CALIFORNIA PUBLIC UTILITIES COMMISSION DIVISION OF WATER AND

(Date Filed / Received Stamp by CPUC)

	AUDITS										
Advio	e Letter Cover	Shee	t								
AL # 121	Date Mailed to Service	ce List:		ending Resolution			Requested Tier:				
121	06.12.2019		Pending K				ier 1	Tie	r 2	Tier 3	
Replacing AL#:	Authorization for Fil	ing:	Complian	nce Filing? Rate			\$ 548,209				
	SP-U-27-W		Yes	X No	Impact	%	% 9.93				
The public has 2	20 days from Date M	ailed (a	bove) to	Director							
protest this advice letter. If you chose to protest or			Division of	f Water and A	udit	S					
	dvice letter, send Pro	otest an	<u>d/or</u>	505 Van N							
Correspondence	within 20 days to:			San Franci	sco, CA 9410	02					
and if you have	email capability, also	email 1	to:	water_divisi	on@cpuc.ca.g	<u>OV</u>					
Your protest also must be served on the Utility				(see attaction for prote	ched advice let st)	ter fo	or more	informat	ion an	d grounds	
Company Name: Lake Alpine Water Company				_				CPUC U	Jtility	Number:	
Address: PO Box	5013							WTB_			
City State 7in.	D V. II CA 05222							WTC_ WTD	148	Q	
City, State, Zip:	Bear Valley, CA 95223							SWR	170		
	ct Name:	P	hone No.]	Fax No.		Email Address:				
텔 Kimi Johnso	n	209-75	3-2409			info	info@lakealpinewater.com				
Alternate											
Description:				•							
-	ecovery the expense						•		&B.		
This filing will	not cause withdrawa	al of ser	vice nor c	onflict with	any other sch	edule	e or rul	le.			
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WTS Budget/Activ	rity/Type		(1 011 0	Process as:	•	Tier	2 0	Гier 3			
				20th Day			30th Da	ıy			
Project Manager:				Suspended or	n:						
Analyst:				Extended on:							
Due Date:				Resolution N	o.:						
Completion Date:				AL/Tariff Ef	fective Date:						

LAKE ALPINE WATER COMPANY Alpine County

June 12, 2019

Advice Letter No. 121

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

LAKE ALPINE WATER COMPANY (LAWC), U148W, hereby transmits for filing one original and one copy of this advice letter (AL) and the following tariff sheets which are enclosed:

CPUC Sheet No.	Title of Sheet	Canceling Sheet No.
560-W	Schedule No. 1A, Cont.	543-W
561-W	Table of Contents	561-W

Pursuant to Water Industry Rule 7.3.3 of General Order 96-B, Lake Alpine Water Company (LAWC) submits this Tier 3 advice letter to request recovery of expenses through amortization of the balance in the memorandum account established by File No. 602-19 and to satisfy the conditions set forth in Standard Practice U-27-W regarding the recovery of a memorandum account for legal and consulting expenses.

LAWC had previously, in Advice Letter 94 A&B, requested the authority to establish a memorandum account to track the costs of legal services and other charges in association with protests to Application (A.) 11-040-13.

I. The establishment of the memorandum account satisfies the conditions, set forth below, for recovery of costs of an exceptional nature:

A. THE EVENTS LEADING TO THE COSTS WERE NOT UNDER THE UTILITY'S CONTROL.

The Commission proceedings that created the costs were initiated by third parties.

Case No. 11-04-015

In April 2011, a ratepayer of LAWC filed a complaint, C.11-04-015, naming Aspen Forest Investments ("Aspen") and LAWC as defendants. The complaint alleged that Aspen's purchase of stock from James and Marianne Orvis eight years earlier constituted a transfer of control of LAWC and was improper for a number of reasons. LAWC and Aspen filed a detailed answer to the complaint on June 13, 2011. The following day, the ratepayer requested that C.11-04-015 be withdrawn; the Commission granted her request in D.11-08-001.

Application No. 11-04-013

The parties to the 2003 stock sale described in C. 11-04-015 did not believe that the sale resulted in an acquisition of "control" of LAWC. Initially, the Commission staff concurred on that view. Years later,

¹ While Aspen acquired 50% of the stock, it only obtained 2 of 5 seats on the Board of Directors. Moreover, none of the principal managerial positions at LAWC (Chairman, President, General Manager and Corporate Secretary) changed as a result of the sale; all remained with members of the Orvis family. No member of Aspen played any role in the day-to-day management of LAWC.

however, the staff directed that an application be filed. Accordingly, Aspen and James and Marianne Orvis filed A.11-04-013, seeking approval of Aspen's 2003 purchase of 50% of the shares of LAWC from Mr. and Mrs. Orvis.²

Protests by "Ratepayers of Lake Alpine Water Company"

In the normal course of Commission water proceedings, A.11-04-013 would have involved little controversy. As the Commission ultimately concluded, the post-sale management of the company had served the ratepayers well and, even prior to the Commission's formal findings³, there was nothing on the face of either the 2003 transaction or the operations of LAWC between 2003 and 2011 to suggest otherwise. Nonetheless, the "Ratepayers of Lake Alpine Water Company" ("RLAWC"),⁴ and Bruce and Paula Orvis protested the application and urged that it be denied. Applicant Aspen Forest independently paid for the responses to the protest filed by Bruce and Paula Orvis. Those costs are not part of the memo account balance sought with this advice letter filing.

Consequences of CPUC Consideration of Protests

As the Commission ultimately recognized, LAWC's actual ratepayers had views quite different than those expressed by RLAWC.⁵ Nonetheless, the protests resulted in a Pre-Hearing Conference and, ultimately a multi-year proceeding before the Commission, one extending into 2016.⁶

Perhaps the best evidence of the length and complexity of the proceeding is found in the Commission's Docket card which reflects 133 formally filed documents in A. 11-04-013, a figure that excludes prepared testimony and discovery requests. By comparison, San Jose Water Company's 2012 general rate case, which was heard by the same ALJ and also resulted in evidentiary hearings, produced less than half that number of filings. The 2015 California Water Service GRC (which included evidentiary hearings, Public Participation Hearings and a change of ALJ in the middle of the proceeding) produced about a third fewer documents than A. 11-04-013.

4 At this stage of the proceeding, RLAWC's representative was Mr. Phil Davis.

5 In D. 13-03-007 the Commission found that the actual ratepayers of LAWC supported the "sale of LAWC common stock by J&M Orvis to Aspen." Finding of Fact No. 32. The record on A. 11-04-013 includes communications from the ratepayers' representatives (EX-20 and 21) indicating that the ratepayers of LAWC supported the continued management and operation of LAWC stating that they were "satisfied with the present operations of the Lake Alpine Water Company and would oppose any CPUC decision requiring a change in the ownership or management of the company."

6 A. 11-04-013 was filed in April of 2011; the matter was not closed until the issuance of Decision 16-09-026 on September 15, 2016.

² LAWC's counsel during the proceeding did not prepare A. 11-04-013. It was engaged by LAWC after RLAWC and Paula Orvis protested the application.

³ The Commission formally found that:

^{30.} Aspen's managing member, Toeniskoetter, has experience in management of businesses in Bear Valley, and was also a member of the Board of Directors of SJW Corp. and San Jose Water Company from 1991-2012.

^{31.} Since Aspen purchased 50% of the common stock in LAWC approximately nine years ago, Aspen has been part of the operational and management team that has continued to provide safe and reliable water service to the customers of LAWC.

^{32.} The sale of LAWC common stock by J&M Orvis to Aspen is supported by the Bear Valley Residents Association, Inc. and the Bear Valley Business Association.

The length and expense of the matter resulted entirely from an aggressive strategy by the Protestants, one marked by frivolous motions, and burdensome discovery. Again, the burden placed on LAWC is well documented on the Commission's Docket Card for A. 11-04-013.

The cost of the proceeding vastly exceeded that expected in a typical proceeding involving a Class D water company. The enormous expense resulted from the fact that not only did the Protestants assert that an application should have been filed in 2003; they also asserted that the application filed in 2011 be denied. They employed the docket to launch a granular examination of LAWC and its management team. Protestants accused LAWC's management of self-dealing, conflicts of interest, metering the water system, acquiring water rights and repression of dissent in the community.

Protestant Paula Orvis took the position that LAWC's counsel's (Thomas MacBride) representation of Aspen and LAWC created a conflict of interest. Even though only Aspen or LAWC (as a matter of law and logic) had standing to raise such a claim, Ms. Orvis filed an "expedited motion", which RLAWC supported, to disqualify LAWC's counsel. The ALJ denied the motion but, a month later, Ms. Orvis sought reconsideration of that ruling. LAWC responded to that motion as well and it was denied.⁸

Protestants pursued in focusing on all the activities of <u>LAWC</u> between 2003 and 2011. Moreover, it was apparent that the outcome of the matter would have a dramatic direct effect on <u>LAWC</u>, positing the removal of LAWC's management (ultimately characterized by the Commission as an "operational and management team that has continued to provide safe and reliable water service to the customers of LAWC).⁹

Nonetheless, because LAWC was not a formal applicant, it was necessary for the ALJ to grant party status to LAWC and she did so on January 24, 2012. RLAWC and Paula Orvis consistently opposed permitting LAWC to participate as a party and, on February 23, 2012, sought reconsideration of the ALJ's ruling. While the Protestants' motions were denied, LAWC was required to file pleadings responding to both motions.

RLAWC also filed its notice of intent to claim intervenor compensation to which LAWC was required to respond. LAWC pointed out that because LAWC had a small customer base, any award of intervenor compensation would result in a significant rate increase to the actual ratepayers of the company. LAWC also noted that while the protestant claiming eligibility had designated itself as the "Ratepayers of Lake Alpine Water Company", the actual ratepayers of LAWC supported the continued management and operation of LAWC stating that they were "satisfied with the present operations of the Lake Alpine Water Company and would oppose any CPUC decision requiring a change in the ownership or management of the company." (As noted above, the Commission ultimately acknowledged the actual ratepayers' support for the application.) RLAWC was created for the purpose of Ms. Dralla's protest. During the final day of

⁷ The activity about which Protestants complained had been to large degree approved by the Commission in formal resolutions.

⁸ Mrs. Orvis repeatedly threatened to report LAWC's counsel to the California State Bar but never did so. Similarly, RLAWC later asked the California Supreme Court to refer its disqualification claim to the State Bar; the Court denied RLAWC's request even before the briefing was completed.

⁹ See, Findings of Fact 30-32 of D. 13-03-007 (March 21, 2013).

¹⁰ A letter from the Bear Valley Owners Association ("BVRI") to Executive Director Paul Clanon was attached to LAWC's Response.

¹¹ D. 13-03-007, Finding of Fact No. 32. LAWC also asserted that awarding intervenor compensation to RLAWC would flip the policy underlying intervener compensation on its head because the actual ratepayers of LAWC would be asked to fund efforts to obtain a "CPUC decision" reaching an outcome the ratepayers opposed (an outcome the Legislature could have hardly intended when it enacted Sections 1801-1807 of the California Public Utilities Code.)

the hearing, Ms. Dralla revealed that she was the sole officer of RLAWC which had no other officers or directors. Nonetheless, the Commission found RLAWC to be eligible for intervenor compensation. ¹²

Beginning in July of 2011 and continuing through July 2012, Protestants initiated extensive and contentious discovery. ¹³ The discovery process, which included a full day of depositions in Modesto and a lengthy attorney's eyes-only meeting to review documents, was extremely time-consuming and very expensive. LAWC was required to respond in granular detail to the largely irrelevant discovery requests themselves as well as Protestants' inevitable notices of "deficiencies."

Moreover, it became clear that the purpose of protestants' discovery was principally to financially burden LAWC in the hope of forcing a settlement. Much of the discovery was patently irrelevant (who owned a gas station or parking lot in Bear Valley) and could have only been pursued under the broad parameters of Commission Rule 10.1. Some was intended to burden LAWC's expert witness who was required to produce pay stubs from his past employment in the Water Division at the Commission.

Most of the vast quantity of material produced by Aspen and LAWC was never actually employed by the protestants at the hearing or in briefs. In order to compound the burdensome effect of its discovery, Protestants propounded most of it during the late Spring of 2012 as applicants were preparing for hearing.

In September of 2011, in an effort to stem the growth of legal fees, LAWC filed a motion asking the Commission to order the parties to participate in alternative dispute resolution ("ADR"). Commissioner Mark Ferron then ordered the parties to meet regarding the feasibility of ADR. Shortly thereafter, he ordered the parties to participate in mandatory ADR. The parties held a conference call with ALJ Hecht, the mediator, and met with her in person on October 5, 2011. A follow-up session was scheduled for October 18, 2011 but RLAWC cancelled at the last minute and asked to reschedule. Based on the many communications amongst the parties and ALJ Hecht during the rescheduling process, no further ADR sessions were held.

In February 2012, Protestants served extensive prepared testimony. LAWC's responsive testimony was filed in April of 2012. LAWC's counsel prepared the testimony submitted on behalf of LAWC and reviewed the voluminous testimony submitted by RLAWC. LAWC subsequently prepared and filed motions to strike at least in part the prepared testimony of Phillip Coffman, Gloria Dralla, and Paula Orvis. RLAWC and Ms. Orvis opposed the motions to strike and LAWC responded to that opposition. The ALJ granted in part the motions to strike RLAWC's prepared testimony. Ms. Orvis filed a motion asking that her testimony be "reinstated" (to which LAWC replied.) Ms. Orvis' motion was denied.

Three weeks before the scheduled hearings, RLAWC filed a motion to require LAWC's counsel to (1) "provide all communications (whether written or a summary of verbal discussions) with any Commission employee." and (2) desist from speaking to any Commission employee regarding the case. LAWC responded to the motion and Judge Wilson denied it.¹⁴

At the direction of the ALJ, the parties prepared and filed prehearing conference statements and a final prehearing conference was held April 26, 2012. Evidentiary hearings were held from July 23–25,

¹² The Commission ultimately sharply reduced the intervenor compensation sought by RLAWC at the end of Phase 1, finding RLAWC's claims to be largely groundless. Even the reduced award, however, amounted to the largest per-customer award in Commission history.

¹³ While both parties propounded discovery, the overwhelming majority of the discovery was initiated by the Protestants.

¹⁴ A summary of most of the motions addressed by the ALJ is set forth in part 8 of D. 13-03-007 (pp. 24-25.)

2012. Lengthy¹⁵opening briefs were filed in August 2012, and reply briefs were filed in September 2012. The Commission issued a Proposed Decision ("PD") in January 2013 authorizing the sale of LAWC's stock to Aspen. LAWC filed Opening comments on the PD and replied to those filed by the Protestants. Both parties participated in a number of *ex parte* meetings with Commission staff to discuss the proceeding and the PD.¹⁶

On March 21, 2013, the Commission issued D.13-03-007 approving the stock sale to Aspen and rejecting all of the Protestants arguments concerning the fitness of LAWC's management. Notwithstanding its loss on the key issues before the Commission, RLAWC filed a claim for \$209,854 in intervenor compensation for its purported contributions to D.13-03-007. While LAWC could have simply passed on any award of intervenor compensation to its ratepayers. LAWC responded to the intervenor compensation request, contesting the majority of the costs and contributions claimed by RLAWC. The Commission awarded RLAWC \$43,180 or about 20% of the amount it sought.

On April 29, 2013, the Protestants filed a 109-page application for rehearing of D.13-03-007. The Commission rejected the filing because it was filed outside the time deadline set by Section 1731 of the Public Utilities Code. The Legal Division permitted RLAWC to seek reconsideration of the Commission's decision to reject the application for rehearing as untimely. LAWC filed a response supporting the Commission's rejection. In February of 2015, the Commission ultimately issued a PD denying RLAWC's motion for reconsideration. All parties filed opening and reply comments on the PD. A final decision denying the RLAWC motion (D.15-03-022) was adopted by the Commission in March 2015. RLAWC and the Orvises sought rehearing of that decision. LAWC filed a response to the rehearing requests. In July 2015, the Commission issued D.15-07-046 denying rehearing and making small modifications to the language of the original decision.

In September of 2014, the Commission issued a PD granting RLAWC approximately \$43,000 in intervenor compensation. RLAWC and LAWC filed opening and reply comments on the proposed decision. In November 2014, the Commission issued D.14-11-016 awarding RLAWC \$43,180 in compensation. RLAWC and the Orvises sought rehearing of D.14-11-016, arguing, among other things, that Aspen, not LAWC should be forced to pay the compensation award. LAWC filed a response to the rehearing requests pointing out, *inter alia*, that such an award was not permitted by law. In February 2015, RLAWC filed a motion for stay of D.14-11-016 pending the outcome of its rehearing request, and a motion for expedited treatment of the motion for stay. LAWC responded to the motion for stay. In addition, RLAWC sought a stay of the Advice Letter LAWC filed to recover the award as provided for in Section 1807 of the Public Utilities Code. LAWC responded to RLAWC's application for rehearing of D. 14-11-016. In mid-2015, the Commission issued D.15-06-036. granting limited rehearing with regard to the calculation of RLAWC's costs (not fees).

On August 4, 2016, the ALJ Division issued a PD increasing the award of intervenor compensation to RLAWC. LAWC submitted comments on the PD. Ultimately, on September 16, 2016, the Commission issued Decision 16-09-026 increasing the award of intervenor compensation by about \$33,000.

The matter did not end at the Commission. In July 2015, RLAWC and the Orvises sought review of the Commission's intervenor compensation decision (D.14-11-016) and decision denying rehearing of D. 14-11-016 (D.15-06-036) in the Supreme Court of California. Aspen, rather than LAWC, filed an Answer to the petition for writ of review because RLAWC named Aspen as the Real Party in Interest. RLAWC's decision to name Aspen rather that LAWC as the Real Party in Interest was consistent with RLAWC's

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¹⁵ LAWC's Opening Brief was 76 pages long; Protestants' Opening Brief was 100 pages long. The reply briefs were limited to 25 pages.

¹⁶ In February and March of 2012, LAWC reported five *ex parte* meetings. The Protestants reported six *ex parte* meetings during that period.

¹⁷ Public Utilities Code Section 1807.

position that LAWC had no legitimate role to play in A.11-4-013. RLAWC adhered to that position during appellate review even though the Commission had rejected that view several times over the course of A. 11-04-013. LAWC's counsel prepared and filed an Answer and reviewed RLAWC's Reply when it was subsequently filed. The court denied RLAWC's petition in September 2015.

In August 2015, RLAWC and the Orvises sought, in the Supreme Court of California, review of the Commission's determination that RLAWC filed too late for rehearing of D.13-03-007. Again, Aspen filed an Answer to the petition for writ of review, again because RLAWC named Aspen as the Real Party in Interest. The court denied review in October 2015, before RLAWC and the Orvises had a chance to file their Reply.

LAWC was successful in the case of A. 11-04-013 and in its opposition to the myriad frivolous motions, meritless appeals and strange contentions associated with the five-and a half-year course of that proceeding. But the cost of that success was very high.

B. THE EXTRAORDINARY EXPENSE ASSOCIATED WITH A. 11-04-01 AND RELATED MATTERS COULD NOT HAVE BEEN REASONABLY FORESEEN IN THE UTILITY'S LAST GENERAL RATE CASE.

Res. W-4809 (December 17, 2009) resolved the general rate case ("GRC") that preceded the events described in A. above. LAWC's next GRC was resolved by Res. W- 5175, (October 11, 2018.).

C. 11-04-015 and A.11-04-013 did not commence until fifteen months after the issuance of Res. W-4809 and were plainly not foreseeable on May 20, 2009 when the draft advice letter culminating in Res W-4809 was submitted.

The costs were not included in the GRC culminating in Res. W-5175 because they were extraordinary and did reflect typical recurring levels of expenses that should appear on a Summary of Earnings.

A.11-04-013 was concluded by the end of 2016 almost two years before July 27, 2018 when LAWC filed Advice Letter 116, the GRC culminating in Res. W-5175

In sum, the proceeding causing the extraordinary costs was opened and closed after the first GRC and before the second GRC. LAWC did not file for a GRC during the period of the legal action

C. THE COSTS WILL OCCUR BEFORE THE UTILITY'S NEXT SCHEDULE RATE CASE.

See the discussion in B above. The costs were all incurred during a period between GRCs, a time period dictated by (1) the initiation of the dispute by RLAWC and (2) the procedural schedule set by Administrative Law Judge Wilson.

D. THE COST INCURRED ARE OF SUBSTANTIAL NATURE IN THAT THE AMOUNT OF MONEY INVOLVED IS WORTH THE EFFORT OF PROCESSING A MEMO ACCOUNT.

The fees are substantial. The proceeding commenced in April of 2011 and ended over five years later in 2016. LAWC is applying for reimbursement of all expenses for a total of \$548,209. The surcharge should be applied to all customers according to the meter size ratio. We are also proposing a 10-year recovery period as the amount per customer is extraordinary. For example, a single-family home meter surcharge would total \$1017.60. Over a 10-year period, the surcharge would be approximately \$8.48 per month per residence.

¹⁸ As noted above, in both instances, RLAWC's decision to name Aspen rather that LAWC as the Real Party in Interest was consistent with RLAWC's position that LAWC had no legitimate role to play in A. 11--4-013. The Commission rejected RLAWC's view several times over the course of A. 11-04-013.

A summary of LAWC's activity during the proceeding is set forth in A. above. LAWC is prepared to provide further detail if requested.

E. THE COSTS HAD RATEPAYER BENEFITS.

The ratepayers derived enormous benefits from LAWC's efforts to maintain the current ownership and professional management of LAWC. Current owners have historical ties to Bear Valley as well as professional experience in the management of water utilities. Under their leadership, LAWC returned to water quality compliance and regained financial resilience. Their strong leadership has not gone unnoticed. During the protest, customers, through the Bear Valley Resident, Inc. and the Bear Valley Business Association, expressed their desire for current management to be maintained. As the Commission stated, the new shareholder that arrived in 2003, has "been part of the operational and management team that has continued to provide safe and reliable water service to the customers of LAWC." Last October, the Commission issued Res. W-5175 which stated that "Lake Alpine has continually invested in its plant and distribution infrastructure to improve water quality, customer service, and reduce operating expenses."

Had the LAWC not defended its record and pressed for approval of the application, the likely outcome would have been some assertion of control by Protestant Paula Orvis or her designee and the elimination of the managerial competence and access to capital that have made LAWC one of the best run Class D companies subject to the Commission's jurisdiction. Capital improvements and improved facilities were not on the Protestant's agenda. During the hearings, for example, the Protestants repeatedly criticized LAWC's management for installing water meters.²⁰

Moreover, as noted above, LAWC's efforts to protest the requests of intervenor compensation led to the reduction of IC awards, which are funded by ratepayers, by almost 65%.

II. Expenses were paid by LAWC.

As detailed in the attached spreadsheet, LAWC has acquired expenses totaling \$548,209 between August 2011 and December. 2016.

III. Justification

The details of the Commission (and related court) proceedings that generated the expenses are set forth in A. above. The benefits to ratepayers are set forth in E. above.

Although much of these expenses are more than three years old, all of the expenses are legal and consulting expenses and could not be recovered until the proceeding of Application 11-04-013 was closed. The status of the ownership application and protests was settled on March 21, 2013, when the Commission issued D. 13-03-007 approving the stock sale to Aspen Forest. Subsequent proceeding arose from (1) the Commission's rejection of RLAWC's applications for a rehearing of D. 13-03-007 and its request for Intervenor Compensation. With respect to both issues, the protestants sought review in the California Supreme Court. After the court denied the petitions for writ of review in September 2015, the matter was

¹⁹ D. 13-03-007, p. 11. Finding of fact No. 31 at p. 31. 20 See, D.13-03-007 at p. 14:

[&]quot;RLAWC posits that LAWC rates have risen dramatically since the transfer of stock to Aspen, in part due to the institution of metered rates, and believes that for this and other rate related reasons discussed below, Aspen is unfit to operate LAWC in the public interest. While California Water Code § 527 requires metering by January 1, 2025, the Commission's 2010 and 2005 Water Action Plans encourage water utilities to accelerate their metering program. Also, as discussed below, metered rates were authorized by us. Since LAWC's institution of metering was undertaken pursuant to the Commission's Water Action Plans and our authority, such action does not support RLAWC's concern that Aspen is unfit to operate LAWC."

finally closed by a limited hearing of the intervenor compensation award and adjustment in September of 2016.

At all times the focus of the Commission proceedings was on the conduct and management of LAWC. In order to maintain the management that the Commission praised in D. 13-03-007, LAWC was required to respond forcefully to the very aggressive posture of the Protestants. According to SP U-27-W, legal expenses are deemed imprudent if the utility is unsuccessful. Here, any fair reading of D. 13-03-007 shows that the Commission rejected the substantive claims of the Protests and found that LAWC was well run and had provided safe and reliable service to its customers. Moreover, LAWC successfully obtained sharp reductions on the Intervenor compensation sought by the Protestants, a success of great benefit to its ratepayers given the requirements of Section 1807.

IV. Earnings Test-See attached spreadsheet

V. Reasonableness

While the total fees sought for reimbursement are substantial, LAWC is proposing a 10-year recovery period to reduce the rate shock to customers. LAWC is applying for reimbursement of all expenses for a total of \$548,209. The surcharge should be applied to all customers according to the meter size ratio as directed in SP-U-27. We are also proposing a 10-year recovery period as the amount per customer is extraordinary. For example, a single-family home meter surcharge would total \$1017.60. Over a 10-year period, the surcharge would be approximately \$8.48 per month per residence for 10 years. With such a long-term recovery period, the rate increase is less than 10%.

Schedule No. 1A

ANNUAL METERED SERVICE (continued)

SPECIAL CONDITIONS

- 4. In the event that a customer discontinues service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.
- 5. As authorized by the California Public Utilities Commission, all metered customers are subject to a Memorandum Account surcharge according to the size of the metered connection and the chart below.

 This charge recovers the legal expenses recorded in the Memorandum Account I Lake Alpine Water Company for the fiscal years 2011-2016.

	<u>Annual</u>	<u>Monthly</u>			
For 5/8 x 3/4-inch meters	\$ 101.80	\$ 8.48			
For condo units	\$ 101.80	\$ 8.48			
For 3/4-inch meters	\$ 152.70	\$ 12.73			
For 1-inch meters	\$ 254.51	\$ 21.21			
For 1-1/2-inch meters	\$ 509.01	\$ 42.42			
For 2-inch meters	\$ 814.42	\$ 67.87			
For 3-inch meters	\$1,527.04	\$127.25			
For 4-inch meters	\$2,545.07	\$212.09			

Advice Letter No. 121

Decision No.

Issued by
<u>Kimi Johnson</u>
<u>General Manager</u>

Date filed
Effective
Resolution No.

No. 21 Fire Protection

No. 22 Customer Information Sharing

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(Continued)

	Issued by	
Advice Letter No. 121	Kimi Johnson	Date Filed
Decision No	General Manager	Effective

Resolution No:

295-W

510-W

NOTICE TO CUSTOMERS OF PROPOSED RATE INCREASE Date June 12, 2019

By Advice Letter (AL) No. 121, filed on date June 12, 2019, **Lake Alpine Water Company** (LAWC) has requested authority from the California Public Utilities Commission's (CPUC) to increase customer rates by \$548,209 or 9.93%, to recover legal expenses LAWC incurred from June 2011 through December 2016 for its legal representation in CPUC complaint Case No. 11-04-015 and Application (A.)11-04-013. LAWC recorded these legal expenses in its authorized Legal Expense Memorandum Account. LAWC is requesting approval to recover these legal expenses by imposing a customer surcharge (listed below), per the applicable meter size ratio, over a 10-year period.

Proposed Monthly Surcharge by M	<u> Ieter</u>	Size:
For 5/8 x 3/4-inch meters	\$	8.48
For condo units	\$	8.48
For 3/4-inch meters	\$	12.73
For 1-inch meters	\$	21.21
For 1-1/2-inch meters	\$	42.42
For 2-inch meters	\$	67.87
For 3-inch meters	\$	127.25
For 4-inch meters	\$	212.09

The requested rate increase will not result in a rate of return higher than what the CPUC has authorized for LAWC. LAWC's present rates were authorized by CPUC Resolution W-5175 and have been in effect since November 7, 2018.

As an LAWC customer, you have a right to know as much as possible about this filing and its effect on your service and rates. If you have questions about this filing, you may contact LAWC at 209-753-2409, or at info@lakealpinewater.com. You may also submit a response or protest to the CPUC regarding LAWC's rate increase request.

Response or Protest:

Anyone may respond to or protest this AL. A response supports the filing and may contain information that proves useful to the CPUC in evaluating the AL 121. A protest objects to the AL 121 in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

- (1) The utility did not properly serve or give notice of the AL;
- (2) The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the AL contain material error or omissions;
- (4) The relief requested in the AL is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or
- (6) The relief requested in the AL is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require re-litigating a prior order of the CPUC).

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or CPUC order applicable to the utility. A protest shall also provide citations or proofs where available to allow staff to properly consider the protest.

A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 20 days from the date of mailing of this customer notice.

The CPUC address for mailing a response or protest is:

California Public Utilities Commission Water Division, 3rd Floor 505 Van Ness Avenue, San Francisco, CA 94102

Email: water.division@cpuc.ca.gov

On the same date the response or protest is submitted to the CPUC, the respondent or protestant shall send a copy by mail (or e-mail) to us, addressed to:

Kimi Johnson, General Manager Lake Alpine Water Company PO BOX 5013 Bear Valley, CA 95223

Email: info@lakealpinewater.com

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, within the 20-day protest period. The informing document should include an estimate of the date the proposed protest might be voted on.

Replies:

The utility shall reply to each protest and may reply to any response. Any reply must be received by the Water Division within five business days after the end of the protest period, and shall be served on the same day to the person who filed the protest or response.

<u>Item</u> <u>by W. 5175</u> <u>2018</u> <u>Increases</u> <u>Ra</u> <u>Operating Revenue</u>	<u>tes</u>
	501,509
Fire Protection Services \$ 4,510 \$ 4,510 \$ - \$	4,510
Other Water Revenue \$ 10,000 \$ 19,804 \$ - \$	19,804
	525,823
Operating Expenses	320,020
Purchased Power \$ 33,032 \$ 30,601 \$	30,601
Other Volume Related Expenses \$ 10,479 \$ 16,425 \$	16,425
Employee Labor \$ 82,480 \$ 94,407 \$	94,407
Materials \$ 10,202 \$ 5,216 \$	5,216
Contract Work \$ 12,062 \$ 9,590 \$	9,590
Water Testing \$ 14,081 \$ 15,699 \$	15,699
Transportation Expenses \$ 8,300 \$ 8,800 \$	8,800
Other Plant Maintenance \$ 3,081 \$ 1,779 \$	1,779
Office Salaries \$ 38,545 \$ 41,339 \$	41,339
Management Salaries \$ - \$ - \$	-
Employee Benefits \$ 33,019 \$ 30,625 \$	30,625
Uncollectibles Expense \$ 60 \$ - \$	-
Office Services & Rentals \$ 4,955 \$ 5,174 \$	5,174
Office Supplies & Expenses \$ 11,100 \$ 10,274 \$	10,274
Professional Services \$ 39,104 \$ 26,055 \$	26,055
Insurance \$ 21,919 \$ 18,377 \$	18,377
Regulatory Commission Expense \$ 21,884 \$ 18,560 \$	18,560
General Expenses \$ 14,520 \$ 7,552 \$	7,552
Subtotal \$ 358,823 \$ 340,473 \$	340,473
Depreciation \$ 81,110 \$ 81,110	81,110
Taxes other than Income \$ 26,742 \$ 29,471 \$	29,471
State and Federal Income Taxes \$ 48,227 \$ 48,227 \$	48,227
Interest Expense \$ 6,494 \$ 8,497 \$	8,497
	507,778
Net Revenue \$124,114 \$ 63,224 \$	118,045
Rate Base	
Average Utility Plant \$ 1,413,353 \$ 1,413,353 \$ 1,	413,353
Less: Average Accum. Depreciation \$ - \$ - \$	-
Net Plant \$ 1,413,353 \$ 1,413,353 \$ 1,	413,353
Add: Materials and Supplies \$ - \$ - \$	-
CWIP \$ - \$ - \$	-
Working Cash \$ 29,902 \$ 89,121 \$	89,121
Less: Advances for Construction \$ - \$	-
Contributions in Aid of Construction \$ (517,762) \$ (517,762)	517,762)
Add: Accumulated Amortization of CIAC \$ 212,032 \$ 212,032 \$	212,032
Deferred Income Taxes \$ (128,825) \$ (33,516) \$	(33,516)
Rate Base \$ 1,008,700 \$ 1,163,228 \$ 1,	163,228
Rate of Margin 24% 12.45%	18.3%

Lake Alpine Water Co Customer Count / Rate Design

oustonici oount / Nate	Design			
				Meter
	GRC	Actual	Meter Ratios	Equivalents
Metered Customers:	2018	2019		
5/8"	294	294	1.0	294.0
condo unit	179	179	1.0	179.0
3/4"	10	10	1.5	15.0
1"	2	3	2.5	7.5
1 1/2"	2	2	5.0	10.0
2"	1	1	8.0	8.0
3"	0	0	15.0	0.0
4"	1	1	25.0	25.0
Tota	al 489	490		539

PROPOSED RATES:	Anr	nually	Mo	onthly
Revenue Requirement	\$	548,209	\$	548,209
Recovery Period 10 Years		10		120
Recovery Each Year	\$	54,820.87	\$	4,568.41
Total meter equivalents		539		539
Charge per 5/8 x 3/4 " meter	\$	101.80	\$	8.48

Per Year for 10 Years

Meter Size	Number	Meter Ratios	Meter Ratios Per Meter Reve		Meter Revenue	
5/8 x 3/4"	294	1.0	\$	101.80	\$	29,930.06
condo unit	179	1.0	\$	101.80	\$	18,222.72
3/4"	10	1.5	\$	152.70	\$	1,527.04
1"	3	2.5	\$	254.51	\$	763.52
1-1/2"	2	5.0	\$	509.01	\$	1,018.03
2"	1	8.0	\$	814.42	\$	814.42
3"	0	15.0	\$	1,527.04	\$	-
4"	1	25.0	\$	2,545.07	\$	2,545.07
					_	

\$ 54,820.87

		Per Service Connection					
		Adopted Res.		Annual		Percentage	
		W-5175		Surcharge		Increase	
			<u>Rates</u>		Rates		
Service Charge:	For 5/8 x 3/4-inch meters	\$	1,025.52	\$	101.80	9.93%	
	For condo units	\$	1,025.52	\$	101.80	9.93%	
	For 3/4-inch meters	\$	1,538.28	\$	152.70	9.93%	
	For 1-inch meters	\$	2,563.81	\$	254.51	9.93%	
	For 1-1/2-inch meters	\$	5,127.60	\$	509.01	9.93%	
	For 2-inch meters	\$	8,204.19	\$	814.42	9.93%	
	For 3-inch meters	\$	15,382.86	\$	1,527.04	9.93%	
	For 4-inch meters	\$	25,638.10	\$	2,545.07	9.93%	

Lake Alpine Water Company, Inc. Accounts Payable for Attorney Fees

	Fiscal Year	•		Attorney Costs		Attorney Total	
MacDrida	6.6.2011 ¢		Expenses				
MacBride	6.6.2011	\$	3,847.50	\$	5.24	\$	3,852.74
MacBride MacBride	7.7.2011	\$ \$	10,687.50	\$	167.06	\$	10,854.56
MacBride	8.8.2011	Ф	14,247.00	\$	311.29	\$	14,558.29
Effective Date of Memo Acct	7.25.2011	ф	2/ 057 75	ф	1 2/1 27	ф	20 210 02
MacBride	9.6.2011	\$	26,957.75	\$	1,361.27	\$	28,319.02
MacBride MacBride	10.11.2011	\$	26,653.00	\$	151.05	\$	26,804.05
MacBride	11.03.2011	\$	6,449.20	\$	619.00	\$	7,068.20
MacBride	12.06.2011	\$	5,352.00	\$	31.85	\$	5,383.85
	2011	\$	94,194	\$	2,646.76	\$	67,575.12
Berliner-Cohen	6.29.2012	\$	3,145.50			\$	3,145.50
MacBride	1.6.2012	\$	13,122.95	\$	67.22	\$	13,190.17
MacBride	2.3.2012	\$	21,971.00	\$	208.52	\$	22,179.52
MacBride	3.2.2012	\$	27,630.75	\$	1,484.26	\$	29,115.01
MacBride	4.9.2012	\$	48,127.00	\$	878.34	\$	49,005.34
MacBride	5.9.2012	\$	35,435.22	\$	983.15	\$	36,418.37
MacBride	6.7.2012	\$	35,407.17	\$	1,259.13	\$	36,666.30
MacBride	7.9.2012	\$	23,211.00	\$	757.05	\$	23,968.05
MacBride	8.7.2012	\$	46,764.87	\$	1,779.00	\$	48,543.87
MacBride	9.10.2012	\$	24,874.57	\$	993.08	\$	25,867.65
MacBride	10.4.2012	\$	12,362.40	\$	1,669.39	\$	14,031.79
MacBride	11.6.2012	\$	1,179.00	\$	4,317.89	\$	5,496.89
MacBride	12.6.2012	\$	1,559.25	\$	11.50	\$	1,570.75
	2012	\$	294,790.68	\$	14,408.53	\$	309,199.21
MacBride	1.9.2013	\$	945.00	\$	9.50	\$	954.50
MacBride	2.8.2013	\$	6,772.50	\$	16.05	\$	6,788.55
MacBride	3.6.2013	\$	17,439.50	\$	353.45	\$	17,792.95
MacBride	4.4.2013	\$	5,712.00	\$	618.48	\$	6,330.48
MacBride	5.7.2013	\$	3,133.23	\$	114.37	\$	3,247.60
MacBride	6.6.2013	\$	4,236.40	\$	84.18	\$	4,320.58
MacBride	7.17.2013	\$	15,313.70	\$	2,834.65	\$	18,148.35
MacBride	8.7.2013	\$	1,102.50	\$	217.92	\$	1,320.42
MacBride	9.4.2013	\$	892.50	\$	26.60	\$	919.10
MacBride	10.3.2013	\$	787.50	\$	11.50	\$	799.00
MacBride	11.4.2013	\$	787.50	\$	21.50	\$	809.00
MacBride	12.9.2013	\$	210.00	\$	11.25	\$	221.25
	2013	\$	57,332.33	\$	4,319.45	\$	61,651.78

	Fiscal Year	Attorney Expenses	_		-	
MacBride	1.9.2014	\$ 682.50	\$	11.50	\$	694.00
MacBride	2.5.2014	\$ 630.00	Ψ	11.50	\$	630.00
MacBride	3.5.2014	\$ 525.00			\$	525.00
MacBride	4.3.2014	\$ 1,207.50	\$	11.50	\$	1,219.00
MacBride	5.6.2014	\$ 315.00	Ψ	11.50	\$	315.00
MacBride	6.5.2014	\$ 734.90			\$	734.90
MacBride	7.9.2014	\$ 1,260.00	\$	5.50	\$	1,265.50
MacBride	8.6.2014	\$ 525.00	\$	7.50	\$	532.50
MacBride	9.5.2014	\$ 472.50	\$	0.90	\$	473.40
MacBride	10.6.2014	\$ 2,034.00	Ψ	0.70	\$	2,034.00
MacBride	11.5.2014	\$ 6,185.00	\$	89.36	\$	6,274.36
MacBride	12.08.14	\$ 5,511.00	\$	41.21	\$	5,552.21
	2014	\$ 20,082.40	\$	167.47	\$	20,249.87
MacBride	1.7.2015	\$ 6,416.00	\$	570.68	\$	6,986.68
MacBride	2.5.2015	\$ 945.00	\$	3.80	\$	948.80
MacBride	3.5.2015	\$ 9,260.10	\$	28.28	\$	9,288.38
MacBride	4.6.2015	\$ 6,734.55	\$	623.03	\$	7,357.58
MacBride	5.7.2015	\$ 10,050.00	\$	101.80	\$	10,151.80
MacBride	6.3.2015	\$ 1,650.00	\$	893.07	\$	2,543.07
MacBride	7.7.2015	\$ 4,161.50	\$	68.70	\$	4,230.20
MacBride	8.5.2015	\$ 2,475.00	\$	11.50	\$	2,486.50
MacBride	9.4.2015	\$ 8,113.50			\$	8,113.50
MacBride	10.6.2015	\$ 12,003.75	\$	53.50	\$	12,057.25
MacBride	11.8.2015	\$ 2,979.50	\$	481.68	\$	3,461.18
MacBride	12.9.2015	\$ 4,391.20	\$	184.06	\$	4,575.26
	2015	\$ 69,180.10	\$	3,020.10	\$	72,200.20
MacBride	1.6.2016	\$ 2,086.20	\$	43.00	\$	2,129.20
MacBride	2.10.2016	\$ 495.00	·	,,,,,	\$	495.00
MacBride	3.4.2016	\$ 385.00			\$	385.00
MacBride	4.7.2016	\$ 495.00			\$	495.00
MacBride	5.9.2016	\$ 1,045.00	\$	7.50	\$	1,052.50
MacBride	6.7.2016	\$ 605.00			\$	605.00
MacBride	7.8.2016	\$ 220.00			\$	220.00
MacBride	8.8.2016	\$ 2,640.00	\$	7.50	\$	2,647.50
MacBride	9.7.2016	\$ 3,473.00	\$	823.85	\$	4,296.85
MacBride	10.10.2016	\$ 2,145.00	\$	22.00	\$	2,167.00
MacBride	11.08.2016	\$ 1,375.00	\$	23.00	\$	1,398.00
MacBride	12.8.2016	\$ 1,430.00	\$	11.50	\$	1,441.50
	2016	\$ 16,394.20	\$	938.35	\$	17,332.55

Interest Rate: 3- Mo. NonFinancial Commercial Paper Rate

http://www.federalreserve.gov/releases/H15/data.htm

2018

Period	Ra	Rate	
	Jan-19	0.80%	
	Feb-19	0.77%	
	Mar-19	0.87%	
	Apr-19	0.92%	
	May-19	0.95%	
	Jun-19	1.10%	
	Jul-19	1.17%	
	Aug-19	1.18%	
	Sep-19	1.18%	
	Oct-19	1.21%	
	Nov-19	1.28%	
	Dec-19	1.43%	

Total Memo Account to recover \$ 548,208.73 Monthly Recovery \$ 4,568.41 Annual Recovery \$ 54,820.87

	Under (Over) Collection	Interest Rate: 3- Mo. Commc'l Paper Rate	Int	erest cost	Under (Over) Collection w/interest cost		Cumulative Balance	
Φ.	5 40 200	0.000/	Ф	102	Φ.	7.40.201	Φ540.201	
\$	548,209	0.80%	\$	183	\$	548,391	\$548,391	
	\$548,391	0.77%	\$	352	\$	548,743	\$548,743	
	\$548,743	0.87%	\$	398	\$	549,141	\$549,141	
	\$549,141	0.92%	\$	421	\$	549,562	\$549,562	
	\$549,562	0.95%	\$	435	\$	549,997	\$549,997	
	\$549,997	1.10%	\$	504	\$	550,501	\$550,501	
	\$550,501	1.17%	\$	537	\$	551,038	\$551,038	
	\$551,038	1.18%	\$	542	\$	551,580	\$551,580	
	\$551,580	1.18%	\$	542	\$	552,122	\$552,122	
	\$552,122	1.21%	\$	557	\$	552,679	\$552,679	
	\$552,679	1.28%	\$	590	\$	553,269	\$553,269	
	\$553,269	1.43%	\$	659	\$	553,928	\$553,928	
			\$	5,719				

Lake Alpine Water Company W-148 Service List

Bear Valley Homeowners Association paulnordic@sbcglobal.net

Alpine County Public Works

Alpine County Public Works dburkett@alpinecountyca.gov

Paul Peterson, Bear Valley Condo Management Company paulnordic@sbcglobal.net

Bear Valley Water District

Jeff.Gouveia@bvwd.ca.gov
jeff@bearvalleyrealestate.com

Anita Taff-Rice, Attorney anita@icommlaw.com

Tom MacBride, Attorney tmacbride@goodinmacbride.com

Gloria Dralla, RLAWC ggdralla@pacbell.net

Colin McKee, Bear Valley Resident, Inc.

colinbmckee@gmail.com

Terry Woodrow, County Supervisor twoodrow@alpinecountyca.gov

Eric Jung, BV Real Estate and Cub Reporter eric@bearvalleyrealestate.com

Joel Barnett, Bear Valley Business Association joel@bearvalleyrealestate.com

Bruce Orvis, LAWC Board Member bporvis@juno.com

Adrian Lund, Skyline Bear Valley Resort adrianl@bearvalley.com

Don Schulz, LAWC Board Member don@mgib.net

I hereby certify that the above service list has been served a copy of the AL 121 on June 12, 2019.

Executed in Bear Valley, CA on June 12, 2019.

Lake Alpine Water Company, Inc.

Kimi Johnson, General Manager

Enclosures: Workpapers Customer Notice