

WATER/RSK/SNR/AJT:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4683
April 24, 2008

R E S O L U T I O N

(RES. W-4683), POINT ARENA WATER WORKS, INC. (PAWW). ORDER AUTHORIZING A WATER RIGHT MEMORANDUM ACCOUNT FEE OF \$333 PER LOT FOR NEW SERVICE CONNECTIONS TO BE CREDITED TO THE WATER RIGHT MEMORANDUM ACCOUNT RELATED TO PAWW'S WATER RIGHT PERMIT APPLICATION NOS. 25442 AND 30892 WITH THE STATE WATER RESOURCES CONTROL BOARD (SWRCB).

SUMMARY

By Advice Letter (AL) 55 filed on November 14, 2007 and update schedule filed on December 19, 2007, Point Arena Water Works, Inc. (PAWW) requests approval to establish a Water Right Memorandum Account Fee (Fee) of \$1,230 per lot to recoup costs related to Water Right Permit Application Nos. 25442 and 30892 filed by PAWW with the State Water Resources Control Board (SWRCB), which costs are being tracked in a memorandum account.

This resolution authorizes charging a Water Right Memorandum Account Fee of \$333 per lot for a new water service connection in order to recoup costs related to the water rights applications. The fees collected shall be credited to the water right memorandum account authorized by the Commission Resolution W-4660, dated September 20, 2007. A new service-connection means a service connection to a lot where no service connection existed before or additional new service connections to the lot. PAWW will be allowed to file an advice letter annually from the effective date of this resolution, to recover the balance in the memorandum account subject to reasonableness review by the Division of Water and Audits (DWA), and the recovery of the approved amount shall be from the new customers that come on board after the effective date of the authorized recovery.

BACKGROUND

By Advice Letter (AL) 51-W, PAWW requested approval to establish a Water Right Memorandum Account (WRMA) to record all costs related to: 1) existing Water Right Permit No. 17016 (Application No. 25442), and 2) Water Permit Right Application No. 30892 with the SWRCB. Resolution W-4660 granted this request and limited any recovery of the costs to future ratepayers and developers, i.e., new service connections. The memorandum account was authorized on September 20, 2007 and the estimated cost of permit process, a study, was \$50,000.

Presently, PAWW provides water service to 193 service connections serving approximately 480 people. The maximum annual amount of water used was 41.2 acre-feet in 2004 with a maximum month use of 4.9 acre-feet in the same year. PAWW has existing water right permit for 100 acre-feet per year and it has applied for additional water right of 150 acre-feet per year to serve future customer growth.

In its AL 51-W filing, PAWW estimated a customer growth of 150 customers in five years from the present 193 customers to 343 customers. It estimated that the full build-out in the City of Point Arena is expected to occur by year 2030 and at that time its service territory would provide water to 920 customers or approximately 2,300 people. Therefore, PAWW requested SWRCB for a right to divert an additional 150 acre-feet of water through Application No. 30892.

DISCUSSION

In its AL 55 filing summary, PAWW states the following:

"This advice letter is filed in compliance with Resolution W-4660, which authorized PAWW to incorporate a fee (like a facilities fee or similar charge) to recover the costs associated with Water Right Permit No. 17016 and Water Permit Application No. 30892."

PAWW's AL 55 is incorrect in saying that Resolution W-4660 authorized PAWW to incorporate a fee. That resolution authorized PAWW to file an advice letter on the process they propose to recover costs, not incorporate a fee. A memorandum account authorizes a utility to record costs but does not guarantee recovery of the costs incurred. Recovery of the incurred costs, if any, is subject to reasonableness review by the Commission staff upon filing of an advice letter by a utility. A memorandum account accrues interest at the 90-day commercial paper rate.

In PAWW's case, the total costs have not been fully incurred yet and it anticipates a request for new water service connections to fifty lots from a developer soon. Resolution W-4660, which authorized the memorandum account, only permits potential

recovery of the water rights related costs from the new service connections. Hence it would not be prudent to wait until the total cost is known or has been incurred in order to connect or charge the new customers. Since the costs have already started to occur, it would be reasonable to charge the new customers based on the estimated costs, PAWW developed in its AL 51-W, and credit the water rights memorandum account by the collected amount.

Next, in AL 55, PAWW proposes to collect its entire estimated cost of \$50,000 plus interest from the fifty new lots. Accordingly it has calculated a \$1,230 per lot fee. The water right related project is expected to be completed in five or so years and the estimated number of new service connections per PAWW AL 51-W is 150. It is not just to burden only fifty customers with the entire cost of the project. Therefore, DWA recommends that the estimated cost of \$50,000 be spread over 150 new estimated customers that are expected to be on board in five years. The resulting per lot fee would be \$333. We agree.

PAWW will be allowed to file an advice letter annually from the effective date of this resolution, to recover the balance in the memorandum account subject to reasonableness review by the DWA, and the recovery of the approved amount shall be from the new customers that come on board after the effective date of the authorized recovery.

NOTICE AND PROTESTS

A copy of AL-55 was mailed to the service list in accordance with Section 4.3 of General Order 96-B and the parties were given 20 days to file a protest.

The Division received one protest from the City of Point Arena (City) objecting to the authority sought by PAWW to implement the proposed "Water Right Memorandum Account Fee". The City's primary concern pertained to the proposed tariff language that the proposed fee would apply to *all customers requesting water service* and does not specify if the customer is applying for service to an existing premises (i.e. someone just moved into an existing house and is *requesting water service* or even if an existing customer is requesting water service to restore a discontinued service. Since Resolution W-4660 clearly recognizes that expenses related to water rights shall be collected from those benefitting from "future growth and projected development beyond the scope of existing customers", the applicability should be similar to that of Schedule F, Facilities Fees which states: "Applicable to all customers applying for service from the Utility in the territory service **for premises not previously connected to its distribution mains**, for additional service connection to existing premises, and for increases in size of the service connections to existing premises.

The City had further concerns with the proposed tariff language that the proposed fee would allow PAWW to collect every time a rental changes occupancy and although the new customer may not be an *existing ratepayer*, the premises served had been in the existing ratepayer base and is not benefitting from additional water rights and should therefore not be billed this fee. The City requested that recovery of the Water Right Memorandum Account balance use the same applicability as the above mentioned Facilities Fees to clear up this possibly unintentional confusion.

In addition, the City argued that the analysis, calculations, or data in the advice letter contained material errors or omissions. The analysis limited the basis of recovery to only 50 connections while the water rights being applied for could serve the more than 461 additional residences calculated at the City's build-out. PAWW estimated a full build-out by 2030 (Resolution W-4660, Page 5). Since this is a long-term investment (a 33-year extension of water rights has been applied for) that will serve the entire build-out and since low interest, 30-year loans are loans available from USDA, it is not clear why the advice letter uses only 50 connections. Furthermore, the Hay Annexation area is zoned for a build-out of 179 residential units that will require water service. This is the largest development area in Point Arena, yet it was omitted from this advice letter. The City also added that the Hay Annex area is owned by the owners of the water company and that it was omitted from the basis calculation of this advice letter appears to be the result of this conflict of interest.

The City further stated that the relief requested in the advice letter is unjust, unreasonable, or discriminatory on the appearance from the discussion of AL 55, that 76% of the estimated cost in the water right memorandum will be collected from two recently approved development projects that represent only 8% of future development.

On December 6, 2007, PAWW responded to the City's protest as follows:

PAWW stated that it does not intend to charge the Water Right Memorandum Account fee to existing customers or to existing premises with an installed water service, but only to new future customers. To avoid any misunderstandings, PAWW requested to modify the proposed tariff language. On December 19, 2007, PAWW amended the proposed tariff sheet to that effect.

COMMENTS

Public Utilities Code §311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Code §311(g)(2) provides that this 30-day period may be waived or reduced upon stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly this draft resolution was mailed to all parties for comments. No comments were received.

FINDINGS AND CONCLUSIONS

1. Resolution W-4660 granted under Public Utilities Code Section 454 for Point Arena Water Works, Inc. (PAWW) to establish a Water Right Memorandum Account to record therein all costs related to existing Water Right Permit No. 17016 (Application No. 25442) and Water Permit Application No. 30892 filed by PAWW with the State Water Resources Control Board (SWRCB).
2. Resolution W-4660 limited recovery of water right applications related costs to the new water service connections.
3. PAWW Advice Letter 51-W estimated initial cost related to water rights applications to be \$50,000.
4. PAWW proposes to recover all costs related to the water rights applications from only 50 new water service connections.
5. Advice Letter 51-W forecasted 150 new water service connections within the next five years.
6. The projects associated with Water Right Permit No. 17016 (Application No. 25442) and Water Permit Application No. 30892 have not been completed yet and may take up to five years to complete.
7. It is reasonable to recoup the cost of the initial study from 150 new customers.
8. A Memorandum Account fee of \$333 per lot for new water service connections based on 150 new customers and \$50,000 estimated cost is reasonable.
9. Advice Letter No. 55 should be approved as modified in Appendix A.

THEREFORE IT IS ORDERED THAT:

1. The request of Point Arena Water Works, Inc. to establish a Water Right Memorandum Account Fee of \$1,230 per lot to recoup its all costs related to its Water Right Permit Applications Nos. 25442 and 30892 filed by PAWW with the State Water Resources Control Board (SWRCB) is modified to \$333 per lot.
2. Point Arena Water Works, Inc. is authorized to file an advice letter supplement to incorporate Schedule No WR, Water Right Memorandum Account Fee, attached to this resolution as Appendix A. The rate schedule shall become effective five days after the date of filing.

3. Point Arena Water Works, Inc. Advice Letter No. 55 is hereby approved as modified.
4. Point Arena Water Works, Inc. shall credit the water right memorandum upon collecting the memorandum account fee.
5. Point Arena Water Works, Inc. shall be allowed to file an advice annually from the effective date of this resolution to recover the balance in the memorandum account subject to reasonableness review by the Division of Water And Audits, and the recovery of the approved amount shall be from the new customers that come on board after the effective date of Commission disposition of each such advice letter.
6. 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 April 24, 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

POINT ARENA WATER WORKS

Schedule No. WR

WATER RIGHT MEMORANDUM ACCOUNT FEE

APPLICABILITY

The Water Right Memorandum Account Fee applies to all new future customers requesting water service served for premises not previously connected to its distribution mains, for additional service connections to existing premises, and for increases in size of the service connections to existing premises, including individual customers, applicants for main extensions to serve new subdivisions, tract, housing project, industrial development, commercial buildings, shopping centers, etc.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

FEES

Residential Development	\$333 per Residential Lot
Commercial, Industrial or other developments	\$333 per equivalent average residential water use

SPECIAL CONDITIONS

1. The Water Right Memorandum Account Fee will be charged at the time customers apply for water service.
2. The Water Right Memorandum Account Fee will be charged in addition to any other charges in accordance with Point Arena Water Company's rules.
3. This Schedule No. WR will be in effect until the full cost related to Advice Letter No. 51-W is recovered.
4. Fees made under this schedule **are not** subject to the reimbursement fee set forth in Schedule No. UF.