

WATER/FLC/SNR/EYC:jrb

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

DIVISION OF WATER & AUDITS

RESOLUTION W-4663

September 20, 2007

**R E S O L U T I O N**

**(RES. W-4663), PENNGROVE WATER COMPANY (PWC). ORDER AUTHORIZING THE ESTABLISHMENT OF A TEMPORARY THIRD TIER RATE OF \$8.50 PER Ccf FOR THE REMAINING MONTHS OF THE MANDATORY CONSERVATION PERIOD, SEPTEMBER AND OCTOBER 2007.**

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**SUMMARY**

By Advice Letter (AL) No. 61 filed on July 31, 2007, PWC requested to establish a temporary third tier in the current tariff for the remaining months of the Mandatory Conservation Period, approximately September and October 2007. This resolution grants PWC the requested temporary third tier rate of \$8.50 per Ccf. The revenues collected with this interim tier rate are subject to refund and should be tracked in a Memorandum Account.

**BACKGROUND**

PWC filed AL No. 61, on July 31, 2007, to establish a temporary third tier, called a Mandatory Conservation Tier, for the remaining months of the conservation period, approximately September and October 2007.

PWC is sourced directly from the Petaluma Aqueduct of the Sonoma County Water Agency (SCWA). The State Water Resources Control Board has mandated that SCWA reduce its diversions from the Russian River from July 1 through October 31, 2007 by 15% of 2004 levels<sup>1</sup>.

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<sup>1</sup> State of California, California Environmental Protection Agency, State Water Resources Control Board Order WR 2007-0021: Temporary Urgency Change in Permits 12947A, 12949, 12950 and 16596.

Likewise, SCWA has requested that its customers, including PWC, implement this conservation mandate in their service territories.<sup>2</sup>

PWC filed earlier an AL No. 60, to establish a Mandatory Water Conservation Memorandum Account (MWCMA) to recover lost revenues due to conservation. The purpose of the MWCMA is to track actual sales revenue and purchased water expense for subsequent recovery of net lost revenues.

The present rates were established on May 21, 2007 in accordance with Decision No. 92-03-093, which authorized a Consumer Price Index for All Urban Consumers (CPI-U) increase in rates. The last general rate increase was granted on April 13, 2006, by Res. No.W-4593, which authorized a gross revenue increase of \$36,812 or 6.42% in additional annual revenue.

## **DISCUSSION**

In this filing, PWC explained that the company was attempting to “recapture some of the loss in revenues in real time” due to the conservation efforts by customers. The company also hoped to provide an incentive for water conservation by implementing a new temporary interim rate structure for two months. PWC states that its filing is made under the provisions of General Order 96-B.

The current tariff contains two tiers to encourage conservation. The proposed Tier 3 rate is intended to discourage water use above 1,300 cu. ft. per customer per month. The proposed interim mandatory conservation rate would be in effect starting on the effective date of this resolution and continuing through October 2007. After this period, the rates would return from the three tier to the two tier structure. PWC is hoping not only to recover some of the conservation loss revenue in real time, but also to make customers aware that mandatory conservation may be a requirement in the summertime in coming years.

As mentioned earlier, the memorandum account granted to the utility per AL No. 60 allows PWC to track actual sales revenue and purchased water expense for subsequent recovery on net loss revenue due to conservation. The memorandum account is effective August 18, 2007 and incorporates the time period covered in AL No. 61. The establishment of the temporary third tier rate is reasonable.

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<sup>2</sup> Sonoma County Water Agency Letter to Penngrove/Kenwood Water Company on June 29, 2007 titled “State Water Resources Control Board Water Conservation Requirements.

In terms of a permanent third tier for conservation purposes in the future, Staff recommends that the utility look into Standard Practice U-40-W: Instructions for Water Conservation, Rationing and Service Connection Moratoria. The utility can file an advice letter to add tariff Schedule and Rule No. 14.1 for mandatory conservation and rationing measures such as water use violation fines, charges for removal of flow restrictors, and the period during which measures will be in effect.<sup>3</sup> The Schedule can also be rescinded when conservation and rationing are no longer necessary.

### **NOTICE AND PROTESTS**

Notice of the proposed third tier rate structure was published in a newspaper of general circulation, the Press Democrat, on July 28, 2007. No protests were received by the Commission.

### **COMMENTS**

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

### **FINDINGS**

1. The Division of Water and Audits approved Advice Letter No. 60, which established a Mandatory Water Conservation Memorandum Account, to track actual sales revenue and purchased water expense for subsequent recovery on net loss revenue due to conservation.
2. By Advice Letter No. 61, PWC is requesting to recapture some of the financial losses due to conservation in real time by implementing a third tier to its current rate structure for two months, September and October 2007 only.
3. The temporary third tier rate is reasonable and should be adopted.
4. The third tier rate revenues authorized in this resolution are subject to refund pending a reasonableness review of the memorandum account by an earning test.

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<sup>3</sup> Section E - Mandatory Rationing outlines the steps described in Schedule 14.1 in Standard Practice U-40-W

5. The utility can consider filing an advice letter to add tariff Schedule and Rule No. 14.1 for mandatory conservation and rationing measures.

**THEREFORE IT IS ORDERED THAT:**

1. Penngrove Water Company is authorized to make effective the rates contained in Schedule No. P-1, Metered Service filed by Advice Letter No. 61, and to concurrently cancel its presently effective rate Schedule No. P-1.
2. The third tier rate revenues authorized in this resolution are subject to refund or increase pending a reasonableness review of the Mandatory Water Conservation Memorandum Account.
3. This resolution is effective today.

I hereby 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 September 20, 2007; the following Commissioners approved it:

/s/ PAUL CLANON

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners