

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Del Oro Water Company, Inc. (U-61-W) for a Certificate of Public Convenience and Necessity to Construct and Operate its Regional Intertie Project to Resolve Long-Term Water Supply Deficit In Its Paradise Pines, Magalia and Lime Saddle Districts and to Recover All Present and Future Costs in Connection Therewith in Rates.

A. 06-05-023
(Filed May 19, 2006)

Application of Del Oro Water Company, Inc. (U-61-W) for Authority to Borrow Approximately \$3,500,000 (and to Issue Evidence of Indebtedness in Connection Herewith) in Order to Make Certain Capital Improvements and for Authority to Recover all Such Costs and Advances by Increases in the Respective Water Rates of Customers in its Paradise Pines, Magalia and Lime Saddle Districts in the vicinity of Magalia and Paradise, Butte County, California.

A. 06-05-024
(Filed May 19, 2006)

**SETTLEMENT AGREEMENT BETWEEN DEL ORO WATER COMPANY
AND THE DIVISION OF RATEPAYER ADVOCATES**

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January 16, 2008

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1. RECITALS

1.1 The Parties to this Settlement Agreement (Settlement) are the Del Oro Water Company, Inc., (Del Oro) and the Division of Ratepayer Advocates (DRA), hereafter collectively referred to as “the Parties.” The term “Commission” means the California Public Utilities Commission. The Parties have addressed the issues in this proceeding and have negotiated this Settlement to resolve their disputes.

1.2 The Parties agree and understand that Commission approval and adoption of this Settlement may not be construed as an admission or waiver by any Party regarding any fact, matter of law, or issue thereof that pertains to this proceeding. In accordance with the Commission Rules of Practice and Procedure, Rule 12.5, the Parties intend that Commission adoption of this Settlement will be binding on all the Parties to this proceeding, including their legal successors, assigns, partners, members, agents, parent or subsidiary companies, affiliates, officers, directors, and/or employees. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of or precedent for any principle or issue in this or any future proceeding.

1.3 The Parties agree that no signatory to the Settlement or any employee thereof assumes any personal liability as a result of this Settlement.

1.4 The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedies pertaining to this Settlement, as provided by the California Constitution, Article XII, Section 8. No Party may bring an action pertaining to this Settlement in any local, State or Federal court, or administrative agency without having first exhausted its administrative remedies at the Commission.

1.5 The Parties agree that this Settlement is subject to approval by the Commission. As soon as practicable after the Parties have signed the Settlement, the Parties will jointly file a Motion for Commission Approval and Adoption of the Settlement. The Parties will furnish such additional information, documents, and/or testimony as the Commission may require in granting the Motion and adopting this Settlement.

1.6 If any Party fails to perform its respective obligations under the Settlement, the other Party may come before the Commission to pursue a remedy including enforcement.

1.7 The provisions of this Settlement are not severable. If the Commission or any court of competent jurisdiction overrules or modifies as legally invalid any material provision of this Settlement, this Settlement shall be deemed rescinded as of the date such ruling or modification becomes final.

1.8 The Parties acknowledge and stipulate that they are agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other Party. Each Party hereby states that it has read and fully understands its rights, privileges, and duties under this Settlement, including each Party's right to discuss this Settlement with its legal counsel, and has exercised those rights, privileges, and duties to the extent deemed necessary.

1.9 In executing this Settlement, each Party declares and mutually agrees that the terms and conditions herein are reasonable, consistent with the law, and in the public interest.

1.10 This Settlement constitutes the Parties' entire Settlement, which cannot be amended or modified without the express written and signed consent of all the Parties hereto.

1.11 No Party has relied or presently relies upon any statement, promise or representation by any other Party, whether oral or written, except as specifically set forth in this Settlement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representative.

1.12 This Settlement may be executed in any number of separate counterparts by the different Parties hereto with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Settlement.

1.13 This Settlement shall become effective and binding on the Parties as of the date it is approved by the Commission.

2. SETTLEMENT TERMS AND CONDITIONS – SCOPE AND BENEFITS OF PROJECT

2.1 Scope of Project - DRA will support Del Oro's request in A.06-05-023¹ for Commission approval and authorization of Phase 1 of Del Oro Water Company's Regional Intertie Water Project ("the Project"), as specified herein.²

2.2 Phase 1 of the Project involves construction of additional pumping, treatment, storage, and 2.5 miles of transmission facilities (pipeline) to allow for increased water withdrawals from Lake Oroville to Del Oro's Lime Saddle water treatment plant.

2.3 The Parties agree that the principal facilities and infrastructure required to convey water from Del Oro's existing Lime Saddle intake through its water treatment plant to upper Lime Saddle (the northern zone of the Lime Saddle system) under Phase 1 of the Project include the following:

- a. Modification of Del Oro's existing lake intake from Lake Oroville to increase overall production capability.
- b. Modification of Del Oro's existing water treatment plant in lower Lime Saddle (the southern zone of the Lime Saddle system) to add 370 gallons per minute (gpm) for the Project, resulting in a total treatment capacity of 600 gpm.
- c. Installation of up to a 16-inch pipeline along 2.5 miles of Pentz Road in Lime Saddle to complete the water distribution system and convey water to a new storage tank and booster station located in upper Lime Saddle. This pipeline will connect with Del Oro's existing pipeline along Pentz Road in upper Lime Saddle.

¹ On July 18, 2006, at the Parties' first Prehearing Conference (PHC), Administrative Law Judge DeBerry consolidated A.06-05-023 (the Application for the Certificate of Public Convenience and Necessity) and A.06-05-024 (the Application for Financing) as one application under A.06-05-023. See Reporter's Transcript, PHC July 18, 2006, pp. 2-3.

² On August 25, 2006, at the Parties' second PHC, the Parties stipulated that the consolidated application, A.06-05-023, includes the financing and CPCN for Phase 1 of the Project, and does not include Phase 2, thereby dismissing Phase 2 from this application. See Reporter's Transcript, PHC August 25, 2006, pp. 110-111.

2.4 The Parties agree that the primary beneficiary of Phase 1 of the Project is the Lime Saddle district, which will no longer need to rely on a 265 acre foot (AF) water reserve purchased by Del Oro from its Stirling Bluff's district. The Paradise Pines and Magalia districts will indirectly benefit from having the 265 AF water reserve available for their respective use.

3. SETTLEMENT TERMS AND CONDITIONS – FINANCING

3.1 The Parties understand that the California Department of Public Health (CDPH) and its agent the Department of Water Resources (DWR) have determined that Phase 1 of the Project is eligible for a Safe Drinking Water State Revolving Fund construction loan ("SRF loan") in the amount of \$4,465,187. **(Exhibit 1)**

3.2 The SRF loan to Del Oro is to be paid at 2.28% interest over a 20 year period.

3.3 The CDPH estimates that the total cost of Phase 1 of the Project will be \$5,171,866.

3.4 Del Oro agrees to use the maximum amount of funding offered by the SRF loan for Phase 1 of the Project.

3.5 The Parties agree that Del Oro may fund the remainder of Phase 1 of the Project costs with equity funding.

3.6 The Parties agree that Del Oro's equity funding of Phase 1 of the Project costs shall not exceed \$757,320. **(Exhibit 1)**

3.7 The equity financing is estimated to have a rate of return of 10.54%.

3.8 The Parties agree that the total Project costs for Phase 1 shall not exceed \$5,222,507. Any excess over the cap of \$5,222,507 will not be included in rate base until it is reviewed for reasonableness in Del Oro's next General Rate Case (GRC).

3.9 The \$5,222,507 includes the \$5,171,866 of the Phase 1 Project costs calculated by the CDPH and Del Oro, along with \$50,641 in pre-CEQA engineering, accounting and legal fees for Del Oro's first application to the Commission (A. 02-02-

001). It excludes the \$1.35 million described in Paragraph 4.6 below and interest on the SRF loan.

3.10 The Parties agree that Del Oro should be authorized to file, in accordance with General Order No. 96-A or its successor, at least 180 days prior to receiving its first billing for the SRF loan, an advice letter by which to do the following: (1) implement the rate surcharges to customers (as described in Paragraph 5.1 below) to repay the indebtedness described in Paragraphs 3.1-3.2; (2) implement the SRF surcharge the connection fee described in Paragraph 5.2.

3.11 The Parties agree that upon completion of Phase 1 of the Project, Del Oro shall file a GRC to seek recovery of equity funded Phase 1 Project costs as described in Paragraph 7.5 of this Settlement.

4. SETTLEMENT TERMS AND CONDITIONS – SRF COST ALLOCATION BETWEEN DISTRICTS AND COST SAVINGS TO THE LIME SADDLE DISTRICT

4.1 The Parties agree that the debt service on the SRF loan for Phase 1 of the Project should be allocated between the three districts in the following manner: Lime Saddle = 25%; Paradise Pines = 70%; Magalia = 5%. These percentages are based upon three considerations:

- a. The consumption of water in each district. **(Exhibit 2)**
- b. The cost savings to the Lime Saddle district as a result of Phase 1 of the Project, which will be reflected in their general rates.
- c. The need to insure that customers in the Lime Saddle district who did not previously pay a \$5000 connection fee to Del Oro, as specified in Section 6, are not charged more than approximately \$5000 in surcharges over the 20 year repayment period for the SRF loan.

4.2 The Parties acknowledge that the Lime Saddle district is responsible for approximately 12% of the total consumption in all three districts. The Parties also

acknowledge that Paradise Pines is responsible for approximately 82% and Magalia approximately 6% of the total consumption in all three districts.

4.3 As a result of completing Phase 1 of the Project and lowered purchased water costs, the Lime Saddle district is estimated to receive \$83,500 per year in cost savings during the 20 year loan repayment period. Paradise Pines and Magalia's need for purchased water will not change and thus neither district will receive a cost savings as a result of Phase 1 of the Project. Each district, however, will have access to more water from the water reserve as a result of Phase 1 of the Project.

4.4 The estimated cost savings in Lime Saddle (\$83,500 per year) was calculated by subtracting the new cost of purchased water (\$29,498) to be included in rates after completion of Phase 1 of the Project from the current cost of purchased water included in rates (\$112,986 per year).³ The new cost of purchased water was estimated by adding the cost of purchasing 250 AF of Lake Oroville water from Butte County to the additional pumping costs anticipated to transport water from the lake to upper Lime Saddle.

4.5 Any additional operation and maintenance costs that increase Lime Saddle district's new cost of purchased water over estimates listed in Paragraph 4.4 will reduce that district's cost savings. If the net cost savings differs by more than 15% (\$12,525) from the \$83,500 estimated, the Parties agree that DRA reserves the right to propose in the Del Oro's next GRC a reallocation of the SRF cost allocation in order to maintain parity between the surcharge paid by Lime Saddle residential meter customers and the capped value as calculated in Paragraph 4.8 below.

4.6 The Parties acknowledge that 270 Lime Saddle customers have already contributed to the cost of Phase 1 of the Project by each paying Del Oro a \$5000 service connection fee which collectively amounts to a total of \$1.35 million dollars. Del Oro acknowledges that it used this money to pay for the preliminary costs of Phase 1 of the

³ Authorized per Commission Resolution W-4302, October 25, 2001.

Project. Therefore, the Parties agree that these 270 Lime Saddle customers shall be exempt from the SRF surcharge.

4.7 The Parties agree to cap the surcharge for Lime Saddle residential meters (5/8" x 3/4") at \$5,210 over the 20 year SRF loan repayment. This cap is based upon Lime Saddle district's total consumption, the estimated cost savings to Lime Saddle, and the previous contributions made by the 270 Lime Saddle customers.

4.8 The Parties agree that the maximum SRF surcharge paid by Lime Saddle customers with 5/8" x 3/4" meters shall be calculated as follows:

a. The SRF loan plus interest (approximately \$5.59 million) shall be added to the \$1.35 million in previous contributions paid by the 270 exempt Lime Saddle customers.

b. The resulting sum (approximately \$6.94 million) shall be multiplied by Lime Saddle's consumption (12.05%) and the resulting product (about \$833,000) added to an estimated \$83,500 of cost savings per year x 20 years (totaling \$1,670,000) in order to obtain an estimated maximum of \$2.5 million in Phase 1 Project costs owed by the Lime Saddle district.

c. Dividing the estimated \$2.5 million by the total number of connections in Lime Saddle, including the 270 exempt Lime Saddle customers, results in an estimated maximum of \$5,210 owed by the average Lime Saddle customer with a 5/8" x 3/4" meter. **(Exhibit 3A–3B)**

4.9 The Parties agree that, upon allocating 25% of the SRF loan to the Lime Saddle district for the reasons set forth in Paragraphs 4.1- 4.7 above, the average connection cost based on a 5/8" x 3/4" meter is \$4,894, which is less than the estimated cap of \$5,210. The \$4,894 in SRF surcharge costs is also close to the \$5,000 that the 270 Lime Saddle customers already contributed as connection fees. The Parties agree that the cost allocation of 25% of the SRF loan to the Lime Saddle district allows for cost parity between those Lime Saddle customers who previously paid the connection fee and those who will contribute using a monthly surcharge over 20 years. **(Exhibit 3B)**

4.10 The Parties agree that the remaining 75% of the SRF loan shall be divided based on the relative consumption of Paradise Pines and Magalia. The Parties agree that this results in 70% of the SRF loan being secured by the Paradise Pines district and 5% of the SRF loan being secured by the Magalia district. **(Exhibit 2)**

5. SETTLEMENT TERMS AND CONDITIONS –SRF SURCHARGE DESIGN

5.1 To ensure stability in collected revenue, the Parties agree that within each of the three districts the monthly SRF surcharge rate design shall be based on equivalent units (derived from meter size or meter flow rate capacity) pursuant to standard service charge design.⁴ The SRF surcharge shall be collected based on a meter size adjusted service charge (equivalent units). This standard practice in rate design assigns an equivalent units (EU) factor for each meter size (ranging from 1 for the smallest meter to 50 for the largest meter). The EU factor multiplies the average surcharge (calculated by dividing the district revenue requirement by the total number of equivalent units) and results in a monthly surcharge that depends only on meter size. **(Exhibit 4)**

5.2 The Parties agree that within each of the three districts all new customers requesting service to any previously un-served premises will be charged a SRF surcharge connection fee calculated as the total of the monthly surcharges applicable from the effective date of the original tariff schedule authorizing the surcharge to the date of connection. Del Oro shall include a provision for the collection of such connection fees in the tariff changes it files pursuant to Paragraph 3.10 above.

5.3 The Parties agree that new customers will be charged the SRF surcharge rates approved for their district and meter size in Del Oro's current tariff schedule. The SRF surcharge rates to be established should last as long as necessary to repay the loan. SRF surcharge revenues shall not be commingled with other utility charges.

⁴ Water Division Standard Practice U-7-W "Rate Design for Water and Sewer System Utilities."

5.4 The Parties agree that a portion of the SRF surcharge will be used to accumulate a reserve of two semi-annual loan payments during the first 10 years of the loan repayment. Payments made to this reserve will earn interest that shall be used to reduce the SRF surcharge during annual reviews of the surcharge account or pay off the loan more quickly. The Parties agree that Del Oro will strive to obtain the highest interest rate possible on the surcharge bank account, which should be as close as possible, if not equal to, the 3 month commercial paper interest rate.

5.5 The Parties agree that the SRF surcharge shall be reviewed and updated annually based upon the total surcharge revenue collected, the number and size of current service connections in each district, and the interest earned on the SRF reserve payments described in Paragraph 5.4 above. The SRF surcharge rates shall be adjusted as necessary to reflect overages or shortages to the surcharge bank account. Any excess funds in the surcharge bank account shall be refunded to ratepayers through a surcredit after the SRF loan is repaid.

6. SETTLEMENT TERMS AND CONDITIONS - \$5,000 CONNECTION FEE

6.1 As set forth in Paragraph 4.6, the Parties agree that there will be no SRF surcharge to customers who paid a \$5,000 connection fee in Lime Saddle since the expected contribution of \$4,894 for most Lime Saddle ratepayers will approximate this amount. The \$5000 connection fee and exclusion from the SRF surcharge that will be implemented to recover Phase 1 Project costs are set forth in Special Condition 9 of Lime Saddle's tariff sheet.⁵

6.2 The Parties recognize that there are 353 active and 128 inactive service connections in Lime Saddle totaling 481 connections. The Parties acknowledge that 270 Lime Saddle customers previously paid \$5,000 each in connection fees used by Del Oro

⁵ California Public Utilities Commission Sheet No. 624-W, effective February 15, 2005 per Resolution W-4519.

for preliminary Phase 1 Project costs. Since cost allocation has ensured that SRF surcharges for the average residential connection (5/8" x 3/4" meter) will not exceed \$5,000, the Parties agree that there is no need to change the exclusion clause in the tariff for the 270 exempt Lime Saddle customers who paid the \$5000 connection fee. **(Exhibit 5)**

6.3 The Parties agree that upon completion of Phase 1 of the Project, Del Oro will file an advice letter to end collection of the \$5,000 connection fee from new connections pursuant to the Lime Saddle Marina/Pentz Intertie Project Contracts.⁶

6.4 The Parties agree that all active Lime Saddle connections upon completion of Phase 1 of the Project, whether or not they paid the \$5,000 connection fee, shall be responsible for paying their proportionate share of the equity funded portion of Phase 1 of the Project.

7. SETTLEMENT TERMS AND CONDITIONS – EQUITY COST ALLOCATION

7.1 The Parties agree that responsibility for rate recovery related to the equity funded portion of Phase 1 of the Project shall be allocated to Lime Saddle in a higher percentage than Lime Saddle's percentage of total water consumption (as specified in Paragraph 4.2 above) or the allocation of debt service to Lime Saddle (as specified in Paragraph 4.1 above). The higher percentage to which the Parties have agreed reflects the greater economic and water supply benefits that the Lime Saddle district will receive (described in part in Paragraph 7.3 below). In particular, the Parties acknowledge that Lime Saddle will receive a more reliable water supply as a result of Phase 1 of the Project. Moreover, as noted in Paragraphs 4.3 and 4.4 above, Lime Saddle's purchased water costs will decrease significantly as a result of the Project.

7.2 The Parties agree that equity funded Project costs for Phase 1 will be allocated in the following manner: Lime Saddle = 50%; Paradise Pines = 46.8%; Magalia = 3.2%.

⁶ These contracts are main extension contracts executed by customers in the Lime Saddle District.

(Exhibit 2) By utilizing this equity allocation, rate increases for most residential customers will be similar on a percentage basis. The equity allocation will fully distribute cost savings that was only partially accounted for in the SRF cost allocation.

(Exhibit 6)

7.3 Although Paradise Pines and Magalia's total water allotment will likely increase as a result of having access to the 265 AF water reserve, the Parties acknowledge that purchased water costs borne by Paradise Pines and Magalia's will not be reduced as a result of Phase 1 of the Project. The Parties also acknowledge that Paradise Pines and Magalia will still be dependent on an interruptible source of water conveyed by PID. Therefore, the Parties agree that 50% of the total equity that is booked to any plant account shall be allotted to Lime Saddle and the remaining 50% of the equity financing shall be allocated in proportion to Paradise Pines' and Magalia's relative consumption as specified in Paragraph 7.2 above.

7.4 The Parties agree that any equity funded portion of the Phase 1 Project costs allocated to the Lime Saddle district shall be distributed equally between all active connections at the time of Project completion regardless of whether or not the customer paid a connection fee.

7.5 The Parties agree that Del Oro shall file an application for a GRC within 90 days of completion of Phase 1 of the Project wherein equity funded project costs shall be reviewed.

8. SETTLEMENT TERMS AND CONDITIONS – COST OVERRUNS AND CONTINGENCY COSTS

8.1 The Parties agree that cost overruns in the total construction costs are already accounted for by a 10% contingency, approximately \$431,848, included in construction cost estimates submitted by Del Oro. The \$431,848 represents cost overruns for construction eligible for SRF funding and cost overruns for construction that will be funded by Del Oro through equity financing.

8.2 The Parties agree that the \$431,848 set forth in Section 8.1 includes a standard ten percent (10%) contingency factor, approximately \$368,884, for SRF approved Phase 1 Project costs.

8.3 The Parties agree that the remaining contingency costs, capped at \$62,963, may be funded by equity financing.

8.4 The parties agree that as part of the Commission's review of Del Oro's next GRC, an audit will be performed by Water Division to reconcile Del Oro's actual construction expenditures with the figures memorialized in this agreement.

9. TOTAL BILL IMPACT FOR ALL DISTRICTS

9.1 Regarding the SRF and equity cost allocations referenced in Sections 4 and 7 above, the Parties estimate that most Lime Saddle customers will have a net bill increase of \$8.25 per month as a consequence of Phase 1 of the Project. The Parties estimate that most customers in Paradise Pines will have a net bill increase of \$4.15 per month, while most customers in Magalia will have a net bill increase of \$4.82 per month as a consequence of Phase 1 of the Project. **(Exhibit 6)**

9.2 Paradise Pines district's monthly bill increase for most customers (5/8" x 3/4" meter) will be approximately 17% as a consequence of Phase 1 of the Project. No meter size will have a monthly bill increase of more than 25% as a consequence of Phase 1 of the Project. The bill increase is the sum of the SRF surcharge and the equity allocated to Paradise Pines. **(Exhibit 7A)**

9.3 Magalia district's monthly bill increase for most customers (5/8" x 3/4" meter) will be approximately 11% as a consequence of Phase 1 of the Project. No meter size will have a monthly bill increase of more than 24% as a consequence of Phase 1 of the Project. The bill increase is the sum of the SRF surcharge and the equity allocated to Magalia. **(Exhibit 7B)**

9.4 Lime Saddle district's monthly bill increase for most non-exempt customers (5/8" x 3/4" meter) will be approximately 12% as a consequence of Phase 1 of the Project. No meter size will have a monthly bill increase of more than 28% as a

consequence of the Phase 1 of the Project (with the exception of a single customer in the district served through a 6” meter). This bill increase is the sum of the SRF surcharge, purchased water cost savings, and the equity allocated to Lime Saddle. The exempt Lime Saddle customers with active connections will see a bill decrease of approximately 10% as a consequence of Phase 1 of the Project. **(Exhibit 7C-7D)**

10. BUTTE COUNTY PROPERTY TAX REVENUES

The Parties understand that Butte County holds certain sums collected by the former Lime Saddle Community Service District (“LSCSD”) from its residents prior to the sale by LSCSD of its water system to Del Oro (“Property Tax Revenues”). The Parties further understand that Butte County may at some point in the future make some or all of the Property Tax Revenues (possibly including accrued interest) available to Del Oro for application to the costs of the Phase 1 of the Project. At present, however, the parties do not know (1) what amount of Property Tax Revenues Butte County might make available, (2) when or if Butte County will make Property Tax Revenues available, or (3) what conditions Butte County might impose on the use of the Property Tax Revenues by Del Oro.

In the event that Butte County does make the Property Tax Revenues available to Del Oro for application to the costs of Phase 1 of the Project, Del Oro shall file, in accordance with General Order No. 96-A or its successor, an advice letter proposing modifications to lower rates accordingly. At the time of the filing of any such advice letter, DRA and other affected parties may review, and if appropriate, protest the proposed rate changes.

11. CONCLUSION

The Parties mutually believe that based on the terms and conditions stated above, this Settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

Respectfully submitted,

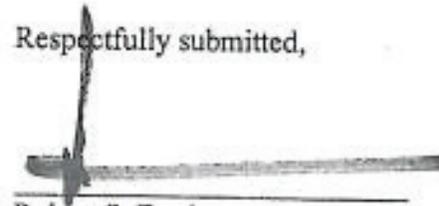


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January 16, 2008

Respectfully submitted,



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January 16, 2008

EXHIBIT 1**Total Project Cost Allocation to each District**

District	SRF Fundable Loan	SRF Interest	Total SRF	Equity Financing	Total Equity (40 Yrs)	Total Cost
Lime Saddle	\$1,116,297	\$280,509	\$1,396,805	\$378,660	\$1,343,958	\$2,740,763
Paradise Pines	\$3,125,631	\$785,423	\$3,911,054	\$354,426	\$1,257,952	\$5,169,006
Magalia	\$223,259	\$56,102	\$279,361	\$24,234	\$86,000	\$365,361
Total	\$4,465,187	\$1,122,033	\$5,587,220	\$757,320	\$2,687,910	\$8,275,130

EXHIBIT 2

Relative Project Cost Allocation between Districts

District	SRF Allocation	Equity Allocation	Relative Consumption	Number of Active Connections
Lime Saddle	25%	50%	12.05%	353
Paradise Pines	70%	46.8%	82.29%	4742
Magalia	5%	3.2%	5.66%	271

EXHIBIT 3A

Maximum Cost Allocation to the Lime Saddle District

SRF Loan & Interest	Previous Contributions (Lime Saddle)	Sum (SRF & Previous Contributions)	Lime Saddle Consumption	Lime Saddle Cost Savings (20 years)	Lime Saddle Maximum Allocation
\$5,587,220	\$1,350,000	\$6,937,220	12.05%	\$1,670,000	\$2,505,935

EXHIBIT 3B

Comparison of Cost per Connection for the Lime Saddle District

Lime Saddle District	Total Payment	Number of connections	Cost per connection
Maximum Allocation	\$2,505,935	481	\$5,210
5/8" x 3/4" Connections	\$998,294	204	\$4,894

EXHIBIT 4

Equivalent Units Surcharge Design

Meter Size	Equivalent Unit (EU) Factor	Surcharge per EU (Paradise Pines)	SRF Surcharge per meter
5/8" x 3/4"	1	\$3.26	\$3.26
3/4"	1.5	\$3.26	\$4.89
1"	2.5	\$3.26	\$8.15
1.5"	5	\$3.26	\$16.30
2"	8	\$3.26	\$26.08
3"	15	\$3.26	\$48.90
4"	25	\$3.26	\$81.50
6"	50	\$3.26	\$163.00

EXHIBIT 5

\$5,000 Connection Fee in the Lime Saddle District

LS \$5,000 Connection Fee	Number in Lime Saddle	Previous Payments (Connection Fee)	SRF Surcharge Payments (including Interest)
Total Active Connections	353	\$1,350,000	\$1,396,805
Active Connections who paid Fee	142	\$710,000	\$0
Active connections who did not pay fee	211	\$0	\$1,396,805
Inactive connections who paid fee	128	\$640,000	\$0

EXHIBIT 6

Change in Monthly Bill for each District

5/8"x 3/4" Meter	SRF Surcharge	Cost Savings	Surcharge + Cost Savings	Equity (Service)	Equity (Quantity)	Net Cost
Lime Saddle	\$20.39	\$24.44	-\$4.05	\$4.93	\$7.37	\$8.25
Paradise Pines	\$3.26	\$0.00	\$3.26	\$0.45	\$0.44	\$4.15
Magalia	\$3.87	\$0.00	\$3.87	\$0.51	\$0.44	\$4.82

EXHIBIT 7A

Paradise Pines District – Total Bill Impact

Meter Size	Meter Quantity	Current Service Charge	SRF Surcharge	Equity Service Surcharge	Quantity Charge	Total New Bill	Current Bill	Increase (Decrease)	% Increase (Decrease)
5/8"x3/4"	4694	\$10.72	\$3.26	\$0.45	\$14.50	\$28.93	\$24.78	\$4.15	16.75%
3/4"	0	\$16.07	\$4.89	\$0.68					
1"	25	\$26.79	\$8.15	\$1.13	\$19.57	\$55.64	\$45.77	\$9.87	21.56%
1.5"	10	\$53.58	\$16.30	\$2.26	\$47.07	\$119.21	\$99.22	\$19.99	20.15%
2"	8	\$85.73	\$26.07	\$3.62	\$63.10	\$178.52	\$146.91	\$31.61	21.52%
3"	2	\$160.74	\$48.89	\$6.79	\$248.29	\$464.71	\$401.49	\$63.22	15.75%
4"	2	\$267.90	\$81.48	\$11.31	\$2,121.41	\$2,482.10	\$2,324.90	\$157.20	6.76%
6"	1	\$535.80	\$162.96	\$22.63	\$296.97	\$1,018.36	\$823.75	\$194.61	23.62%

EXHIBIT 7B

Magalia District – Total Bill Impact

Meter Size	Meter Quantity	Current Service Charge	SRF Surcharge	Equity Service Surcharge	Quantity Charge	Total New Bill	Current Bill	Increase (Decrease)	% Increase (Decrease)
5/8"x3/4"	266	\$22.00	\$3.87	\$0.51	\$22.03	\$48.41	\$43.59	\$4.82	11.06%
3/4"	1	\$27.50	\$5.80	\$0.77	\$34.63	\$68.70	\$61.45	\$7.25	11.80%
1"	1	\$33.00	\$9.67	\$1.29	\$70.12	\$114.08	\$101.75	\$12.33	12.12%
1.5"	0		\$19.34	\$2.57					
2"	2	\$44.00	\$30.94	\$4.11	\$836.67	\$915.72	\$864.27	\$51.45	5.95%
3"	1	\$50.00	\$58.01	\$7.71	\$250.03	\$365.75	\$295.13	\$70.62	23.93%
4"	0		\$96.69	\$12.85					
6"	0		\$193.38	\$25.71					

EXHIBIT 7C

Lime Saddle District – Total Bill Impact for Connections Subject to SRF Surcharge

Meter Size	Meter Quantity	Current Service Charge	SRF Surcharge	Equity Service Surcharge	Quantity Charge	Total New Bill	Current Bill	Increase (Decrease)	% Increase (Decrease)
5/8"x3/4"	204	\$17.58	\$20.39	\$4.93	\$34.91	\$77.81	\$69.56	\$8.25	11.86%
3/4"	0	\$17.58	\$30.58	\$7.39					
1"	3	\$17.58	\$50.96	\$12.32	\$65.27	\$146.13	\$114.76	\$31.37	27.34%
1.5"	0	\$17.58	\$101.93	\$24.64					
2"	3	\$17.58	\$163.08	\$39.43	\$259.58	\$479.67	\$404.04	\$75.63	18.72%
3"	0	\$17.58	\$305.78	\$73.93					
4"	0	\$17.58	\$509.63	\$123.21					
6"	1	\$17.58	\$1,019.25	\$246.42	\$76.66	\$1,359.91	\$131.71	\$1,228.20	932.50%

EXHIBIT 7D

Lime Saddle District – Total Bill Impact for Connections Exempt from SRF Surcharge

Meter Size	Meter Quantity	Current Service Charge	SRF Surcharge	Equity Service Surcharge	Quantity Charge	Total New Bill	Current Bill	Increase (Decrease)	% Increase (Decrease)
5/8"x3/4"	118	\$17.58	\$0.00	\$4.93	\$19.22	\$41.73	\$46.19	(\$4.46)	-9.66%
3/4"	12	\$17.58	\$0.00	\$7.39	\$14.94	\$39.91	\$39.82	\$0.09	0.23%
1"	8	\$17.58	\$0.00	\$12.32	\$23.76	\$53.66	\$52.95	\$0.71	1.34%
1.5"	0	\$17.58							
2"	3	\$17.58	\$0.00	\$39.43	\$142.89	\$199.90	\$230.31	(\$30.41)	-13.20%
3"	0	\$17.58							
4"	1	\$17.58	\$0.00	\$123.21	\$177.65	\$318.44	\$282.07	\$36.37	12.89%
6"	0	\$17.58							

(END OF APPENDIX A)