

~~Resolution W _____~~
~~21 (Rev. 1)~~

~~DRAFT~~ December 2, 2010 AGENDA ID #10039

~~SJWC/AL 418/GSWC/ AL 1409-W/CAL-AM/AL 853/CWS/AL 1997/RSK/RKN/jlj~~

1/13/11

~~STATE OF CALIFORNIA
PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298~~

~~ARNOLD SCHWARZENEGGER, Governor~~

~~December 14, 2010~~

~~Draft Resolution W 4861~~

~~Agenda ID #10039~~

~~TO: All Interested Parties~~

~~Enclosed is draft Resolution W 4861 of the Division of Water and Audits. It will be on the Commission's January 13, 2011 agenda. The Commission may act then act on this resolution or it may postpone action until later.~~

~~When the Commission acts on a draft resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different resolution. Only when the Commission acts does the resolution become binding on the parties.~~

~~Parties to this matter may submit comments on this draft resolution. An original and two copies of the comments, with a certificate of service, should be submitted to:~~

~~Division of Water and Audits, Third Floor
Attention: Peter Liu
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102~~

~~Parties may submit comments on or before January 3, 2011. The date of submission is the date the comments are received by the Division of Water and Audits. Parties must serve a copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits.~~

~~Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft resolution, a table of authorities and appendix setting forth the proposed findings and ordering paragraphs.~~

~~Comments shall focus on the factual, legal, or technical errors in the draft resolution, and shall make specific reference to the record or applicable law. Comments which fail to do so will be accorded no weight and are not to be submitted.~~

~~Persons interested in comments of parties may write to Peter Liu, email him at ptl@epuc.ca.gov, or telephone him at (415) 703-1390.~~

~~/s/ RAMI S. KAHN _____
Rami S. Kahn, Director
Division of Water and Audits~~

~~Enclosures: Draft Resolution W 4861~~

~~Certificate of Service~~ ~~Service List~~ DWA/RSK/PTL/MML/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

441443
438167

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-4861
January 13, 2011

RESOLUTION

(RES. W- 4861), DEL ORO WATER COMPANY INC. (DOWC). ORDER AUTHORIZING A RATE BASE OFFSET REVENUE INCREASE, PRODUCING AN INCREASE IN GROSS ANNUAL REVENUE OF \$32,095 OR 25.97% TO CURRENT APPROVED GROSS REVENUES IN PINE FLAT DISTRICT AND \$11,702 OR 25.76% TO CURRENT APPROVED GROSS REVENUES IN PINE MOUNTAIN DISTRICT.

SUMMARY

By Advice Letter (AL) 273, filed on July 1, 2010, DOWC seeks a rate base offset of \$269,884 for water plant additions which would cause an increase in annual revenue of \$32,095 or 25.97% in Pine Flat and \$11,702 or 25.76% in Pine Mountain.

This resolution grants the requested increase. This increase will not result in a rate of return greater than the last authorized for DOWC in either of the districts.

BACKGROUND

DOWC is a multi district class B water company and presently provides service to approximately 194 metered customers in Pine Flat and 94 metered customers in Pine Mountain. The two districts are adjacent and approximately two miles southeast of California Hot Springs, Tulare County.

The two rate-making districts are operationally one system. DOWC uses an allocation for new plant of 70% to Pine Flat and 30% to Pine Mountain. This allocation methodology was used in the last rate base offset for these districts, authorized by Res. W-4638, April 12, 2007.

DOWC requests authority under General Order 96-B (GO 96-B), Water Industry Rules 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$32,095 or 25.97% in Pine Flat and \$11,702 or 25.76% in Pine Mountain for rate base offset for various water plant additions. The utility's last general rate increase (GRC) for Pine Flat, Res. W-4822 dated January 21, 2010, authorized an increase of \$26,486 or 28.2% with a 12.75% return on rate base. The last GRC for Pine Mountain, Res. W-4814 dated December 17, 2009, authorized an increase of \$4,878 or 9.3% with a 10.80% return on rate base. The present rates became effective for both districts on April 12, 2010, by approval of AL 260 and AL 261, which authorized

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Consumer Price Index-Urban increases of \$3,249 or 2.7% and \$1,194 or 2.7% for Pine Flat and Pine Mountain, respectively.

NOTICE AND PROTESTS

AL 273 was served in accordance with GO 96-B on June 30, 2010. On July 19, 2010, a notice of the proposed rate increase was mailed to each customer of both districts and to the service list. Two protest letters were received from customers in Pine Flat. No protests were received from Pine Mountain. The written comments objected to the size of the increase. The company's response to the letters explained the improvements made and the need for the increase.

DISCUSSION

The Division of Water and Audits (DWA) reviewed the documentation associated with the various water system improvements including invoices supporting the expenditure. DWA confirmed that: (1) the requested cost recovery associated with the plant additions did not exceed the authorized rate of return, and (2) these plant additions have been completed and are currently used and useful.

DOWC has requested a rate base offset for various water system improvements made through June 30, 2010 totaling \$269,884. The improvements included completion of a metering program, replacement of mains, and permitting and connection of a new well. These plant additions were done primarily to comply with Department of Public Health (DPH) Compliance Order No. 03-12-040-003 issued in May 2004.

DWA Staff conducted a field inspection on August 30, 2010 and verifies that the plant additions were prudent investments and are used and useful. DPH issued Permit No. 03-12-010P-005 on August 16, 2010 for Well No. 5.

DWA Staff recommends approval of the offset as requested. The rate base allocation is \$189,134 to Pine Flat and \$80,750 to Pine Mountain. This results in an additional revenue requirement of \$32,095 or 25.97% in Pine Flat and \$11,702 or 25.76% in Pine Mountain. The new rate base for each district is shown in Appendix A.

COMMENTS

Public Utilities Code Section 311(g) (1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, this draft Resolution was mailed to the utility and protestants and made available for public comment on December 14, 2010. No comments were received.

FINDINGS

1. The established allocation for new plant is 70% to Pine Flat District and 30% to Pine Mountain District.
2. The plant additions were primarily done to comply with Department of Public Health Compliance Order No. 03-12-040-003 issued in May 2004.
3. DWA Staff conducted a field inspection on August 30, 2010 and verifies that the plant additions were prudent investments and are used and useful.
4. Department of Public Health issued Permit No. 03-12-010P-005 on August 16, 2010 for Well No. 5.
5. The requested increase in rate base of \$189,134 for Pine Flat District and the resulting annual revenue requirement increase of \$32,095 or 25.97% are reasonable and should be adopted.
6. The requested increase in rate base of \$80,750 for Pine Mountain District and the resulting annual revenue requirement increase of \$11,702 or 25.76% are reasonable and should be adopted.
7. The Commission finds that, after investigation by the Division of Water and Audits, the rate base and revenue requirement increases and the resulting rate increase hereby authorized are just and reasonable.
8. The Division of Water and Audit's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.
9. The rates recommended by the Division of Water and Audits (Appendix B) are reasonable and should be adopted.

THEREFORE IT IS ORDERED THAT:

1. Del Oro Water Company is authorized to file a supplemental advice letter incorporating the revised rate schedules attached to this resolution as Appendix B, and to concurrently cancel its presently effective Schedules Nos. PF 1-A, Annual General Metered Service – Pine Flat District and PM 1-A, Annual General Metered Service – Pine Mountain District. The effective date of the revised schedules shall be five days after the date of filing.

~~2. _____~~

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273/RSK/PTL/MML/jlj

2. 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 on ~~December 16, 2010~~January 13, 2011; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A
Sheet 1

Del Oro Water Company - Pine Flat District
Summary of Earnings

| | Authorized W-4822 1/21/10 | Actual 2009 | Adjustments GRC Increase | CPI-U Increase | Division Suggested Rate Base Offset | Earnings Test at Division Recommended Rates |
|-----------------------------------|---------------------------------|----------------|--------------------------------|-------------------|--|--|
| OPERATING REVENUES | | | | | | |
| Metered Rates | \$120,342 | \$83,115 | \$23,438 | \$2,877 | \$32,095 | \$141,525 |
| Total Revenue | \$120,342 | \$83,115 | | | | \$141,525 |
| OPERATING EXPENSES | | | | | | |
| Purchased Water | \$12,923 | \$8,388 | \$4,230 | | | \$12,618 |
| Purchased Power | \$3,786 | \$1,364 | | | | \$1,364 |
| Other Volume Related Expenses | \$436 | \$338 | | | | \$338 |
| Employee Labor | \$14,545 | \$14,558 | | | | \$14,558 |
| Materials | \$2,206 | \$1,657 | | | | \$1,657 |
| Contract Work (Exc Water Testing) | \$693 | \$140 | | | | \$140 |
| Water Testing | \$505 | \$508 | | | | \$508 |
| Transportation | \$8,932 | \$7,685 | | | | \$7,685 |
| Other Plant Maintenance | \$0 | \$0 | | | | \$0 |
| Office Salaries | \$12,534 | \$9,868 | | | | \$9,868 |
| Management Salaries | \$3,185 | \$3,163 | | | | \$3,163 |
| Employee Benefits | \$3,521 | \$3,036 | | | | \$3,036 |
| Uncollectibles | \$801 | \$326 | | | | \$326 |
| Office Services & Rental | \$2,380 | \$2,435 | | | | \$2,435 |
| Office Supplies and Exp | \$5,500 | \$5,260 | | | | \$5,260 |
| Professional Services | \$535 | \$496 | | | | \$496 |
| Insurance | \$1,932 | \$2,290 | | | | \$2,290 |
| Regulatory Comm Exp | \$333 | \$157 | | | | \$157 |
| General Expenses | \$0 | \$1,725 | | | | \$1,725 |
| Subtotal | \$74,747 | \$63,394 | | | | \$67,624 |
| Depreciation Expense | \$5,779 | \$9,298 | | | \$4,728 | \$14,026 |
| Taxes other than income | \$2,459 | \$1,163 | | | | \$1,163 |
| State Income Tax | \$3,302 | \$819 | | | \$2,419 | \$5,190 |
| Federal Income Tax | \$5,108 | \$1,266 | | | \$3,742 | \$8,028 |
| Total Deductions | \$91,396 | \$75,940 | | | | \$96,032 |
| NET REVENUE | \$28,946 | \$7,175 | | | | \$45,493 |
| RATE BASE | | | | | | |
| Average Plant | \$242,488 | \$242,747 | | | \$186,770 | \$429,517 |
| Average Depreciation Reserve | \$21,690 | \$25,018 | | | | \$25,018 |
| Net Plant | \$220,798 | \$217,729 | | | | \$404,499 |
| Plus Working Cash | \$6,228 | \$0 | | | | \$0 |
| CWIP | | \$75,944 | | | | \$75,944 |
| Rate Base | \$227,026 | \$293,673 | | | | \$480,443 |
| RATE OF RETURN (ROR) | 12.75% | 2.44% | | | | 9.47% |
| AUTHORIZED ROR | | 12.75% | | | | 12.75% |

(continued)

January 13, 2011

DOWC/AL-273/RSK/PTL/MML/jlj

APPENDIX A

Sheet 2

Del Oro Water Company - Pine Mountain District
Summary of Earnings

| | Authorized W-4814 12/17/09 | Actual 2009 | Adjustments GRC Increase | CPI-U Increase | Division Suggested Rate Base Offset | Earnings Test at Division Recommended Rates |
|------------------------------------|----------------------------------|----------------|--------------------------------|-------------------|--|--|
| OPERATING REVENUES | | | | | | |
| Metered Rates | \$44,239 | \$35,765 | \$3,326 | \$1,055 | \$11,702 | \$51,849 |
| Other Water Rev. (Sales Pine Flat) | \$12,923 | \$8,693 | \$4,230 | | | \$12,923 |
| Total Revenue | \$57,162 | \$44,458 | | | | \$64,772 |
| OPERATING EXPENSES | | | | | | |
| Purchased Power | \$9,925 | \$7,097 | | | | \$7,097 |
| Other Volume Related Expenses | \$201 | \$276 | | | | \$276 |
| Employee Labor | \$6,787 | \$6,796 | | | | \$6,796 |
| Materials | \$991 | \$836 | | | | \$836 |
| Contract Work (Exc Water Testing) | \$71 | \$0 | | | | \$0 |
| Water Testing | \$735 | \$408 | | | | \$408 |
| Transportation | \$3,979 | \$3,544 | | | | \$3,544 |
| Other Plant Maintenance | \$0 | \$0 | | | | \$0 |
| Office Salaries | \$5,951 | \$4,732 | | | | \$4,732 |
| Management Salaries | \$1,512 | \$1,517 | | | | \$1,517 |
| Employee Benefits | \$1,565 | \$1,457 | | | | \$1,457 |
| Uncollectibles | \$162 | \$192 | | | | \$192 |
| Office Services & Rental | \$1,141 | \$1,181 | | | | \$1,181 |
| Office Supplies and Exp | \$2,128 | \$2,435 | | | | \$2,435 |
| Professional Services | \$254 | \$238 | | | | \$238 |
| Insurance | \$905 | \$1,004 | | | | \$1,004 |
| Regulatory Comm Exp | \$333 | \$118 | | | | \$118 |
| General Expenses | \$0 | \$1,379 | | | | \$1,379 |
| Subtotal | \$36,640 | \$33,210 | | | | \$33,210 |
| Depreciation Expense | \$2,756 | \$5,184 | | | \$2,019 | \$7,203 |
| Taxes other than income | \$1,158 | \$1,194 | | | | \$1,194 |
| State Income Tax | \$1,545 | \$800 | | | \$874 | \$2,048 |
| Federal Income Tax | \$2,259 | \$611 | | | \$1,321 | \$3,168 |
| Total Deductions | \$44,358 | \$40,999 | | | | \$46,822 |
| NET REVENUE | \$12,804 | \$3,460 | | | | \$17,949 |
| RATE BASE | | | | | | |
| Average Plant | \$127,999 | \$129,968 | | | \$79,740 | \$209,708 |
| Average Depreciation Reserve | \$12,500 | \$14,051 | | | | \$14,051 |
| Net Plant | \$115,499 | \$115,917 | | | | \$195,657 |
| Plus Working Cash | \$3,053 | | | | | \$0 |
| CWIP | | \$34,072 | | | | |
| Rate Base | \$118,552 | \$149,989 | | | | \$195,657 |
| RATE OF RETURN (ROR) | 10.80% | 2.31% | | | | 9.17% |

AUTHORIZED ROR

10.80%

10.80%

**(END APPENDIX A)
APPENDIX B**

Sheet 1

PINE FLAT DISTRICT

**Schedule No. PF-1A
ANNUAL GENERAL METERED SERVICE**

APPLICABILITY

Applicable to all metered water service furnished to the Pine Flat District service area.

TERRITORY

The unincorporated community known as Pine Flat, and vicinity, located approximately two miles southeast of California Hot Springs, Tulare County.

RATES

| | | |
|--------------------------------|----------------------------|-----|
| Quantity Rate: | <u>Per Meter Per Month</u> | |
| For all water, per 100 cu. ft. | \$ 6.676 | (I) |
| Annual Service Charge: | <u>Per Meter Per Month</u> | |
| For 5/8 x 3/4-inch meter | \$ 33.77 | (I) |
| For 3/4-inch meter | 50.66 | |
| For 1-inch meter | 84.44 | |
| For 1-1/2-inch meter | 168.87 | |
| For 2-inch meter | 270.20 | |
| For 3-inch meter | 506.62 | |
| For 4-inch meter | 844.37 | |
| For 6-inch meter | 1,688.73 | (I) |

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge for water computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12 month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, the residents may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.
2. The established billing cycle for water used is monthly.

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DRAFT

January 13, 2011

(continued)

APPENDIX B
Sheet 2

PINE MOUNTAIN DISTRICT

Schedule No. PM-1A
ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished to the Pine Mountain District service area.

TERRITORY

Tract Nos. 416 and 455 in Rainbow Ranch and Tract Nos. 438 and 455, and vicinity, located approximately one mile east of Pine Flat, Tulare County.

RATES

| | | | |
|------------------------|--------------------------------|----------------------------|-----|
| Quantity Rate: | | <u>Per Meter Per Month</u> | |
| | For all water, per 100 cu. ft. | \$ 4.427 | (I) |
| Annual Service Charge: | | <u>Per Meter Per Month</u> | |
| | For 5/8 x 3/4-inch meter | \$ 17.34 | (I) |
| | For 3/4-inch meter | 26.02 | |
| | For 1-inch meter | 43.39 | |
| | For 1-1/2-inch meter | 86.75 | |
| | For 2-inch meter | 138.80 | |
| | For 3-inch meter | 260.27 | |
| | For 4-inch meter | 433.78 | |
| | For 6-inch meter | 867.55 | (I) |

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge for water computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12 month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, the residents may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.
2. The established billing cycle for water used is monthly.

(END OF APPENDIX B) CERTIFICATE OF SERVICE

Document comparison by Workshare Professional on Wednesday, January 12, 2011
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