N

**(RES. W-4569), R. R. LEWIS SMALL WATER COMPANY (RRLewis).  
ORDER AUTHORIZING A SURCHARGE PRODUCING AN  
INCREASE IN ANNUAL REVENUES OF \$38,428 OR 137% TO  
RECOVER ENGINEERING AND CONSTRUCTION COSTS OF A  
TEMPORARY CHLORINATION SYSTEM AND TO RECOVER  
INCREASES IN WATER TESTING COSTS.**

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**SUMMARY**

This resolution grants RRLewis an offset rate increase in gross annual revenues of \$38,428 or 137%, which will be recovered through a quarterly surcharge of \$87.34 to each customer's bill for four consecutive quarters. This is in order to recover the balance in RRLewis' Water Quality Memorandum Account (WQMA) and a temporary chlorination system ordered by the Department of Health Services (DHS). This rate increase will not result in a rate of return greater than the last authorized for RRLewis.

**BACKGROUND**

RRLewis, by Advice Letter (AL) No. 20, filed on August 29, 2005, requests authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to add a quarterly surcharge for four consecutive quarters to its tariff Schedules Nos. 2RA, Annual Residential Flat Rate Service, and 1, Metered Service, resulting in an increase in annual revenues of \$38,428 or 137%. This increase is to recover RRLewis' WQMA balance and a temporary chlorination system ordered by DHS. The WQMA account tracks water testing costs above and beyond the amount allowed in the last general rate case.

RRLewis presently serves 110 flat rate and metered customers located in an area northeast of Sierra City, north of the North Yuba River, adjacent to Highway 49, in Sierra County.

RRLewis' Schedule No. 2RA became effective on May 1, 1985, pursuant to Resolution (Res.) No. W-3244, which authorized a general rate increase of \$5,275 or 89% and a rate of return of 11%. RRLewis' Schedule No. 1 became effective on January 12, 1988, pursuant to Res. No. W-3378, which authorized a metered service rate.

## **DISCUSSION**

Res. No. W-4327, dated March 6, 2002, authorized all Class B, C, and D water utilities to establish WQMA's for recording expenses resulting from drinking water regulations, including water sampling, testing, reporting, and treatment 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 G.O. No. 96-A. WQMA recovery requires a resolution.

The surcharge requested herein would allow RRLewis to recover the WQMA balance, which totals \$38,428 and includes \$25,960 for construction of a temporary chlorination system and costs associated with the operation of that system from January through June 2005 and an additional \$12,468 for compliance with DHS' drinking water regulations which include water sampling, testing, reporting and treatments costs from January 2003 through June 2005. The Water Division recommends that RRLewis be authorized to assess a quarterly surcharge of \$87.34 per customer for four consecutive quarters to recover the \$38,428 balance, which will be booked in the WQMA balancing account.

There are no Commission orders requiring system improvements. RRLewis has been filing annual reports regularly and currently complies with all Commission orders and regulations.

## **NOTICE AND PROTESTS**

RRLewis has given public notice of the proposed rate increase by notifying each customer and publishing a notice in a local newspaper of general circulation on September 8, 2005. There were seven letters of opposition to the requested increases. Most of the letters received were protesting the surcharge and were not in favor of a temporary chlorination facility. They felt that the money should have been used for a permanent facility since the temporary facility was not giving them good water; however, the temporary chlorination system was installed under a DHS compliance order. The temporary chlorination system was done by the RRLewis Water Company, Cranmer Engineering located in Grass Valley, and Noack, a labor and materials supplier in Redding, California. The Water Division reviewed the invoices submitted by RRLewis and found them reasonable.

A customer complained about not being able to review the filings at the service area. The Division has told the utility to make the filing available in the service area.

A customer was also questioning the need for extra testing in the amount of \$4,560 and indicated that if the company had done the originally testing there would be no need for additional testing. The water testing was requested by DHS because of changes in the law that mandate additional testing.

### **FINDINGS**

1. Res. No. W-4327 authorized RRLewis to establish a Water Quality Memorandum Account.
2. RRLewis properly established its account and booked \$12,468 for expenses incurred in compliance with DHS' drinking water regulations which include water sampling, testing, reporting and treatments costs from January 2003 through June 2005.
3. DHS' ordered a temporary chlorination system and the operating costs through June 2005 have totaled \$25,960.
4. RRLewis has booked \$38,428 to the Water Quality Memorandum Account.
5. Staff reviewed the account and determined that recovery by a surcharge for \$87.34 per customer for four consecutive quarters is reasonable.
6. The resultant rate increase authorized in this resolution will not result in a rate of return greater than the last authorized for RRLewis.
7. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.

### **THEREFORE IT IS ORDERED THAT:**

1. R.R. Lewis Small Water Company's Advice Letter No. 20 is hereby approved.

2. R.R. Lewis Small Water Company is authorized, five days after the effective date herein, to make effective the revised Schedules Nos. 1, Metered Service, and 2RA, Flat Rate Service, attached to Advice Letter No. 20, and to cancel the corresponding presently effective rate schedules.
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 November 18, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
President  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
DIAN M. GRUENEICH  
JOHN A. BOHN  
Commissioners