

Decision \_\_\_\_\_

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

In the Matter of Application of Del Oro Water Company, Inc. [U61W] for a Certificate of Public Convenience and Necessity to Acquire Traver Water, LLC, [U432W] Tulare County and to Establish Rates for Service.

Application 15-02-015  
(Filed February 6, 2015)

**DECISION CONDITIONALLY AUTHORIZING LINDA AND TITO BALLING, OPERATING A LIMITED LIABILITY CORPORATION AS TRAVER WATER, LLC, TO SELL AND DEL ORO WATER COMPANY, INCORPORATED, TO BUY TRAVER WATER, LLC AND TO ESTABLISH RATES FOR SERVICE**

**Summary**

Pursuant to Public Utilities (Pub. Util.) Code §§ 851-854 and 2718-2720, this decision grants conditional authority to Linda and Tito Balling, operating a Limited Liability Corporation (LLC) known as Traver Water (Traver or Traver Water), to sell and Del Oro Water Company, Inc. (Del Oro), to buy the Traver water system in Traver, California, which serves a total of approximately 180 connections. As a condition of this approval, Del Oro must receive a permit to operate the Traver water system from the State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW) and file a copy of such authority in this docket within 30 days of receipt of such authority. Until it has received such permit to operate, Del Oro must not take possession of and not collect tariffed rates from the customers of Traver.

This decision also grants the requested rate base offset of \$90,130, which results in an annual revenue increase of \$12,840 or 10.57 percent.<sup>1</sup> This increase in revenue will increase residential flat rate service from \$56.27 to \$62.22, or 10.57 percent. Metered rates and service charges are also increased by 10.57 percent. We also require Del Oro to file a General Rate Case for the Traver water system via an Advice Letter within one year from the date this decision is issued.<sup>2</sup>

### **1. Background**

On February 6, 2015, Linda and Tito Balling and Del Oro Water Company Inc. (Del Oro)<sup>3</sup> filed an application for a certificate of public convenience and necessity (CPCN) requesting authority for Del Oro to acquire Traver Water, LLC (Traver or Traver Water), located in Tulare County.

Notice of Application (A.) 15-02-015 appeared on the Commission's Daily Calendar on February 8, 2015. By Resolution ALJ-176-3352 dated February 26, 2015, it was preliminarily determined that this is a ratesetting proceeding and

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<sup>1</sup> The rate base offset is broken down as follows: \$56,389 or 6.88 percent for Well Project improvements completed in 2014 and \$33,741 or 3.69 percent due to an increase in the rate base value for a total of \$90,130 or 10.57 percent. Appendix A sets forth the percentage and offset calculations and total rate base increase. Appendix B sets forth Traver Water Company's Summary of Earnings for Test Year 2015.

<sup>2</sup> With California facing one of the most severe droughts on record, Governor Brown declared a drought State of Emergency and directed state officials to take all necessary actions to prepare for water shortages. Del Oro promotes water conservation through customer education. Additionally, Del Oro intends to transition Traver Water customers from flat rate service to metered service based on consumption. As part of its General Rate Case, Del Oro should be prepared to address any additional efforts which have been taken to ensure customers continue to conserve water.

<sup>3</sup> The Tito's and Del Oro combined are referred to as "Applicants" for the remainder of this decision.

that hearings would be necessary. No protests were filed, therefore no hearings were held. On May 4, 2015, Del Oro and Traver jointly provided notice to all of Traver's customers of the proposed acquisition.

Applicants were notified that the proposed acquisition could not be processed as a CPCN under § 1001 of the Pub. Util. Code and that they must file an amended application to request approval pursuant to §§ 851-854 of the Pub. Util. Code. On June 12, 2015, Applicants filed an amended application. The Applicants were advised that the amended application did not meet the Commission's formatting threshold filing requirements and on June 22, 2015, Applicants refiled the amended application. The amended application requested a change in the code sections and did not change or alter any of the original requests in the application that was filed on February 6, 2015.

Pursuant to Rule 1.12(b) of the Rules of Practice and Procedure,<sup>4</sup> [if] the time for filing a reply, response, protest, or answer to the original document has passed, the Administrative Law Judge (ALJ) may limit or prohibit any further reply, response, protest, or answer to the amended document. Since the amended application only sought to change the applicable code sections that this acquisition would be evaluated under and due to the fact that the original time for filing a reply, response, protest, or answer to the original document has passed, the ALJ issued an email ruling prohibiting any further reply, response, protest, or answer to the amended application.

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<sup>4</sup> All references to rules are to the Commission's Rules of Practice and Procedure, which are available on the Commission's website at <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=89380172>.

**2. Description of Traver Water**

Traver was organized in 1969 to provide potable water for domestic use to approximately 180 connections or a population currently in excess of 550 persons. The character of the area is rural residential in the small community of Traver along Highway 99, in Tulare County, approximately 30 miles from Fresno. Decision (D.) 00-07-014 granted Linda and Tito Balling authority to acquire ownership of Traver and provide water utility service.

Traver water system consists of three drilled wells, all with a submersible pump, single check valve, and steel pressure storage tank. Well 01 and Well 03 are located north of Church Street, at the corner of Church Street and Jacobs Drive. Well 02 is located south of Well 01 and 03, off of Jacobs Street and Kitchner.

Well 01 has a 10 inch steel casing to a depth of 295 feet. There is an annular seal to a depth of 53 feet. This well was completed in December 1995. Well 02 has a 12 inch steel casing to a depth of 394 feet. There is an annular seal to a depth of 220 feet. This well was completed in June 1983. Well 03 has a 12 inch steel casing to a depth of 430 feet. Perforation depths are at 240 to 420 feet. There is an annular seal to a depth of 200 feet. This well was completed in November 2006. This system has no other source of water. The system has two tanks with a combined capacity of up to 10,000 gallons.<sup>5</sup> All of Traver's customers are charged a flat rate for water service. The assets of Traver consist of land, wells, pumping equipment, tanks, water mains, services and hydrants.

The last general rate increase for Traver was authorized pursuant to Resolution W-4748, dated March 12, 2009, which authorized a rate of return of

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<sup>5</sup> See 2014 Annual Report to Commission for Traver Water.

13.25 percent. On August 28, 2014, Resolution W-4966 authorized a rate base offset of \$48,788 plus professional service costs, which resulted in an annual revenue increase of \$15,063 or 15 percent at a rate of return of 13.25 percent. In that same resolution, the Commission ordered Traver to file an advice letter for a full General Rate Case (GRC) within six months of the effective date of the resolution.<sup>6</sup> There is no record that this advice letter was filed by Traver.

### **3. Request**

Linda and Tito Balling desire to dispose of Traver because they want to discontinue operating Traver as a regulated public utility. Del Oro wants to acquire the system because it can profitably and efficiently run this system when it is consolidated with the regulated water systems already owned and operated by it.

The buyer, Del Oro, is a public utility water company that has been providing water service to the public in California since 1963 under the jurisdiction of the Commission. Del Oro currently provides water service to approximately 8,500 customers in Butte County, Shasta County, Humboldt County, Kern County, Colusa County, Tulare County, Fresno County and Tuolumne County.

Initially, all customers will be charged a flat rate for service. However, upon transfer the customers will be metered. Due to the absence of any consumption history, all accounts will be flat rate service until the utility can ascertain enough data has been collected to accurately establish metered rates. In its application, Del Oro requests a rate increase of approximately 10.57 percent,

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<sup>6</sup> See Resolution W-4966 at Ordering Paragraph 2.

which includes 6.88 percent increase for well improvements in the amount of \$56,389 and 3.69 percent increase due to an increase of \$33,741 in the rate base value. The total rate base increase of \$90,130 increases the current rates by 10.57 percent.<sup>7</sup>

#### **4. Standard of Review**

Proposed water utility ownership changes are reviewed under Pub. Util. Code §§ 851-854 and 2718-2720. Pub. Util. Code §§ 851-854 prohibits the sale or transfer of control of a public utility without the advance approval of this Commission. Pub. Util. Code §§ 2718-2720 encourages the acquisition of small water companies by larger, more financially secure entities and requires that the Commission use the fair market value when determining the rate base for an acquired water system.

The Commission requires a test of ratepayer indifference when evaluating the sale of a public utility,<sup>8</sup> and also requires the buyer to demonstrate that the buyer's acquisition of the public utility yields a tangible benefit to the ratepayer.<sup>9</sup> Using the ratepayer indifference test to assess the sale of the water system from Linda and Tito Balling to Del Oro, the Commission should evaluate several key metrics including: (1) service quality; (2) continuity of service; and (3) the impact

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<sup>7</sup> On May 4, 2015, a Notice of Proposed Transfer and Rate Change was mailed to all Traver customers. The notice advised all Traver customers of the requested increase and customers were advised of the right to comment or participate in the proposed application that is currently before the Commission. There were no inquiries, comments, or protests received concerning the proposed acquisition and rate increase.

<sup>8</sup> Under the ratepayer indifference test, any sale of a public utility should not have any net consequences that cause the ratepayer to prefer the seller to the buyer.

<sup>9</sup> See D.05-04-047 at 9-11; D.04-01-066 at 8-11; and D.01-09-057 at 26-28.

of the purchase price on ratebase. We also evaluate the reasonableness of the Applicants requested rate increase.

We also assess whether the transaction is in compliance with California Environmental Quality Act (CEQA) requirements, and whether all required approvals of other agencies is received, when assessing whether a water utility should be disposed of. Additionally, we evaluate whether Del Oro should be required to file an informal GRC for the Traver water system and whether there are any safety considerations pursuant to Pub. Util. Code § 451.

We evaluate the proposed sale and purchase under these standards below. On that basis, we determine that Del Oro can assume the ownership without incurring financial trouble and can effectively control costs. Based on Del Oro's history as a water utility and its financial capacity, the customers of the system will be well served by the change to Del Oro's ownership.

#### **5. How will the Proposed Sale Affect Service Quality**

Del Oro can provide management of the operations of the system when the transfer of ownership is approved by the Commission. Del Oro has extensive experience providing water services in the State of California. Since 1963, Del Oro has operated under the regulatory jurisdiction of the Commission and currently provides water service to approximately 8,500 customers. Del Oro can provide operational and maintenance services, collect water samples as required by the SWRCB Division of Drinking Water (DDW), respond to emergencies, and prepare reports to governmental agencies regarding the operation of the water system. As a result, Del Oro's acquisition of the Traver water system will help to ensure the health and safety of Traver customers. We find that it is advantageous to the customers of Traver to have the transfer go into effect.

**6. How will the Proposed Sale Affect Service Continuity**

Del Oro wishes to acquire the system because it can be profitably and efficiently consolidated with the regulated water systems that it already owns and operates. The sale relieves Linda and Tito Balling of their duty to provide public utility water service in the Traver water system. The sale agreement ensures an orderly water system ownership transition, and thereby (1) offers continued water service by a responsible and experienced new owner, and (2) greatly reduces the chance of the water system being abandoned.

**7. Is the Purchase Price Reasonable and Properly Calculated?**

The Agreement of Purchase and Sale of Assets (sales agreement), entered into on December 2, 2014, calls for a purchase price not to exceed \$250,000 for all of the water service and delivery assets within the Traver Water service area. The purchase price of \$250,000 includes approximately \$56,389 in well improvements, which have not yet been approved by the Commission.

Resolution W-4966, issued on August 29, 2014, indicated Traver's Book Value to be \$159,870. In Traver's 2013 Annual Report, the Book Value was also listed as \$159,870. In Traver's 2014 Annual Report, the well improvement projects in the amount of \$56,389 were reported and this resulted in a reported Book Value of \$210,481.

In connection with the application, the Applicants submitted an opinion of value from Nolte Vertical Five (Nolte).<sup>10</sup> Nolte estimated the total water system replacement cost, less depreciation to be \$874,000. In coming to this conclusion,

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<sup>10</sup> Nolte provides professional and technical consulting and certification services to infrastructure, construction, real estate and environmental markets.

Nolte visited the Traver facilities and reviewed various documents which Traver provided. The opinion of Nolte appears reasonable.

The Commission examined available records of the water system including recent balance sheets, income statements, the sales agreement, and other pertinent records, and determined that the inputs are accurate and the calculations are consistent with the statutory provision allowing Traver to be bought for “fair market value.” Even though the purchase price is slightly higher than the recorded Book Value in the 2014 Annual Report, as noted above, the purchase price is supported by the opinion of Nolte. The purchase price of \$250,000 is reasonable.

The combined rate base for the system will increase by \$33,741 or approximately 3.69 percent due to the sale. While Del Oro requests an increase in the current rates due to the increase in the rate base, we also expect that Del Oro’s economies of scale in operating multiple districts may result in some offsetting savings to ratepayers of the Traver water system at a later time. We cannot precisely predict the financial impact of the acquisition on future rate change requests, but, on balance, we find that the sale meets the ratepayer indifference test because of the off-setting advantages of Del Oro’s experience in operating water utilities. The buyer, Del Oro, has the financial resources and sufficient liquid assets to own and operate the Traver water system, and the addition of the Traver water system is not material to Del Oro’s current level of assets.

#### **8. Reasonableness of Requested Rate Increase due to Increased Rate Base and Well Improvements.**

Del Oro requests that the Commission approve an increase of approximately, 10.57 percent in the current rates. When the original application

was filed, Del Oro requested an increase of 6.88 percent to offset the Well Project improvements that took place in 2014. The total cost of the improvements was \$56,389. Although the application advised customers of a proposed increase due to the Well Project improvements, it did not advise the customers that Del Oro also sought an increase of 3.69 percent to offset the increased rate base value.

On May 4, 2015, Traver and Del Oro jointly notified all current Traver customers by mail of the proposed acquisition and a proposed monthly increase of approximately 10.5 percent. On May 15, 2015, the assigned ALJ issued an email ruling requesting clarification of the requested rate increase. In response to the ALJ's ruling, Del Oro responded on May 19, 2015, that as noticed, customers were advised that if the acquisition was approved, Del Oro was seeking approval from the Commission to increase rates by approximately 10.57 percent as follows: 6.88 percent to offset the Well Project improvements in the amount of \$56,389 and 3.69 percent due to the increase rate base value of \$33,741. The total rate base increase of \$90,130 increases the current rates by a total of 10.57 percent.

We must now evaluate whether the requested increase is reasonable and should be approved. We will first evaluate the requested increase of 3.69 percent due to the increase in the rate base value of \$33,741. As noted above, Nolte opined that the replacement value of the entire Traver water system was \$874,000. The increase in rate base value of \$33,741 is supported by the opinion of value provided by Nolte. Therefore, we find the requested increase of 3.69 percent as it relates to the increase in rate base value to be reasonable and we approve the requested increase of 3.69 percent. We must now evaluate the reasonableness of the requested 6.88 percent increase due to well improvements.

As part of its application, Applicants requested that Del Oro be allowed to treat as a rate base offset the well improvements that were incurred in 2014 in the

amount of \$56,389.49 for a rehabilitation project performed on the well north of Merritt Drive. In support of the request for the rate base offset, the Applicants submitted three invoices documenting the incurred costs for the rate base offset. A review of each of the invoices, which are dated August 31, 2014, September 11, 2014, and September 30, 2014, documents the costs item by item, and indicates the costs and the purpose for each cost.

These invoices are summarized as follows:

Invoice Number 0026420-IN Dated August 31, 2014

100# SS Pressure Gauge	78.00
Service Labor - One Operator	65.00
Consulting Service Fee	780.00
Service Labor - One Operator	97.50
Total	\$1,020.50

Invoice Number 11176 Dated September 11, 2014

Berkeley 7T40-450 Pump End	3,494.60
60' Extension	2,083.00
Brush & Bail Well Including Revideo	2,850.00
Hydro Wash Well	5,000.00
Pull & Install Pump Labor	5,135.00
Chem Treat Well W/ Surge Block	19,965.50
Four Days Additional Airlift Time	15,750.00
Sales Tax (7.5 percent)	418.32
Total	\$54,696.42

Invoice Number 0026880-IN Dated September 30, 2014

Service Labor - One Operator	97.50
6 Comp Wafer Buterfly Valve	151.48
Materials	70.88
100# SS Pressure Gauge	78.00
Service Labor - One Operator	227.50
Materials	47.21
Total	\$672.57

We reviewed these invoices and determined that the expenses were reasonably incurred and the plant additions were prudent and necessary to either replace old equipment or to make repairs to existing equipment. Traver reported the improvements in its 2014 Annual Report. The amounts requested in this rate base offset request were not requested or included in prior rates. Additionally, Traver has no outstanding compliance orders.

The plant additions are reasonable and should be included in the existing plant. We therefore approve the requested 6.88 percent increase due to the well improvement project.

Following a review and analysis of the requested rate increase of 10.57 percent, which includes the increase of 3.69 percent due to the increase in the rate base value of \$33,741 and 6.88 percent increase for the Well Project improvements in the amount of \$56,389, we find the rate increase to be reasonable and approve the requested estimated increase of 10.57 percent. As set forth in Appendix C, the bill for a flat-rate residential customer would increase from \$56.27 to \$62.22 or 10.57 percent. Similarly, 10.57 percent increases are applied to quantity rates and service charges for metered customers.

**9. Is a CEQA Review Required by the Proposed Sale?**

We have reviewed the application to determine whether CEQA applies to this proposed conveyance. CEQA applies to a “project” or action which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change and involves the issuance to a person of a lease, permit, license, certificate, or entitlement for use by one or more public agencies.<sup>11</sup> If an application does involve a project under CEQA, our Rule 2.4 imposes other procedures and requirements on the applicant.

This application involves only a proposed change in control and operation of existing water facilities. The application itself proposes no new construction or changes in the source of water supply.

Based on the record before us, there is no evidence of any potential change to the environment as the result of our approval of this application. As a result, we conclude that our approval of the application is exempt from CEQA.

**10. Has Del Oro Received Permits Required by Other Agencies to Operate the Three Systems?**

Pursuant to the provisions of California Health and Safety Code (CH&S) § 116525(a), any person or entity operating a public water system must have a permit to operate that system from the State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW).<sup>12</sup> A change in ownership of a public water system requires the prospective new owner to apply to and satisfy the SWRCB DDW requirement that the new owner “possesses adequate

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<sup>11</sup> Public Resources Code § 21065.

<sup>12</sup> Effective July 1, 2014, the Division of Drinking Water (DDW) was transferred from the Department of Health Services to the State Water Resources Control Board (SWRCB).

financial, managerial, and technical capability to ensure the delivery of pure, wholesome, and potable drinking water.”<sup>13</sup>

Accordingly, in addition to the authorization from the Commission for the acquisition of the Traver water system, Del Oro must also apply for and receive a SWRCB DDW permit to operate the system. Del Oro has requested issuance of the permit from SWRCB DDW to operate the Traver water system, but has not yet received such authority.

Since the required permits have been requested of SWRCB DDW but not yet received, we condition our approval of the sale on Del Oro’s receipt of the SWRCB DDW permit to operate the system. Del Oro must file copies of such permit in this docket within 30 days of receipt of such permits. Del Oro may not take possession of the Traver water system or collect tariffed rates from customers of the system until it has received the required operating permit from SWRCB DDW.

#### **11. Should Del Oro be Required to File an Informal GRC for the Traver water system?**

The Commission has not conducted a full review of the rates charged in the Traver water system for several years. The last General Rate Increase for Traver was by Draft Advice Letter filed on May 14, 2008, and approved by Resolution No. W-4748, issued on March 12, 2009. On July 12, 2012, Traver filed Advice Letter 18-W seeking a rate base offset of \$55,656 for capital improvements at a rate of return of 13.25 percent.

The original Advice Letter contained several duplicate invoices and resulted in submittal of supplemental Advice Letter 18-W-A, filed on

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<sup>13</sup> CH&S Code § 116540(a).

November 13, 2012, which eliminated the duplicate invoices and reduced the requested rate base offset to \$48,788. Supplemental Advice Letter 18-W-A resulted in an increase in annual revenue of \$13,056, or 12.9 percent.

On May 20, 2014, Traver filed Advice Letter 18-W-B requesting recovery of professional service costs in addition to the capital improvements requested in Advice Letter 18-W-A. Advice Letter 18-W-B requested an increase of \$15,063 in revenues which is an increase of 15 percent above current adopted revenue at that time.

Resolution W-4966, was issued on August 28, 2014 and granted Traver's request for a rate base offset of \$48,788, plus the requested professional service costs, which resulted in an increase of annual revenue of \$15,063, or 15 percent. In this Resolution, it was ordered that "[w]ithin six months of the adoption of this resolution, Traver Water Company shall file an advice letter with DWA for a full general rate case to review its operations, revenue requirements, and its contract costs charged by its affiliate, California Water Services, Inc."<sup>14</sup> Since Traver has not filed an advice letter with DWA for a full GRC as directed by Resolution W-4966, Del Oro must file a Tier 3 Advice Letter with DWA for the Traver water system within one year from the date this decision is issued, in order to assess the reasonableness of rates charged in the Traver water system based on the most current information.<sup>15</sup>

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<sup>14</sup> The Commission has no record of Traver Water Company filing an advice letter with DWA for a full general rate case review.

<sup>15</sup> Although it is recognized that current customers of Traver are charged a flat rate per month and will be subsequently moved to metered service, there is sufficient time following the acquisition for Del Oro to obtain appropriate consumption history to accurately establish metered rates before submitting its advice letter in the mandated GRC review.

**12. Safety Considerations Pursuant to Pub. Util. Code § 451**

Pub. Util. Code § 451 requires that every public utility must maintain adequate, efficient, just and reasonable service to promote the “safety, health, comfort, and convenience of its patrons, employees, and the public.” We have evaluated this application to determine whether approval of the acquisition would have any safety impacts.

Del Oro has been providing water service to the public for over 50 years. Del Oro has the experience and resources to continue to operate the Traver water system in a safe and efficient manner. Therefore, we conclude that Del Oro’s acquisition of the Traver water system will help to ensure the health and safety of Traver customers.

**13. Conclusion**

Both parties desire the transfer of the Traver water system to Del Oro. Linda and Tito Balling desire to exit the water utility business because they no longer want to continue operating Traver as a regulated public utility. Another entity must therefore take over ownership and operation of the Traver water system. Del Oro has the experience, ability, and financial resources to operate Traver. With the exception of the increased rate offset and eventual move to metered rates based on consumption, the terms and conditions of service will remain unchanged as a result of the acquisition.

We conclude that the proposed sale of the Traver water system is reasonable, is in the public interest, and will provide tangible benefits to ratepayers, which include continued provision of quality water service by a water service provider that has the operational experience and financial ability to operate and own the Traver water system. We therefore conditionally approve

the application for sale of the Traver water system as of the date of this decision. Since Del Oro has not yet received permits from SWRCB DDW to operate the Traver water system, we condition our authority on Del Oro's receipt of this permit, and require that Del Oro file it in this docket as a condition to exercise the authority granted herein.

In accordance with this decision, Del Oro Water Co., Inc. must file a Tier One Advice Letter within 30 days of taking ownership of the Traver water system updating the tariff sheets with the new ownership information and incorporating the new rate schedules, which calls for an increase of 10.57 percent for both General Metered Service and General Flat Rate Service, attached to this decision as Appendix C, and to cancel the presently effective Schedule No. 1, General Metered Service and Schedule No. 2, General Flat Rate Service.

We also require Del Oro to file an informal GRC for the Traver water system within one year from the date this decision is issued, in order to assess the reasonableness of rates charged in the Traver water system based on the most current information. This informal GRC must take the form of a Tier Three Advice Letter.

The sale of the Traver water system will relieve Linda and Tito Balling of the duty to provide public utility water service to the Traver water system. The conditional authority granted herein is not a finding of the value of the rights and property being sold.

#### **14. Categorization and Need for Hearing**

Resolution ALJ 176-3352, dated February 26, 2015, preliminarily categorized this application as ratesetting and determined that hearings were necessary. Since there were no protests, the preliminary determination that hearings were necessary is changed to no hearings are necessary.

**15. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to § 311(g)(2) of the Pub. Util. Code and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.<sup>16</sup>

**Assignment of Proceeding**

Commissioner Catherine J.K. Sandoval is the Assigned Commissioner and Gerald F. Kelly is the assigned ALJ for this proceeding.

**Findings of Fact**

1. Resolution ALJ-176-3352, dated February 26, 2015, preliminarily determined that this is a ratesetting proceeding and that hearings would be necessary. No protests were filed and no hearings are necessary.
2. The transfer of the Traver water system from the Linda and Tito Balling to Del Oro is desired by both parties.
3. The Traver water system provides service in Traver, California to approximately 550 persons consisting of approximately 180 connections.
4. Del Oro has extensive experience in providing water services in the State of California under the regulated jurisdiction of the Commission since 1963.
5. The purchase price of the system, \$250,000 is calculated pursuant to applicable statutes.
6. Del Oro has the financial resources and sufficient liquid assets to own and operate the Traver water system.

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<sup>16</sup> In the original and amended application, the Applicants requested an opportunity to comment on the Proposed Decision. However, in response to an email ruling issued by the ALJ on June 23, 2015, the Applicants stipulated that they no longer wished to comment on the Proposed Decision.

7. The sale and transfer of the Traver water system will have no significant effect on the environment.

8. After consummation of the sale and transfer, Linda and Tito Balling will no longer provide public utility service to customers in the Traver water system.

9. Del Oro has requested but not yet received permits from SWRCB DDW to operate the Traver water system.

10. Del Oro requests a rate base offset of \$90,130 due to an increase in the rate base value and for capital improvements.

11. The annual revenue requirement increase for the \$90,130 from the ratebase offset is \$12,840 per year.

12. The rate base offset of \$90,130 results in an approximate monthly increase of 10.57 percent to General Metered Service and General Flat Rate Service rates.

13. The increase in the rate base value is supported by the evidence.

14. It has been six years since the rates of the Traver water system have been reviewed by the Commission in a full GRC.

15. After consummation of the transfer Del Oro will retain the ability to operate the Traver water system in a manner that promotes the health and safety of its patrons, the public and its employees.

### **Conclusions of Law**

1. Transfer of ownership of the Traver water system meets the test of ratepayer indifference, in that customers will be unaffected in terms of service quality and continuity of service.

2. Linda and Tito Balling should be conditionally authorized to sell and Del Oro should be conditionally authorized to buy the Traver water system.

3. The proposed sale of the Traver water system is exempt from CEQA, and no further environmental review is required.

4. Pursuant to CHS, when a change in ownership of a public water system occurs, the buyer of the public water system must apply for a new operating permit.

5. Authority for Linda and Tito Balling to sell and Del Oro to buy the Traver water system should be conditioned on Del Oro's receipt of the required permit from SWRCB DDW to operate the Traver water system.

6. Del Oro should file copies of such permit from SWRCB DDW in this docket within 30 days of receipt of such authority being granted.

7. Del Oro should not take possession of the Traver water system and not collect tariffed rates from customers of the Traver water system until it has received the operating permit from SWRCB DDW.

8. The rate base offset and the resulting revenue requirement increase and rate increase are just and reasonable.

9. The Summary of Earnings (Appendix B) is reasonable and should be adopted.

10. The rates set forth in Appendix C are reasonable and should be adopted.

11. Del Oro should file for an informal GRC for the Traver water system within one year of the date of this decision. This informal GRC should take the form of a Tier 3 Advice Letter and be filed with this Commission and served on the Commission's Division of Water and Audits.

12. Upon taking ownership of the Traver water system and filing of a Tier 1 Advice Letter, Del Oro should charge the rates for General Metered Service and General Flat Rate Service as set forth in Appendix C.

13. Del Oro's acquisition of Traver will help ensure the health and safety of Traver customers.

14. This proceeding should remain open in order to receive copies of the required operating permit.

### **O R D E R**

#### **IT IS ORDERED** that:

1. The application of Linda Balling and Tito Balling doing business as Traver Water, LLC (Traver), to sell and Del Oro Water Company, Inc. (Del Oro), to buy the Traver water system, is granted, conditioned on Del Oro's receipt of a permit from the State Water Resources Control Board, Division of Drinking Water to operate the Traver water system.

2. Del Oro Water Company, Inc., must file a copy of the operating permit from the State Water Resources Control Board, Division of Drinking Water referenced in Ordering Paragraph No. 1 as a compliance filing in this docket within 30 days of receipt of such authority.

3. Del Oro Water Company, Inc., must not take possession of the Traver Water, LLC (Traver) water system and may not collect tariffed rates from customers of the Traver water system until it has received the operating permit from the State Water Resources Control Board, Division of Drinking Water.

4. Del Oro Water Company, Inc., must file an informal general rate case for the Traver water system within one year of the date of this decision. This informal general rate case must take the form of a Tier 3 Advice Letter and be filed with this Commission and served on the Commission's Division of Water and Audits.

5. Del Oro Water Company, Inc., must file a Tier 1 Advice Letter within 30 days of taking ownership of the Traver Water, LLC water system updating the tariff sheets with the new ownership information and incorporating the new rate

schedules for General Metered Service and General Flat Rate Service, attached to this decision as Appendix C, and to cancel the presently effective Schedule No. 1, General Metered Service and Schedule No. 2, General Flat Rate Service.

6. Within 10 days of the sale of the Traver Water, LLC water system to Del Oro Water Company, Inc., must notify the Director of the Commission's Division of Water and Audits in writing that the sale has been completed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

## APPENDIX A

**Del Oro Water Company  
Traver Water Company  
Percentage and Offset Calculations  
Total Rate Base Increase**

**Traver**

	Purchase Price	250,000	
	Rate Base for Current Rate Structure	(159,870)	
	Rate Base Increase	90,130	
		90,130	
Costs to Date (A)	90,130		
ROR percent	10.10%		
Depreciation	3,001	(1)	
Costs incurred minus depreciation (B)	87,129		
Rate Base Increase - average of (A) and (B)	88,630		
Return - Rate Base x ROR percent	8,952	(2)	
	Federal		State
Taxable income per GRC			
Additional Income - Return minus Depreciation	5,951		5,951
Revised taxable income	5,951		5,951
State tax @ 8.84 percent	526		
Federal tax @ 15 percent	893		
Income Tax per GRC			
Tax Gross Up (Increase in income tax)	887	(3)	
Total increase in revenue	12,840	(1)+(2)+(3)	
Revenue Per Res W-4966	121,533		
Revised Revenue	134,373		
% Increase	10.57%		

(End of Appendix A)

## **Appendix B**

### **Traver Water Company**

### **Summary of Earnings**

**PROPOSED DECISION**

	W-4748	W-4966	2014 Recorded	Earnings Test	DOWC Budget Rates
<u>Operating Revenue</u>					
Unmetered Revenue	\$ 98,396	\$ 115,486	\$ 105,255	\$ 134,377	\$ 134,377
Other Water Revenue	\$ 864		\$ 959	\$ -	\$ -
			\$ 3,064		\$ -
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 99,260	\$ 115,486	\$ 109,278	\$ 134,377	\$ 134,377
<u>Operating Expenses</u>					
Purchased Water	\$ -	\$ -		\$ -	\$ -
Purchased Power	\$ 13,336	\$ 16,744	\$ 16,466	\$ 16,466	\$ 16,744
Other Volume Related Expenses	\$ -	\$ -			\$ -
Employee Labor	\$ -	\$ 683			\$ 32,533
Materials	\$ 109	\$ 721	\$ 854	\$ 854	\$ 721
Contract Work	\$ 46,467	\$ 60,571	\$ 65,762	\$ 65,762	\$ 2,710
Transportation Expenses	\$ 200	\$ 2,604	\$ 936	\$ 936	\$ 11,280
Other Plant Maintenance	\$ -	\$ -			\$ -
Office Salaries	\$ -	\$ -			\$ 17,363
Management Salaries	\$ -	\$ -			\$ -
Employee Benefits	\$ -	\$ -			\$ 3,904
Uncollectibles Expense	\$ 52	\$ -			\$ -
Office Services & Rentals	\$ 541	\$ 53			\$ -
Office Supplies & Expenses	\$ 1,737	\$ 1,277	\$ 485	\$ 485	\$ 6,700
Professional Services	\$ 2,047	\$ 4,271	\$ 8,678	\$ 8,678	\$ 365
Insurance	\$ 1,824	\$ 1,850	\$ 1,887	\$ 1,887	\$ 1,501
Regulatory Commission Expense	\$ 1,220	\$ -	\$ 488	\$ 488	\$ -
General Expenses	\$ -	\$ 1,068	\$ 353	\$ 353	\$ 1,068
Subtotal	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 67,533	\$ 89,842	\$ 95,909	\$ 95,909	\$ 94,889
Depreciation	\$ 5,548	\$ 5,381	\$ 5,463	\$ 5,463	\$ 7,259
Taxes other than Income	\$ 1,665	\$ 2,853	\$ 4,645	\$ 4,645	\$ -
Income Taxes	\$ 5,519	\$ 4,330	\$ 1,281	\$ 1,281	\$ 6,971
Interest	\$ -	\$ -			\$ -
Total Deductions	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 80,265	\$ 102,406	\$ 107,298	\$ 107,298	\$ 109,119
Net Revenue	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 18,995	\$ 13,080	\$ 1,980	\$ 27,079	\$ 25,258
<u>Rate Base</u>					
Average Plant	\$ 214,380	\$ 263,168	\$ 325,143	\$ 320,379	\$ 320,379
Ave. Accumulated Depreciation	\$ (22,123)	\$ (63,120)	\$ (70,009)	\$ (70,379)	\$ (70,379)
Net Plant	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 192,257	\$ 200,048	\$ 255,134	\$ 250,000	\$ 250,000
<u>Less Advances</u>					
Contributions	\$ -	\$ -		\$ -	\$ -
	\$ 49,353	\$ 40,678	\$ 45,153	\$ -	\$ -
<u>Plus Working Cash</u>					
Materials & Supplies	\$ 500	\$ 500	\$ 500	\$ -	\$ -
Rate Base:	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 143,404	\$ 159,870	\$ 210,481	\$ 250,000	\$ 250,000
<u>Rate of Return</u>					
	13.25 percent	8.18 percent	0.94 percent	10.83 percent	10.10 percent

**(End of Appendix B)**

**APPENDIX C**

**Traver Water  
Schedule No. 1  
GENERAL METERED SERVICE**

**APPLICABILITY**

Applicable to all water service.

**TERRITORY**

This schedule is applicable within the entire service territory served by the utility.

**RATES**

Quantity Rate:	<u>Per Meter Per Month</u>
All water used per 100 cubic feet	\$ 0.48 (I)

Monthly Service Charge:	<u>Per Meter Per Month</u>
For 3/4 inch meter	\$ 41.94
For 1 inch meter	69.99
For 1-1/2 inch meter	139.82
For 2 inch meter	223.80
For 3 inch meter	419.60
For 4 inch meter	699.36
For 6 inch meter	1,398.72

The Service Charge is a Readiness-To-Serve Charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

**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 in 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.

**APPENDIX C (cont.)**

**Traver Water  
Schedule No. 2**

**GENERAL FLAT RATE SERVICE**

**APPLICABILITY**

Applicable to all flat rate water service.

**TERRITORY**

This schedule is applicable within the entire service territory served by the utility.

**RATES**

	<u>Per Service Connection</u>	
	<u>Per Month</u>	
For each single-family residential unit .....	\$62.22	(I)
For each business unit .....	\$99.55	(I)
For Churches... ..	\$49.77	(I)
For School Fire Service .....	\$98.52	(I)

**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 in 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.

**(End of Appendix C)**