

# PROPOSED RESOLUTION

Resolution W-4993  
DWA/RSK/BMD/PTL/ds4

AGENDA ID #: 13168 (Rev. 1)  
ITEM #12

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION W-4993  
August 28, 2014

### RESOLUTION

**(RES. W-4993) DEL ORO WATER COMPANY STRAWBERRY DISTRICT. ORDER AUTHORIZING A RATE BASE OFFSET REVENUE INCREASE, PRODUCING AN INCREASE IN GROSS ANNUAL REVENUES OF \$71,017, OR 18.60%, OVER CURRENT APPROVED GROSS REVENUES.**

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### SUMMARY

By Advice Letter (AL) 370 filed on February 24, 2014, Del Oro Water Company (DOWC) seeks a rate base offset of \$411,422 for capital improvements made to its Strawberry District (ST) water distribution system which would result in an increase in annual revenues of \$71,017, or 18.60%.

This resolution (Res.) finds \$411,422 in DOWC's capital improvements prudent for inclusion into DOWC's ST rate base. The authorized revenue increase of \$71,017, or 18.60%, 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 ST is located approximately 31 miles east of Sonora, Tuolumne County, and currently serves 397 customers, mostly residential, but including some commercial customers.

DOWC requests authority under General Order (GO.) 96-B, Water Industry Rule 7.3.3(8), and Section 454 of the Public Utilities Code to increase its rates by \$71,017, or 18.60%, for a rate base offset of \$411,422 associated with a replacement of the 50-year old, rusty, and leaking Upper Dymond Tank.

DOWC's last General Rate Case (GRC) increase for ST was on February 1, 2012, adopted by Res. W-4903, which authorized an increase of \$36,508, or 10.45%, with a 10.80% return on rate base.

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## NOTICE AND PROTEST

On February 24, 2014, in accordance with GO. 96-B, DOWC served AL 370 on adjacent utilities and persons on DOWC's ST advice letter service list. Per GO. 96-B, Water Industry Rule 3.1, DOWC notified ST customers by mail on February 26, 2014. No protests to AL 370 were received.

## DISCUSSION

Division of Water and Audits (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 contracts that support the invoices and determined that the local engineering firm selected by DOWC had experience with previous DOWC projects. There was a bidding process between the local firm and a larger firm that does regional projects, and the local engineer bid at a lower cost.

DWA reviewed the documentation associated with the tank 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 ST 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's review of the project expenditures, DWA finds DOWC's \$411,422 expenditure for the capital improvements prudent for inclusion into ST's rate base.

DWA computed an increase in its authorized revenue requirement of \$71,017 for the \$411,422 rate base off-set amount, based on DOWC's recorded 2013 revenues and expenses. DOWC agrees with 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-4903. DOWC agrees with the recommended rates contained in Appendix B.

At the Division's recommended rates shown in Appendix B, monthly metered rates for a customer with the smallest meter using 2 ccf will increase from \$80.60 to \$95.43, a difference of \$14.83 or 18.4%. A comparison of customer bills at present and recommended rates is shown in Appendix C.

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## COMPLIANCE

There are no outstanding Commission orders for DOWC's ST. DOWC's ST 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), this resolution is exempt from the 30-day public review and comment period.

## FINDINGS

1. By Advice Letter (AL) 370 filed on February 24, 2014, Del Oro Water Company (DOWC) seeks a rate base offset of \$411,422 associated with a tank replacement, which DOWC estimates would result in an increase in annual revenue of \$71,017, or 18.60%.
2. DOWC is a class B multi-district water company, which includes the Strawberry District (ST). DOWC's ST is located approximately 31 miles east of Sonora, Tuolumne County, and currently serves 397 customers.
3. DOWC's last General Rate Case (GRC) increase for the ST was on February 1, 2012, adopted by Resolution (Res.) W-4903.
4. DOWC served AL 370 in accordance with General Order 96-B on February 24, 2014. No protests were received.
5. The Division of Water and Audits (DWA) reviewed the documentation associated with the tank 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.
6. Based on DWA's review of the project expenditures, DWA finds \$411,422 of DOWC's capital improvements prudent for inclusion into DOWC's ST's rate base.

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7. DWA computed an increase in its authorized revenue requirement of \$71,017 for the \$411,422 rate base off-set amount, based on DOWC's recorded 2013 revenues and expenses. DOWC agrees with DWA's revenue requirement calculation.
8. 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-4903. DOWC agrees with the recommended rates contained in Appendix B.
9. 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.
10. 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 ST-1A, Annual General Metered Service, attached as Appendix B, to this resolution is adopted.
2. Del Oro Water Company is authorized to file a supplement to Advice Letter No. 370 to incorporate the adopted rate schedule and concurrently cancel its presently effective Rate Schedule ST-1A, Annual General Metered Service. The effective date of the revised schedule shall be five days after the date of filing.

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 August 28, 2014; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director

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## APPENDIX A

### DOWC's Strawberry District Summary of Earnings Test Year 2014

	Authorized W-4903	Actual 2013	Division Suggested Rate Base Offset	Earnings Test at Division Recommended Rates
<b>OPERATING REVENUES:</b>				
Metered Rates	386,020	381,994	71,017	453,011
<b>TOTAL OPERATING REVENUES</b>	<b>386,020</b>	<b>381,994</b>	<b>71,017</b>	<b>453,011</b>
<b>OPERATING EXPENSES</b>				
Purchased Power	5,864	5,691		5,691
Other Volume Related Expenses	5,069	3,934		3,934
Employee Labor	99,393	117,076		117,076
Materials	8,700	11,260		11,260
Contract Work	1,512	1,010		1,010
Transportation Expense	24,915	24,874		24,874
Other Plant Maintenance	960	65		65
Office Salaries	29,526	25,442		25,442
Management Salaries	6,000	6,066		6,066
Employee Pension and Benefits	26,390	18,602		18,602
Uncollectibles	44	5		5
Office Service and Rentals	5,016	5,383		5,383
Office Supplies and Expenses	15,572	20,338		20,338
Professional Services	943	1,680		1,680
Insurance	11,449	11,691		11,691
Regulatory Commission Expense	167	0		0
General Expenses	9,380	7,289		7,289
<b>SUBTOTAL</b>	<b>250,900</b>	<b>260,633</b>		<b>260,633</b>
Depreciation	17,665	30,849	12,343	43,192
Taxes Other than Income	10,541	11,715	4,114	15,829
State Income Taxes	9,451			11,789
Federal Income Taxes	21,387			30,662
<b>TOTAL DEDUCTIONS</b>	<b>309,944</b>	<b>303,197</b>		<b>362,105</b>
<b>NET REVENUE</b>	<b>76,076</b>	<b>78,797</b>		<b>90,906</b>
<b>RATE BASE</b>				
Average Plant	554,536	866,481	411,422	1,277,903
Average Accumulated Depreciation	46,184	97,609	12,343	109,952
<b>NET PLANT</b>	<b>508,352</b>	<b>768,872</b>	<b>399,079</b>	<b>1,167,951</b>
Less Advances	0	0		0
Less Contributions	0	0		0
CWIP	176,536	355,900		355,900
Plus Working Cash	21,169	21,169		21,169
<b>RATE BASE</b>	<b>706,057</b>	<b>1,145,941</b>	<b>399,079</b>	<b>1,545,020</b>
<b>RATE OF RETURN</b>	<b>10.8%</b>	<b>6.9%</b>		<b>5.9%</b>

(END OF APPENDIX A)

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## APPENDIX B

Del Oro Water Company, Inc.

### SCHEDULE NO. ST-1A

#### ANNUAL GENERAL METERED SERVICE STRAWBERRY DISTRICT

#### APPLICABILITY

Applicable to all metered water service furnished on monthly basis.

#### TERRITORY

Strawberry and vicinity, located approximately 31 miles east of Sonora, Tuolumne County.

#### RATES

##### Quantity Rate:

All water, per 100 cu. ft.	\$8.94	(I)
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##### Per Meter Per Month

##### Monthly Service Charge:

For 5/ 8 x 3/4-inch meter	\$ 77.55	(I)
For 3/4-inch meter	\$ 116.34	
For 1-inch meter	\$ 193.89	
For 1 1/2 inch meter	\$ 387.78	
For 2 inch meter	\$ 620.45	
For 3 inch meter	\$1,163.35	
For 4 inch meter	\$1,938.91	
For 6 inch meter	\$3,877.50	(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 computed at the Quantity Rate.

**(END OF APPENDIX B)**

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## APPENDIX C

### DOWC's Strawberry District Comparison of Rates Test Year 2014

<u>Tariff Description</u>	<u>Tariff Rates</u>		<u>Recommended Increase</u>	
	<u>Present</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
Service Charge:				
5/8 x 3/4 inch meter	\$65.50	\$77.55	\$12.05	18.4%
3/4-inch meter	\$98.26	\$116.34	\$18.08	18.4%
1-inch meter	\$163.76	\$193.89	\$30.13	18.4%
1-1/2 inch meter	\$327.52	\$387.78	\$60.26	18.4%
2-inch meter	\$524.03	\$620.45	\$96.42	18.4%
3-inch meter	\$982.56	\$1,163.35	\$180.79	18.4%
4-inch meter	\$1,637.59	\$1,938.91	\$301.32	18.4%
Quantity Charge:				
Per CCF	\$7.55	\$8.94	\$1.39	18.4%

A monthly bill comparison for a customer with a 5/8 x 3/4 -inch meter is shown below:

<u>Usage 100 cu. Ft.</u>	<u>Tariff Rates</u>		<u>Recommended Increase</u>	
	<u>Present</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
0	\$65.50	\$77.55	\$12.05	18.4%
2*	\$80.60	\$95.43	\$14.83	18.4%
5	\$103.25	\$122.25	\$19.00	18.4%
10	\$141.00	\$166.95	\$25.95	18.4%
15	\$178.75	\$211.65	\$32.90	18.4%

\* Typical Customer

(END OF APPENDIX C)



**DEL ORO WATER COMPANY  
ADVICE LETTER NO. 370  
SERVICE LIST**

California Public Utilities Commission  
Division of Ratepayer Advocates  
[dra\\_water\\_al@cpuc.ca.gov](mailto:dra_water_al@cpuc.ca.gov)

Tuolumne County Offices  
Mr. Craig Pedro, County Administrator  
2 South Green Street  
Sonora, CA 95370  
1-209-533-5511  
[cao.in@tuolumnecounty.ca.gov](mailto:cao.in@tuolumnecounty.ca.gov)

Tuolumne Utilities District  
Mr. Tom Scesa  
18885 Nugget Blvd.  
Sonora, CA 95370  
1-209-532-5536  
[scesa@tuolumneutilities.com](mailto:scesa@tuolumneutilities.com)

Strawberry Homeowners Association  
Mr. Dennis Kelley, Webmaster  
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San Jose, CA 95124-1303  
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[webmaster@strawberrypropertyowners.com](mailto:webmaster@strawberrypropertyowners.com)

Del Oro Water Company  
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