

# PROPOSED RESOLUTION

RES. W-4983  
DWA/RSK/BMD/AJT/ds4

AGENDA ID #12969

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION W-4983  
May 15, 2014

### RESOLUTION

**(RES. W-4983) DEL ORO WATER COMPANY MAGALIA DISTRICT. ORDER AUTHORIZING A RATE BASE OFFSET REVENUE INCREASE, PRODUCING AN INCREASE IN GROSS ANNUAL REVENUES OF \$4,803 OR 2.63% OVER CURRENT APPROVED GROSS REVENUES.**

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### SUMMARY

By Advice Letter (AL) 369 filed on February 14, 2014, Del Oro Water Company (DOWC) seeks a rate base offset of \$29,273 for capital improvements made to its Magalia District (MD) water distribution system which would result in an increase in annual revenues of \$4,803, or 2.63%.

This resolution (Res.) finds \$29,273 in DOWC's capital improvements prudent for inclusion into DOWC's MD rate base. The authorized revenue increase of \$4,803, or 2.63%, 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. DOWC's MD is located in the city of Magalia, in Butte County, and currently serves 279 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 \$4,803, or 2.63%, for a rate base offset of \$29,273 associated with a 2013-2014 Service Improvement Plan (SIP) consisting of the installation of Supervisory Control and Data Acquisition (SCADA) telemetering radios which control all the pumping and tank operations for the district.

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DOWC's last General Rate Case (GRC) increase for the MD was on October 29, 2009, adopted by Res. W-4797, and concurrently by Res. W-4807, dated November 5, 2009, which corrected errors to Res. W4797. On April 23, 2010, DOWC filed AL 263, which adjusted rates in the MD based on an increase in the Consumer Price Index.

### **NOTICE AND PROTEST**

On January 23, 2013, DOWC sent a mailing to all customers in the MD regarding the proposed 2013 SIP, which was followed by an informal meeting which took place on February 13, 2013. DOWC notified the Division of Water and Audits (DWA) on February 28, 2013, and again on March 20, 2013, that they had not received any written comments from any customers regarding the proposed SIP.

On February 14, 2014, in accordance with GO 96-B, DOWC served AL 369 on adjacent utilities and persons on DOWC's MD advice letter service list. Per GO 96-B, Water Industry Rule 3.1, DOWC notified its MD customers of this rate base offset advice letter request by mail.

No protests to AL 369 were received.

### **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 the SCADA system 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 MD 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 \$29,273 expenditure for the capital improvements prudent for inclusion into MD's rate base.

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-4807. DOWC agrees with the recommended rates contained in Appendix B.

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## COMPLIANCE

There are no outstanding Commission orders for DOWC's MD. DOWC's MD is in compliance with the Commission's and the 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 exempt.

## FINDINGS

1. By Advice Letter (AL) 369 filed on February 14, 2014, Del Oro Water Company (DOWC) seeks a rate base offset of \$29,273 for capital improvements associated with its 2013 Service Improvement Plan (SIP), which DOWC estimates would result in an increase in annual revenue of \$4,803, or 2.63%.
2. DOWC is a class B multi-district water company, which includes the Magalia District (MD). DOWC's MD is located in the city of Magalia, in Butte County, and currently serves 279 customers
3. The 2013 SIP consists of the installation of Supervisory Control and Data Acquisition (SCADA) telemetering radios which control all the pumping and tank operations in the MD.
4. DOWC's last General Rate Case (GRC) increase for the MD was on October 29, 2009, adopted by Resolution (Res.) W-4797, and concurrently by Res. W-4807, dated November 5, 2009, which corrected errors to Res. W-4797. On April 23, 2010, DOWC filed AL 263, which adjusted rates in the MD based on an increase in the Consumer Price Index.
5. DOWC served AL 369 in accordance with General Order 96-B on February 14, 2014. No protests were received.
6. The Division of Water and Audits (DWA) reviewed the documentation associated with the SCADA system project, 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.

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7. Based on DWA Staff review of the project expenditures, DWA finds \$29,273 of DOWC's capital improvements prudent for inclusion into DOWC's MD's rate base.
8. DWA computed an increase in its authorized revenue requirement of \$4,803 for the \$29,273 rate base off-set amount, based on DOWC's last GRC authorized revenues, expenses, and rate of return. DOWC agrees with DWA's revenue requirement calculation.
9. 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-4807. DOWC agrees with the recommended rates contained in Appendix B.
10. 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.
11. 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.

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### **THEREFORE IT IS ORDERED THAT:**

1. The rate Schedule MD-1A, Annual General Metered Service, attached 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 MD-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 May 15, 2014; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director

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## APPENDIX A DOWC's Magalia Summary Of Earnings

	Authorized W-4807	Authorized AL 263	2013 Recorded	Division Suggested Rate Base Offset	Earnings Test at Division Recommended Rates
<b>Operating Revenues</b>					
Metered	\$177,680	\$182,477	\$179,924	\$ 4,803	\$184,727
Unmetered					
Other Revenues					
<b>Total Revenue</b>	<b>\$177,680</b>	<b>\$ 182,477</b>	<b>\$ 179,924</b>		<b>\$184,727</b>
<b>Operating Expenses</b>					
610 Purchased Water	\$ 30,734	\$ 30,734	\$ 39,040		\$ 39,040
615 Purchased Power	\$ 12,631	\$ 12,631	\$ 13,851		\$ 13,851
618 Other Volume Related Expenses	\$ 559	\$ 559	\$ -		\$ -
630 Employee Labor	\$ 10,706	\$ 10,706	\$ 13,532		\$ 13,532
640 Materials	\$ 1,536	\$ 1,536	\$ 3,699		\$ 3,699
650 Contract Work	\$ 1,411	\$ 1,411	\$ 406		\$ 406
Water Testing	\$ -	\$ -	\$ 295		\$ 295
660 Transportation Expenses	\$ 2,557	\$ 2,557	\$ 3,378		\$ 3,378
664 Other Plant Maintenance	\$ 1,870	\$ 1,870	\$ 1,737		\$ 1,737
670 Office Salaries	\$ 17,219	\$ 17,219	\$ 18,153		\$ 18,153
671 Management Salaries	\$ 4,376	\$ 4,376	\$ 4,279		\$ 4,279
674 Employee Pensions and Benefits	\$ 7,165	\$ 7,165	\$ 7,189		\$ 7,189
676 Uncollectable Accounts	\$ 677	\$ 677	\$ 2		\$ 2
678 Office Services and Rentals	\$ 3,336	\$ 3,336	\$ 4,418		\$ 4,418
681 Office Supplies and Expenses	\$ 4,916	\$ 4,916	\$ 8,735		\$ 8,735
682 Professional Services	\$ 734	\$ 734	\$ 1,899		\$ 1,899
684 Insurance	\$ 2,191	\$ 2,191	\$ 3,117		\$ 3,117
688 Regulatory Commission Expense	\$ 333	\$ 333	\$ -		\$ -
689 General Expense	\$ 1,734	\$ 1,734	\$ 1,930		\$ 1,930
<b>Subtotal</b>	<b>\$ 1,402,377</b>	<b>\$ 104,685</b>	<b>\$ 125,657</b>		<b>\$ 125,657</b>
403 Depreciation	\$ 19,169	\$ 19,169	\$ 17,797	\$ 790	\$ 18,587
408 Taxes Other Than Income	\$ 2,619	\$ 2,619	\$ 4,966		\$ 4,966
409 State Income Taxes	\$ 4,762	\$ 4,951			
410 Federal Income Taxes	\$ 6,946	\$ 7,658			
<b>Total Deductions</b>	<b>\$ 138,181</b>	<b>\$ 139,082</b>	<b>\$ 148,420</b>		<b>\$ 149,210</b>
<b>Net Revenue</b>	<b>\$ 39,499</b>	<b>\$ 43,395</b>	<b>\$ 31,504</b>		<b>\$ 35,517</b>
<b>Rate Base</b>					
Average Plant	\$ 870,848	\$ 870,848	\$ 880,731	\$ 29,273	\$ 910,004
Average Dep. Reserve	\$ 339,755	\$ 339,755	\$ 410,767	\$ 790	\$ 411,557
<b>Net Plant</b>	<b>\$ 531,093</b>	<b>\$ 531,093</b>	<b>\$ 469,965</b>	<b>\$ 28,843</b>	<b>\$ 498,808</b>
Less: Contributions	\$ 105,724	\$ 105,724	\$ 92,048		\$ 92,048
Advances	\$ 18,730	\$ 18,730	\$ 18,731		\$ 18,731
Plus: Working Cash	\$ 8,718	\$ 8,718	\$ 8,718		\$ 8,718
Mat'l & Supplies	\$ 1,000	\$ 1,000	\$ 1,000		\$ 1,000
Construction Work in Progress	\$ -	\$ -	\$ 402		\$ -
Reg Projects in Progress	\$ -	\$ -	\$ 57,907		\$ 57,907
Acquisition Adjustment	\$ (50,627)	\$ (50,627)	\$ (59,264)		\$ (59,264)
<b>Rate Base</b>	<b>\$ 365,730</b>	<b>\$ 365,730</b>	<b>\$ 367,949</b>		<b>\$ 396,425</b>
<b>Rate of Return</b>	<b>10.80%</b>	<b>11.87%</b>	<b>8.56%</b>		<b>8.96%</b>

(END OF APPENDIX A)

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APPENDIX B  
Sheet 1  
Del Oro Water Company, Inc.

SCHEDULE NO. MD-1A

ANNUAL GENERAL METERED SERVICE  
MAGALIA DISTRICT

APPLICABILITY

Applicable to all metered water service furnished on an annual basis to the Magalia service area.

TERRITORY

All territory served by Del Oro Water Company, Inc. in the area known as the Magalia County Water District, located north of the Town of Paradise and south of the Paradise Pines District of Del Oro Water Company.

RATES

Quantity Charge:

For all water, per 1000 gallons	\$3.570	(I)
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Per Meter Per Month

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

For 5/ 8 x 3/4-inch meter	\$284.64	(I)
For 3/4-inch meter	\$426.84	
For 1-inch meter	\$711.48	
For 2-inch meter	\$2,276.64	(I)

Per Meter Per Month

<sup>2</sup>SRF Surcharge:

For 5/ 8 x 3/4-inch meter	\$3.87
For 3/4 inch-meter	\$5.80
For 1-inch meter	\$9.67
For 2-inch meter	\$30.94

**(END OF APPENDIX B)**



**DEL ORO WATER COMPANY  
ADVICE LETTER NO. 369  
SERVICE LIST**

**California Public Utilities Commission**  
Office of Ratepayer Advocates (ORA)  
[Dra\\_water\\_al@cpuc.ca.gov](mailto:Dra_water_al@cpuc.ca.gov)

**Butte County, Chief Administration Officer**  
Paul Hahn  
25 County Center Drive  
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1-530-538-7631  
[phahn@buttecounty.net](mailto:phahn@buttecounty.net)

**Paradise Irrigation District**  
Attn: Kevin Phillips  
P.O. Box 2409  
Paradise, CA 95967  
1-530-877-4971  
[kphillips@paradiseirrigation.com](mailto:kphillips@paradiseirrigation.com)

**Butte County Water and Resource Conservation**  
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