

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 1, 2024

TO ALL CLASS B, C, AND D WATER AND SEWER UTILITIES

Subject: Rate Adjustment due to CPI-U for 2023

On March 31, 1992, the Commission issued Decision 92-03-093, authorizing Class C and D water utilities to file each year by advice letter for a rate increase based on the most recent year-end increase in the Consumer Price Index for All Urban Consumers (CPI-U).¹ Subsequent resolutions (Res.) W-4493², Res. W-4540³ and Res. W-4658⁴, authorized sewer and Class B water utilities to file a CPI-U advice letter each year.

The CPI-U for 2023 is 3.4%.

Any Class B, C, and D water utility, and sewer utility, that is presently earning a lower rate of return (ROR) than its most recently authorized and is not presently subject to a test year, attrition year, or other general rate increase, is authorized to file for a CPI-U increase once each year, by advice letter. If your utility missed filing a CPI-U for one year, it **may not file retroactively** for that CPI-U in the following year.

Please follow the Summary of Earnings (SOE) format shown in Attachment 1 to determine your authorized and actual ROR. You would then compare these RORs to determine if the actual is less than or greater than authorized (see excerpt from Standard Practice U-27-W in Attachment 4).

Please file an advice letter (in accordance with General Order 96-B) requesting a CPI-U adjustment, **only** if the ROR based on actual revenues **does not exceed** the authorized ROR and if the projected revenue (with the CPI-U) **does not exceed** the authorized ROR. Please follow the following procedures when filing:

1. File an advice letter like that shown in Attachment 2.
2. Please also include a Cover Sheet (Attachment 3) to your advice letter, and the Service List from your last General Rate Case (GRC), with your CPI-U request.
3. Please provide a copy of your 2023 Annual Report which is required to be filed by April 30, 2024.

¹ Announced by the Bureau of Labor Statistics, U.S. Department of Labor.

² September 2, 2004.

³ June 16, 2005.

⁴ September 20, 2007.

4. If a utility has been authorized a Rate of Margin (ROM) instead of a Rate of Return, please substitute that measure when comparing Authorized versus Actual Revenues.
 - a. $\text{Actual ROM} = 1 - (\text{Operating Expenses}/\text{Operating Revenues})$.
5. Notice of a CPI-U request is not required under General Order 96-B. Utilities are now required to inform their customers of the CPI-U request via a bill insert with the first bill that contains the increase.⁵
6. Provide copies of the revised tariff schedules to reflect the increase that you are requesting (see Attachment 4 for examples).
7. Increase each rate, including facilities fees, by 3.4%, the CPI-U for 2023.
8. Provide a copy of the SOE in which you calculate the authorized versus actual RORs or ROMs, utilizing the following actual data:
 - a. Actual Revenues for 2023
 - b. Estimate of increased revenues (add the 3.4% CPI-U inflation to actual revenues for 2023).
 - c. Actual Expenses for 2023. Provide actual individual expenses for 2023, based on the line item accounts as they appear in your last GRC SOE.
 - d. Estimate of Rate Base equals (beginning of year rate base plus end of year rate base)/2.
9. Adjust all base rates (not surcharges and not reconnection fees, etc.) by multiplying by 1.034. Do not increase some base rates and not increase others.

If there are any questions, please contact Kevin Truong at vt4@cpuc.ca.gov or (628) 217-1909.

Sincerely,

/s/ Bruce Deberry

Bruce DeBerry, Program Manager
Water Division

Attachments

⁵ Resolution W-4664 Ordering Paragraph 3. "Utilities shall inform their customers of the increase in dollar and percentage terms by bill insert, in the first bill that includes the increase."

Attachment 1
Example of Summary of Earnings - Earnings Test Calculation

Category	Most Recent Adopted in Resolution W-0000	Actual 2023	CPI Adjustment @ 3.4% on Recent Adopted Revenue Only	Revenue After CPI Increase, Actual Expenses, & Actual Rate Base
	a	b	c = a * 3.4%	(Revenues) d = b + c
Operating Revenues:				
Flat Rate	46,000	45,000	1,564	46,564
Metered	145,000	135,000	4,930	139,930
Private Fire Protection	9,000	8,000	306	8,306
TOTAL OPERATING REVENUES	200,000	188,000	6,800	194,800
Operating Expenses:				
Purchased Water	7,000	7,500		7,500
Purchased Power	15,000	15,000		15,000
Purchased Chemicals	1,000	1,000		1,000
Other Volume Related Expenses	100	150		150
Employee Labor	10,000	10,000		10,000
Materials	5,000	5,700		5,700
Contract Work	11,000	11,200		11,200
Water Testing	500	750		750
Transportation Expense	9,000	9,000		9,000
Other Plant Maintenance	450	450		450
Office Salaries	4,000	4,500		4,500
Management Salaries	20,000	20,000		20,000
Employee Pension and Benefits	10,000	11,000		11,000
Uncollectibles	100	100		100
Office Service and Rentals	2,000	2,000		2,000
Office Supplies and Expenses	3,000	3,000		3,000
Professional Services	1,500	1,800		1,800
Insurance	9,000	10,000		10,000
Regulatory Commission Expense	1,000	1,000		1,000
General Expenses	400	400		400
SUBTOTAL	110,050	114,550		114,550
Depreciation	20,000	20,000		20,000
Taxes Other than Income	4,000	4,500		4,500
State and Federal Income Taxes	18,000	12,000		12,000
Interest	0	0		0
TOTAL DEDUCTIONS	152,050	151,050		151,050
NET REVENUE	47,950	36,950		43,750
RATE BASE				
Average Plant	800,000	850,000		850,000
Less Average Accumulated Depreciation	350,000	360,000		360,000
NET PLANT	450,000	490,000		490,000
Less Advances & Contributions	25,000	27,000		27,000
Plus Materials & Supplies	5,000	5,000		5,000
RATE BASE	430,000	468,000		468,000
RATE OF RETURN	11.15%	7.89%		9.35%

Attachment 2
Example of Advice Letter

WATER COMPANY

Address

Telephone ###

Email: ###

DATE

Advice Letter No. ###

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Water Company (###) hereby transmits for filing one original and one copy of this advice letter (AL) and the following tariff sheets which are enclosed:

NEW SHEET #

TITLE

CANCELLING SHEET #

###-W

Schedule No. ###

###-W

###-W

Schedule No. ###

###-W

###-W

Schedule No. ###

###-W

###-W

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REQUEST

By AL ###, ### requests permission to increase its revenues (based on increase to the present monthly quantity rate and service charge) by 3.4%, the Consumer Price Index (CPI) for 2023. The projected revenue increase of \$### will not result in a rate of return which exceeds the authorized rate of return of ###%. Workpapers justifying this increase are enclosed.

BACKGROUND

The present rates became effective on ###, pursuant to Resolution W-###, which authorized an offset (CPI) rate increase of \$###, or ###%.

The last general rate increase became effective on ###, pursuant to Resolution W-###, which authorized a general rate increase of \$###, or ###%, and a rate of return of ###%.

AL ### is filed pursuant to Ordering Paragraphs No. 1 of **Decision 92-03-093** and **Resolution W- 4493**, which authorized Class C and D water and sewer utilities to file a request for a CPI increase once a year by AL. The increase is to be passed on to the utility's customers in their quantity rate and service charge.

WATER COMPANY

Address

Telephone ###

Email: ###

TIER DESIGNATION AND REQUESTED EFFECTIVE DATE

This AL and the enclosed tariff sheets are submitted pursuant to General Order (GO.) 96-B. AL ### is designated as a Tier 1 AL and the enclosed tariff sheets will become effective upon filing.⁶

NOTICE

This AL does not require notice;⁷ however, the utility shall inform its customers, by bill insert in the first bill that includes the increase, of the amount of the increase expressed in dollar and percentage terms.⁸ A copy of this AL has been served to all parties listed on the service list⁹ on the last page of this AL. This filing will not cause withdrawal of service nor conflict with any other schedule or rule.

RESPONSE OR PROTEST¹⁰

Anyone may respond to or protest this AL. A response supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A protest objects to the AL 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 relitigating a prior order of the Commission.

⁶ GO. 96-B, Water Industry Rule 7.3.1

⁷ GO. 96-B, General Rule 4.2

⁸ GO. 96-B, Water Industry Rule 3.2

⁹ GO. 96-B, Water Industry Rule 4.1

¹⁰ GO. 96-B, General Rule 7.4.1

WATER COMPANY

Address

Telephone ###

Email: ###

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 Commission order applicable to the utility.

A protest shall provide citations or proofs where available to allow staff to properly consider the protest. The Water Division (WD) must receive a response or protest via email (or postal mail) within 20 days of the date the AL is filed. The addresses for submitting a response or protest are:

Email Address:

Water.Division@cpuc.ca.gov

Mailing Address:

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

On the same day the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy of the protest to ### at:

Email Address:

###

Mailing Address:

###

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform WD within the 20-day protest period, so that a late filed protest can be entertained. 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 WD within five business days after the end of the protest period, and shall be served on the same day on each person who filed the protest or response to the AL.¹¹

¹¹ GO. 96-B, General Rule 7.4.3

WATER COMPANY

Address

Telephone ###

Email: ###

SERVICE LIST

Recipient 1
Recipient 2
Recipient 3

I hereby certify that the above service list has been served a copy of AL ### on DATE.

Executed in ###, California on the DATE.

Water Company

By: /s/NAME

Name

Title

Enclosures

**Attachment 3
Example of Cover Sheet**

**CALIFORNIA PUBLIC UTILITIES COMMISSION
WATER DIVISION**

Advice Letter Cover Sheet

Utility Name: ### Date Mailed to Service List: ###
 District: ###
 CPUC Utility #: ### Protest Deadline (20th Day): ###
 Advice Letter #: ### Review Deadline (30th Day): ###
 Tier 1 2 3 Compliance Requested Effective Date: ###
 Authorization D.92-03-093 Rate Impact: \$###
 Description: 2023 CPI Adjustment ###%

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: ### Utility Contact: ###
 Phone: ### Phone: ###
 Email: ### Email: ###

WD Contact: Tariff Unit
 Phone: (415) 703-1133
 Email: Water.Division@cpuc.ca.gov

WD USE ONLY

DATE	STAFF	COMMENTS
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

APPROVED WITHDRAWN REJECTED

Signature: _____ Comments: _____

Date: _____

Attachment 4
Excerpt from Standard Practice U-27-W

I – EARNINGS TESTS

65. Class B, C and D utilities requesting a CPI offset must pass an earnings test. This test involves the following:
- a. If the last General Rate Case authorized a rate of return, create a recorded Summary of Earnings and compare the adopted rate of return to the recorded rate of return. Using the Summary of Earnings increase the most recent adopted revenues by the CPI percentage and recalculate the rate of return. If the new return exceeds authorized, the utility will only be eligible for part or none of the increase.
 - b. If the last General Rate Case authorized a return on margin, calculate the recorded return on margin by taking $1 - \text{Operating Ratio}$, where Operating Ratio is equal to $\frac{\text{Recorded Operating Expenses}}{\text{Recorded Operating Revenues}}$ (operations and maintenance expenses, annual depreciation on non-contributed facilities, amortization of multiyear expenses and applicable taxes: income taxes, property taxes, taxes other than income, payroll taxes) divided by the most recent adopted Operating Revenues increased by the CPI. Compare this percentage to the authorized return on margin percentage. If the new return exceeds authorized, the utility will only be eligible for part or none of the increase.
66. If the earnings test shows that the utility is over-earning, adjust the requested amount by the over-earning amount.