

WATER/RSK/BMD/PTL/MCV/MZ3/jlj

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION W-4929  
September 13, 2012

**R E S O L U T I O N**

**(RES. W-4929) DEL ORO WATER COMPANY (DOWC) PARADISE PINES DISTRICT (PPD). ORDER AUTHORIZING A RATE BASE OFFSET REVENUE INCREASE, PRODUCING AN INCREASE IN GROSS ANNUAL REVENUES OF \$85,663 OR 4.58% OVER CURRENT APPROVED GROSS REVENUES.**

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**SUMMARY**

By Advice Letter (AL) 326 filed on February 29, 2012, DOWC seeks a rate base offset of \$503,627 for capital improvements made to its PPD water distribution system which would result in an increase in annual revenues of \$86,419 or 4.63%.

This resolution finds \$499,216 in DOWC's capital improvements prudent for inclusion into DOWC's PPD's rate base. The authorized revenue increase of \$85,663 or 4.58% will not result in a rate of return greater than that last authorized for DOWC.

**BACKGROUND**

DOWC is a class B multi-district water company which includes the PPD. DOWC's PPD is located in the city of Paradise Pines, in Butte County, and currently serves 4,701 customers, mostly residential, but including some commercial customers.

DOWC requests authority under General Order 96-B (GO 96-B), Water Industry Rule 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$86,419 or 4.63% for a rate base offset of \$503,627 associated with the replacement of 4,100 lineal feet of 8-inch poly vinyl chloride (PVC) water main pipeline and the installation of 471 water meters (461 - 5/8" x 3/4" and ten 1" meters). DOWC replaced water main pipeline at two separate locations: (1) 2,400 feet of 8-inch pipeline along Endicott Circle and (2) 1,700 feet of 8-inch pipeline along South Park Drive/Glendale Court.

DOWC's last General Rate Case (GRC) increase for the PPD was on January 12, 2012, by Res. W-4896, which authorized an increase of \$222,853 or 13.54% with a 10.80% return

on rate base. DOWC's present rates for PPD became effective on May 1, 2012, per Res. W-4896.

### **NOTICE AND PROTEST**

On February 29, 2012, DOWC served AL 326 in accordance with GO 96-B including on adjacent utilities and persons on DOWC's PPD advice letter service list. Per GO 96-B, Water Industry Rule 3.1, DOWC gave notice of its rate base offset request to customers in the PPD by mail on March 28, 2012.

No protests letters were received on DOWC's AL 326.

### **DISCUSSION**

DWA reviewed the reasonableness of the project expenditures based on the scope of work involved, as well as DOWC's contractor selection process and determined the expenditures to be reasonable. DWA reviewed the documentation associated with water main and meter replacement projects, including the invoices supporting the expenditures and confirmed that: (1) DOWC's capital improvements were warranted; (2) the cost recovery requested for the capital improvements meets the earnings test and with the rate base offset DOWC's PPD will not exceed its authorized rate of return; and (3) the capital improvement projects have been completed and are used and useful. Based on DWA Staff review of the project expenditures, Staff finds DOWC's \$499,216 for the capital improvement prudent for inclusion into PPD's rate base. DWA's recommended amount for inclusion into DOWC's rate base is slightly lower than the company's \$503,627 requested amount because DWA subtracted \$4,411 that DOWC received as a credit from Butte County for its project permits.

DWA computed an increase in PPD's authorized revenue requirement of \$85,663 for the \$499,216 rate base off-set amount, based on DOWC PPD's last GRC authorized revenues, expenses, and rate of return. DOWC is in agreement with the DWA's revenue requirement calculation.

DWA computed the recommended rates in Appendix B to this resolution based on the recommended revenue requirement and the adopted rate design in Res. W-4896. DOWC agrees with the recommended rates contained in Appendix B.

### **COMPLIANCE**

There are no outstanding Commission orders for DOWC's PPD. DOWC's PPD is in compliance with the Commission's and California Department of Public Health's water quality standards.

## **COMMENTS**

This is an uncontested matter that pertains solely to a water corporation. Accordingly, pursuant to Public Utilities Code Section 311(g) (3), the otherwise 30-day period for public review and comment is being waived.

## **FINDINGS**

1. By Advice Letter 326 filed on February 29, 2012, DOWC seeks a rate base offset of \$503,627 for capital improvements made to its PPD water distribution system, which DOWC estimates would result in an increase in annual revenue of \$86,419 or 4.63%.
2. DOWC is a class B multi-district water company which includes PPD. DOWC's PPD is located in the city of Paradise Pines, in Butte County, and currently serves 4,701 customers.
3. On February, 29, 2012, DOWC requested by Advice Letter 326 Commission authority to add to PPD's rate base \$503,627 for the replacement of 4,100 lineal feet of 8-inch PVC water main pipeline and the installation of 471 water meters (461 - 5/8"x 3/4" and ten 1" meters).
4. DOWC replaced water main pipeline at two separate locations: (1) 2,400 feet of 8-inch pipeline along Endicott Circle and (2) 1,700 feet of 8-inch pipeline along South Park Drive/Glendale Court.
5. DOWC's last GRC increase for PPD was on January 12, 2012, by Res. W-4896, which authorized an increase of \$222,853 or 13.54% with a 10.80% return on rate base.
6. Advice Letter 326 was served in accordance with General Order 96-B on February 29, 2012. No protests letters were received on the advice letter.
7. DWA reviewed the documentation associated with water main and meter replacement projects, including the invoices supporting the expenditures and confirmed that: (1) DOWC's capital improvements were warranted; (2) the cost recovery requested for the capital improvements meets the earnings test and DOWC does not exceed its authorized rate of return; and (3) the capital improvement projects have been completed and are used and useful.

8. Based on DWA Staff review of the project expenditures, DWA finds \$499,216 of DOWC's capital improvements prudent for inclusion into DOWC's PPD's rate base.
9. DWA's recommended amount for inclusion into DOWC's rate base is slightly lower than the company's \$503,627 requested amount because DWA subtracted \$4,411 that DOWC received as a credit from Butte County for its project permits.
10. DWA computed an increase in its authorized revenue requirement of \$85,663 for the \$499,216 rate base off-set amount, based on DOWC's last GRC authorized revenues, expenses, and rate of return. DOWC is in agreement with the DWA's revenue requirement calculation.
11. DWA computed the recommended rates in Appendix B to this resolution based on the recommended revenue requirement and the adopted rate design in Res. W-4896. DOWC agrees with the recommended rates contained in Appendix B.
12. DWA's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted. DOWC agrees with the Summary of Earnings contained in Appendix A.
13. The rates recommended by DWA (Appendix B) are reasonable and should be adopted. DOWC agrees with the rates contained in Appendix B to this resolution.

**THEREFORE IT IS ORDERED THAT:**

1. The rate Schedule PP-1A, Annual General Metered Service, attached to as Appendix B to this resolution is adopted.
2. Del Oro Water Company is authorized to file a Supplemental Advice Letter incorporating the adopted rate schedule and concurrently cancel its presently effectively Schedule PP-1A, Annual General Metered Service. The effective date of the revised schedule shall be five days after the date of filing.

3. 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 held on September 13, 2012; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
President  
TIMOTHY ALAN SIMON  
MICHEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
MARK J. FERRON  
Commissioners

**APPENDIX A**  
**DOWC's Paradise Pines**  
**Summary Of Earnings**

	<b>Authorized W-4896</b>	<b>2011 Actual</b>	<b>Division Suggested Rate Base Offset</b>	<b>Earnings Test at Division Recommended Rates</b>
<b>Operating Revenues</b>				
Metered	\$1,868,400	\$1,679,842	\$ 85,663	\$ 1,824,505
Unmetered				
Other Revenues		\$ 59,000		\$ 59,000
<b>Total Revenue</b>	<b>\$ 1,868,400</b>	<b>\$ 1,738,842</b>		<b>\$1,824,505</b>
<b>Operating Expenses</b>				
610 Purchased Water	\$ 70,580	\$ 127,680		\$ 127,680
615 Purchased Power	\$ 299,382	\$ 271,939		\$ 271,939
618 Other Volume Related Expenses	\$ 1,183	\$ 983		\$ 983
630 Employee Labor	\$ 191,333	\$ 221,597		\$ 221,597
640 Materials	\$ 31,504	\$ 38,765		\$ 38,765
650 Contract Work	\$ 27,398	\$ 24,212		\$ 24,212
660 Transportation Expenses	\$ 45,523	\$ 57,033		\$ 57,033
664 Other Plant Maintenance	\$ 2,074	\$ 5,355		\$ 5,355
670 Office Salaries	\$ 298,884	\$ 279,768		\$ 279,768
671 Management Salaries	\$ 76,510	\$ 73,800		\$ 73,800
674 Employee Pensions and Benefits	\$ 122,226	\$ 121,614		\$ 121,614
676 Uncollectable Accounts	\$ 2,016	\$ 322		\$ 322
678 Office Services and Rentals	\$ 68,092	\$ 71,530		\$ 71,530
681 Office Supplies and Expenses	\$ 95,966	\$ 102,390		\$ 102,390
682 Professional Services	\$ 21,178	\$ 30,608		\$ 30,608
684 Insurance	\$ 43,528	\$ 42,937		\$ 42,937
688 Regulatory Commission Expense	\$ -	\$ -		\$ -
689 General Expense	\$ 5,000	\$ -		\$ -
<b>Subtotal</b>	<b>\$ 1,402,377</b>	<b>\$ 1,470,533</b>		<b>\$ 1,470,533</b>
403 Depreciation	\$ 135,669	\$ 135,669		\$ 149,148
408 Taxes Other Than Income	\$ 64,706	\$ 98,796		\$ 98,796
409 State Income Taxes	\$ 22,954	\$ 800		\$ 9,373
410 Federal Income Taxes	\$ 75,565	\$ -		\$ 21,113
<b>Total Deductions</b>	<b>\$ 1,701,271</b>	<b>\$ 1,705,798</b>		<b>\$ 1,748,963</b>
<b>Net Revenue</b>	<b>\$ 167,129</b>	<b>\$ 33,044</b>		<b>\$ 75,542</b>
<b>Rate Base</b>				
Average Plant	\$ 6,292,778	\$ 6,292,778	\$ 249,608	\$ 6,542,386
Average Dep. Reserve	\$ 4,598,651	\$ 4,662,324		\$ 4,662,324
<b>Net Plant</b>	<b>\$ 1,694,127</b>	<b>\$ 1,630,454</b>		<b>\$ 1,880,062</b>
Less: Contributions	\$ 77,106	\$ 77,106		\$ 77,106
Advances	\$ 197,187	\$ 197,187		\$ 197,187
Plus: Working Cash	\$ 120,085	\$ 120,085		\$ 120,085
Mat'l & Supplies	\$ 7,157	\$ 7,157		\$ 7,157
<b>Rate Base</b>	<b>\$ 1,547,076</b>	<b>\$ 1,483,403</b>		<b>\$ 1,733,011</b>
<b>Rate of Return</b>	<b>10.80%</b>	<b>2.23%</b>		<b>4.36%</b>

(END OF APPENDIX A)

**APPENDIX B**  
**Sheet 1**  
**Del Oro Water Company, Inc.**

**SCHEDULE NO. PP-1A**

**ANNUAL GENERAL METERED SERVICE**  
**PARADISE PINES DISTRICT**

**APPLICABILITY**

Applicable to all metered water service furnished on an annual basis to the Paradise Pines District service area.

**TERRITORY**

All territory served by Del Oro Water Company, Inc. in the area known as Fir Haven Subdivision, Sierra Del Oro Subdivisions, Paradise Pines Subdivisions, located approximately 6 miles north of Paradise, Butte County.

**RATES**

Quantity Charge:

For all water, per 100 cu. ft.	\$2.625	(I)
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Per Meter Per Month

<sup>1</sup>Monthly Service Charge:

For 5/8 x 3/4-inch meter	\$12.28	(I)
For 3/4-inch meter	\$18.42	
For 1-inch meter	\$30.69	
For 1 1/2-inch meter	\$61.40	
For 2-inch meter	\$98.23	
For 3-inch meter	\$184.19	
For 4-inch meter	\$306.98	
For 6-inch meter	\$613.96	(I)

Per Meter Per Month

<sup>2</sup>SRF Surcharge:

For 5/8 x 3/4-inch meter	\$3.26
For 3/4 inch-meter	\$4.89
For 1-inch meter	\$8.15
For 1 1/2-inch meter	\$16.30
For 2-inch meter	\$26.07
For 3-inch meter	\$48.89
For 4-inch meter	\$81.48
For 6-inch meter	\$162.96

(continued)

**APPENDIX B**  
**Sheet 2**  
**Del Oro Water Company, Inc.**

**SCHEDULE NO. PP-1A**  
**(continued)**

**ANNUAL GENERAL METERED SERVICE**  
**PARADISE PINES DISTRICT**

**SPECIAL CONDITIONS**

1. The initial service charge for customers applying for service, who have not been a customer of the district for at least 12 months, is a multiple of the Monthly Service Charge, the meter size, times 12 months. This initial advance will be prorated 1/12 per month over the first twelve month period of service and credited to the customer's bill on a monthly basis. If service is not continued for at least one year after the date of initial service, no refund of the remaining advance shall be due the customers.
2. The established billing cycle for water used is monthly.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
4. A late charge will be imposed per Schedule No. LC.
5. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company's option, be furnished on the account of the landlord or property owner.
6. Charge for Commitment of Future Service. By Decision No. 08-05-032, the Commission authorized the Utility to impose a surcharge (SRF surcharge) for repayment of a State Revolving Fund Loan to fund the construction of the Regional Intertie Project authorized by that Decision. In lieu of the SRF Surcharge set forth in Schedule PP-1A, an Applicant for new service who does not wish to actually receive service at the time of application but rather seeks only a firm commitment by the utility to provide service at some date in the future, shall be assessed a one-time charge of equal to (a) the applicable monthly SRF Surcharge for the meter size for which a service commitment is sought times (b) 240 months. An applicant assessed the charge described herein shall not be subject to the SRF Surcharge or SRF Surcharge Connection Fee set forth in Schedule PP-1A when the applicant actually begins receiving water service.

Within each of the three districts all new customers [applicants] 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 [May 30, 2008] authorizing the surcharge to the date of connection.

7. Per Advice Letter No. 303 dated July 27, 2011, granting an Interim Rate Increase and Resolution No. W-4896, dated January 12, 2012, granting a General Rate Increase, under-collected revenues amounting to \$98,053.91 from July 27, 2011 through January 12, 2012 are imposed in a one-time surcharge of \$20.96 over approximately six (6) billing cycles at \$3.49 per month to each customer's bill as approved by the California Public Utilities Commission in Advice Letter No. 316-A. If over-collection of funds occurs, a credit will be issued to the customers.

**(continued)**



**APPENDIX B**

**Sheet 3**

**Del Oro Water Company, Inc.**

**SCHEDULE NO. PP-1A**

**(continued)**

**ANNUAL GENERAL METERED SERVICE**  
**PARADISE PINES DISTRICT**

**SPECIAL CONDITIONS**

8. As authorized by the California Public Utilities Commission (CPUC), all bills are subject to a one-time surcharge of \$0.91 billed over approximately one (1) billing cycle at \$0.91 per month to each customer's bill upon approval by the CPUC of Advice Letter No. 328-A. This charge offsets the California Department of Public Health fees as billed to the Paradise Pines District for Fiscal Year July 1, 2010 through June 30, 2011.
9. As authorized by the California Public Utilities Commission all bills are subject to a one-time Surcharge of \$0.73 over approximately one (1) billing cycle at \$0.73 per month to each customer's bill upon approval of Advice Letter No. 329-A. This charge offsets expenses resulting from the Environmental Protection Agency's adopted National Primary Drinking Water Regulations for water testing for the period January 1, 2011 through December 31, 2011.
10. As authorized by the California Public Utilities Commission (CPUC) all bills are subject to a one-time Surcharge of \$0.17 billed over approximately one (1) cycle at \$0.17 per month to each customer's bill upon approval by the CPUC of Advice Letter No. 297. This charge offsets the California Department of Public Health fees as billed to the Paradise Pines District for Fiscal Year July 1, 2010 through June 30, 2011.

<sup>1</sup> The Service Charge is a readiness-to-serve charge which is applicable to all metered water service and to which is added the monthly charge for water used computed at the Quantity Rates.

<sup>2</sup> The monthly surcharge is specifically for the repayment of the State Revolving Fund for the Regional Intertie Project as authorized by Decision 08-05-032. The monthly Surcharge rates are subject to adjustment.

**(END OF APPENDIX B)**