

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 1, 2016

Kirk Knudsen, President
Sierra Park Water Company
P. O. Box 424
Miwuk Village, CA 95346
Kirk.knudsen@creationtech.com

Re: Disposition of Sierra Park Water Company Advice Letter Number 1

Dear Mr. Knudsen:

This is to advise you that the Division of Water and Audits (DWA) has approved Sierra Park Water Company (Water Company) Advice Letter (AL) Number 1, filed on April 4, 2016. The protests to Advice Letter Number 1 are denied since the Tariffs are in conformance with California Public Utilities Commission (CPUC) Decision (D.) 16-01-047. The Water Company may establish its tariff book with tariff sheets, as amended, that were filed pursuant to D. 16-01-047 Ordering Paragraph ¹ Number 6 ².

The Water Company filed Advice Letter Number 1 as a Tier 1 Filing, which is effective on filing. Since the filing was protested, DWA shall be treating it as a Tier 2 filing, subject to disposition pursuant to Public Utilities Code, General Order 96-B.

¹ Ordering Paragraphs mentioned herein are from Decision 16.-01-047

² D. 16-01-047, Ordering Paragraph 6 states:

6. Sierra Park Water Company, Inc. (Water Company) must implement tariffs to adopt the test year revenue requirements and rates as calculated in the Division of Water and Audits Staff Report (Attachment A to this decision). Water Company must file a Tier 1 advice letter within 60 days of the effective date of this decision that add tariff sheets to:
 - a. implement adopted rates;
 - b. refund bill credits as ordered in Ordering Paragraph 3 and collect surcharges as ordered in Ordering paragraph 4. In documenting the refunds, the Water Company must redact the public version and file a confidential version of the advice letter under seal to the extent it believes necessary so that it does not disclose customer specific information;
 - c. include a service area map;
 - d. incorporate the standard tariff rules;
 - e. incorporate into preliminary statements a description of the memorandum account authorized to track costs and surcharge revenues associated with retaining an engineering consultant.

Background

By D. 16-01-047, Odd Fellows Sierra Recreation Association (Odd Fellows) and the Water Company were ordered to refund excess amounts collected from customers for Fiscal Year (FY) 2012-13 (by Odd Fellows)) and FY's 2013, 2014 and 2015 (by the Water Company).

Customer refunds were to be made in twenty quarterly installments over a period of five years starting March 31, 2016³. The Water Company was also required to collect a surcharge from all lot owners to fund the costs of retaining an engineering consultant. The consultant would evaluate the water system, recommend necessary capital improvement projects, propose budgets and time lines for implementing the recommendations and propose a rate design to implement the projects⁴. In addition, the Water Company was to refund to customers all unauthorized lease payments made to Odd Fellows and Sierra Park Services, Inc. (Service Company). As

³ D. 16-01-047 Ordering Paragraph 3 states:

3. Sierra Park Water Company, Inc. (Water Company) and Odd Fellows Sierra Recreation Association (Odd Fellows) must make the following refunds:
 - a. Water Company must refund \$157,756, allocated as follows: \$133,150 to the improved lots and \$24,606 to the unimproved lots as the lots are shown in the Division of Water and Audits Staff Report (Attachment A to this decision). The Water Company must also refund to customers their proportionate share of the overpayments, if any, made for Fiscal Years 2015-2016 according to the formula set forth in the decision and used to compute the Fiscal Year 2013 and 2014 refunds. Water Company must make the refunds in quarterly payments over five years (for a total of twenty payments) to customers. These payments are due for 2016, 2017, 2018, 2019 and 2020 by the following dates: March 31, June 30, September 30 and December 31. Water Company may offset the costs of the engineering study set forth in Ordering Paragraph 4 below from this refund.
 - b. Odd Fellows must make a full refund of \$109,432, allocate proportionately to the improved and unimproved lots as otherwise shown in the Division of Water and Audits Staff Report, its adjusted share prior to spinning-off Water Company. Odd Fellows must make the refund over five years (for a total of twenty payments by the dates set forth in Ordering Paragraph 3.a above by paying Water Company, who, in turn, must refund customers as proposed in the Division of Water and Audits Staff Report. Additionally, Odd Fellows must refund to the Water Company, no later than June 30, 2016, \$1,200 to reflect the \$600 per year it received from the Water Company for the use of easements on six miles of pipe for Fiscal Years 2013 and 2014, and any monies received from the Water Company for the six miles of pipe easements for Fiscal Year 2015.
 - c. Water Company must make a refund to customers of all payments made, if any, without authority to Sierra Park Services, inc., and allocated proportionately to the improved and unimproved lots as otherwise shown in the Division of Water and Audits Staff Report for refunds. This refund shall be as set in Ordering Paragraph 3.a above.

⁴ D. 16-01-047 Ordering Paragraph 4 states:

4. Sierra Park Water Company, Inc., must implement a surcharge of \$124 for each connection to fund the costs of retaining an engineering consultant and may offset this surcharge against the refunds it owes customers.

required by Ordering Paragraph 6, the Water Company filed a Tier 1 Advice Letter Number 1 and Tariffs on April 4, 2016.

The Water Company and Odd Fellows computed the excess amounts collected from customers and refunded the same to eligible customers pursuant to their interpretation of Ordering Paragraphs 3 and 4. The Water Company has reported that it did not receive all the refunds owed to it from the Service Company pursuant to Ordering Paragraph 3c⁵. The amounts paid to the Service Company are already included in rates.

Protests and Responses

Protests to Advice Letter Number 1 were received from three parties.⁶ The Water Company responded to each protest. Key issues raised by the protestants, Water Company responses and the DWA's comments are discussed below:

1. Accuracy of service area map

Two protestants questioned the accuracy of the service area map shown on Tariff Sheet 6-W.

The Water Company hired a surveyor to investigate the matter, modified the service area map and filed an amended Tariff Sheet 6-W.

The DWA approves the amended Tariff Sheet 6-W.

2. Charge for merging an unimproved lot

One protestant questioned the proposed fee for charges for merging an unimproved lot.

In its response, the Water Company provided detailed computations justifying the charges.

The DWA agrees with the computations provided by the Water Company.

3. Assessments for undeveloped lots

Assessments were ordered by Ordering Paragraph 3 for both developed and undeveloped lots. One protestant questioned the assessment against undeveloped lots because no services were being provided for those lots.

In its response, the Water Company stated that it made the assessments as ordered by Commission Decision.

The DWA agrees with the Water Company's response. If the Protestant disagrees, he may request a change to a final Commission decision by filing a petition for modification pursuant to Rule 16.4 of the Commission's Rules of Practice and Procedure.

4. Refund of overpaid amounts and request for hearings

Two protestants believe that based on Ordering Paragraphs 3 and 4, (a) refunds issued by the Water Company and Odd Fellows are incorrect and should be revised; (b) Odd Fellows should

⁵ E-mail from Bill Ordwein, COO Sierra Park Water Company to Lael Potter dated May 21, 2016 regarding "Sierra Park Services Easement refunds".

⁶ Protests were received from: Mr. Robbie Bettencourt, Mr. Charles Varvayanis and Mr. Fred Coleman.
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send all refunds to the Water Company rather than to customers for onward transmittal to the lot owners as ordered by Ordering Paragraph 3b; (c) Tariff sheet 74-W should be modified to bring it in compliance with Ordering Paragraphs 3 and 4; and (d) there should be hearings to discuss computation of refunds.

(a) Methodology for computing refund amounts

To determine the overpayments, the Water Company calculated the amount to be refunded to customers who were owed a refund as directed by the Commission (eligible customers) by taking 25% of the difference between actual payments received and the ordered assessment amount for each lot plus the engineering consultant fees ordered. The amount would be refunded to each eligible lot owner in 20 quarterly payments. The total refunded amount will be lower than \$157,756, the amount specified in Ordering Paragraph 3a.

One protestant stated that the methodology used by the Water Company is incorrect and is not in accord with the Decision. He recommended that the overpaid amounts should be computed based on 25% of the difference between the assessed amount and the Commission authorized amount plus 100% of the engineering consultant fees assessment for each lot. The Water Company agreed to revise the refunds using the protestant's recommended methodology. Since the first set of refunds have already been sent, the Water Company proposes to adjust its next quarterly refund that is due on June 30, 2016⁷. The DWA agrees with the methodology recommended by the Protestant as it is consistent with D. 16-01-047.

Odd Fellows calculated total refunds based on actual amounts collected less amounts authorized by D. 16-01-047 and divided that amount by the total number of connections. The amount to be refunded was calculated as \$20,996. Spread over all lots in the development yields \$2.88 per lot per quarter for the next 20 quarters⁸. Odd Fellows issued a check for \$2.88 to each eligible lot owner.

One protestant stated that the Commission should order Odd Fellows to refund \$15.03 and not \$2.88 per lot per quarter to be compliant with Ordering Paragraph 3b⁹. The DWA agrees with the Protestant's calculation as it is consistent with D. 16-01-047.

DWA's comments:

The Proposed Decision was circulated to the service list for comments prior to being voted on by the Commission. The Commission considered the comments filed by the Water Company and Odd Fellows to arrive at the refund amounts specified in the Decision. The Water Company and Odd Fellows are required to refund amounts as stated in Ordering Paragraphs 3 and 4.

Both the Water Company and the Odd Fellows believe that refunding amounts in excess of those actually collected from customers would mean that customers would be paid back more than paid in. The Water Company has informed the DWA that they as well as Odd Fellows plan to file a Petition to Modify D. 16-01-047 Ordering paragraphs to base refunds on actual collections

⁷ Per phone conversation between Ravi Kumra, Senior Utilities Engineer, and Bill Ordwein, Chief Operating Officer, Sierra Pacific Water Company, on May 20, 2016.

⁹ Computed as: \$109,432 divided by (364 lots times 20 quarterly payments)
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rather than absolute amounts that are currently contained in the Decision. Until the Commission rules on the Petition to Modify, D. 16-01-047 is still applicable.

(b) Refund checks by Odd Fellows

Ordering Paragraph 3b requires Odd Fellows to send all refund checks to the Water Company which would then send that refund along with its own to eligible customers. Odd Fellows did not follow that procedure and is out of compliance with D. 16-01-047. The DWA directs Odd Fellows to send all refunds to the Water Company as required by Ordering Paragraph 3b.

(c) Acceptance of Tariffs filed by Water Company

Two protests were received regarding Tariff Sheets 6-W and 74-W. The Water Company filed an amended Tariff Sheet 6-W based on a survey of the water system. An amended sheet 74-W that was compliant with D. 16-01-047 was also filed replacing the originally filed Tariff Sheet. There were no protests filed for the remaining Tariff sheets. The DWA recommends approval of Tariff sheets as amended and filed in Advice Letter Number 1.

(d) Request for rehearing for computation of refunds

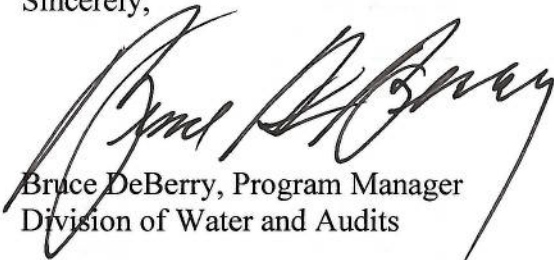
The DWA rejects the request for re-hearing. A Protest is not the proper vehicle for making such a request. A party may request rehearing of a decision or petition to modify a decision pursuant to Rules 16.1 and 16.4 of the Commission's Rules of Practice and Procedure.

The DWA finds that:

1. Advice Letter Number 1, as amended, conforms with Commission Decision 16-01-047 and is approved.
2. The Water Company and Odd Fellows are required to follow Ordering Paragraphs 3 and 4 of D. 16-01-047.
3. Protestants requesting rehearing or a petition to modify D. 16-01-047 must file pursuant to Rules 16.1 or 16.4 of the Commission's Rules of Practice and Procedure.

Questions should be directed to Mr. Ravi Kumra at (415) 703-2571 or at ravi.kumra@cpuc.ca.gov or, Mr. Terence Shia at (415) 703-2213 or terence.shia@cpuc.ca.gov.

Sincerely,



Bruce DeBerry, Program Manager
Division of Water and Audits

Cc: Terence Shia, Program and Project Supervisor, Division of Water and Audits
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