



August 18, 2015

Proposed Resolution W-5058

Agenda ID: 14218

To: All Interested Persons

Enclosed is Proposed Resolution W-5058 of the Division of Water and Audits, which authorizes Del Oro Water Company to recover the Statewide Lost Revenue Recovery Memorandum Account through a surcharge of \$1.76 per month per customer for twenty four months in the California Pines District. Proposed Resolution W-5058 is scheduled to appear on the September 17, 2015 Commission Meeting Agenda (ID#14218).

The Commission may act on this resolution or it may postpone action until later. When the Commission acts on a proposed resolution, the Commission may adopt all or part of the proposed resolution, as written, or amend or modify the proposed resolution; or the Commission may set the proposed resolution aside and prepare a different resolution. Only when the Commission acts does the resolution become binding.

Interested persons may submit comments on Proposed Resolution W-5058 via email to Water.Division@cpuc.ca.gov on or before **September 8, 2015**. Please reference **"Proposed Resolution W-5058"** in the subject line.

Interested persons must also serve a copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits. If email is unavailable, please submit comments to:

California Public Utilities Commission
Division of Water and Audits
505 Van Ness Avenue
San Francisco, CA 94102

Comments should focus on factual, legal, technical errors, or policy issues in the proposed resolution.

Persons interested in receiving comments submitted may contact the Division of Water and Audits at Water.Division@cpuc.ca.gov or (415) 703-1133. Please reference "Proposed Resolution W-5058."

/s/RAMI S. KAHLON

Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Proposed Resolution W-5058
Certificate of Service
Service List

PROPOSED RESOLUTION

Resolution W-5058
DWA

AGENDA ID #14218

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5058
September 17, 2015

RESOLUTION

(RES. W-5058) DEL ORO WATER COMPANY, CALIFORNIA PINES DISTRICT. ORDER AUTHORIZING A SURCHARGE OF \$42.34 AT \$1.76 PER MONTH PER CUSTOMER FOR TWENTY FOUR MONTHS IN THE CALIFORNIA PINES DISTRICT TO RECOVER THE STATEWIDE LOST REVENUE RECOVERY MEMORANDUM ACCOUNT.

SUMMARY

By Advice Letter 405, filed on April 17, 2015, Del Oro Water Company, a Class B water utility, seeks to recover the lost revenues and increased operational costs, as a result of the California Pines District's implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan as recorded in its Statewide Lost Revenue Recovery Memorandum Account¹, from April 1, 2014 through December 31, 2014.

This Resolution grants a surcharge of \$42.34 at \$1.76 per month per customer, for twenty four months for Del Oro Water Company's California Pines District, to recover the lost revenues and increased operational costs incurred in the Statewide Lost Revenue Recovery Memorandum Account.

BACKGROUND

Del Oro Water Company (DOWC) has requested authority under General Order (G.O.) 96-B and Section 454 of the Public Utilities Code to increase rates to

¹ On February 7, 2014, through Advice Letter 367-B effective February 27, 2014, the Commission granted DOWC the establishment of a Statewide Lost Revenue Recovery Memorandum Account.

PROPOSED RESOLUTION

Resolution W-5058
DWA

September 17, 2015

recover the lost revenues and increased operational costs incurred in its Statewide Lost Revenue Recovery Memorandum Account (SLRRMA).

The DOWC's California Pines District's (CP) present rates became effective on April 10, 2015, by approval of Advice Letter (AL) 399, which authorized a Consumer Price Index rate increase of \$1,631 or 0.8%.

AL 367-B, effective February 27, 2014, authorized DOWC to establish a SLRRMA to track and recover the lost revenues and increased operational costs in all of DOWC's Districts, as a result of implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan.

The lost revenues and increased operational costs in the SLRRMA from April 1, 2014 through December 31, 2014 are \$12,194 for DOWCCP.

NOTICE AND PROTESTS

AL 405 was served on April 17, 2015, in accordance with the provisions of G.O. 96-B. A notice of the proposed rate increase was mailed to all DOWCCP customers on April 29, 2015.

One customer letter questioning the rate increase and complaining about the amount requested was timely received, and the utility replied to this letter in a timely fashion as well.

DISCUSSION

By AL 405, filed on April 17, 2015, DOWC seeks to recover the lost revenues and increased operational costs, as a result of the DOWCCP's implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan which DOWC recorded in its SLRRMA from April 1, 2014 through December 31, 2014.

The increase requested herein is for the purpose of recovering through a surcharge, on a dollar-for-dollar basis, the lost revenues and increased operational costs which DOWC recorded in its SLRRMA. The SLRRMA was established on February 27, 2014 by approval of AL 367-B.

PROPOSED RESOLUTION

Resolution W-5058
DWA

September 17, 2015

When a utility seeks recovery of costs recorded in a memorandum account, it has the burden to meet the following standards:

- 1) it acted prudently when it incurred these costs;
- 2) the utility paid reasonable amounts for these costs;
- 3) the memorandum account costs are not covered by other authorized rates;
and
- 4) it is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates (see e.g., Ordering Paragraph 5 of Resolution (Res.) W-4824.)

Based on the events discussed above, the Division of Water and Audits (DWA) finds that DOWC acted prudently in incurring the lost revenues and increased operational costs recorded in its SLRRMA. These costs were incurred in order to track cost savings associated with lower sales as well as increased operational costs and violation fines, penalties, and/or surcharges collected from implementing Rule 14.1.

With respect to the 2nd standard, DWA reviewed the lost revenues and increased operational costs of \$12,194 for DOWCCP, recorded in its ledger, which DOWC provided to Staff, and has found these expenditures to be prudent and reasonable.

With respect to the 3rd standard discussed above, DWA has reviewed DOWCCP's last GRC, authorized on October 3, 2013, (see Res.W-4954), and has ascertained that DOWC could not have anticipated the lost revenues and increased operational costs, as a result of implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan. The expenditures accrued in its SLRRMA could not have been included in the utility's previously authorized rates. Therefore, DOWC did not receive revenues for the recently incurred expenses accrued in its SLRRMA. Accordingly, recovering these expenses now would not amount to double recovery and is reasonable.

DWA finds it appropriate for ratepayers to pay for these costs, since these costs were accrued to provide ratepayers with water service and keep the company running, thereby ensuring that the utility has a reliable and sufficient water supply, which is beneficial to its customers. Accordingly, it is appropriate for

PROPOSED RESOLUTION

Resolution W-5058
DWA

September 17, 2015

ratepayers to pay for these category of costs in addition to otherwise authorized rates and, therefore, DOWC meets the 4th standard discussed above.

To minimize the impact of this amount on ratepayers, the surcharge has been spread over twenty four months for DOWCCP. Per guidance in Standard Practice U-27-W, Rule 64b, memorandum account amortization surcharges are to be spread over two years for under-collections of 5% to 10% of gross revenues.

The sum of \$12,194 is over 5% but less than 10% of the current gross revenue of \$197,262 for DOWCCP. DWA recommends a surcharge of \$1.76 per month per customer, for a period of twenty four months, for DOWCCP. This surcharge will not result in a rate of return greater than the last authorized for DOWCCP.

DOWC should be permitted to transfer the amounts in its SLRRMA to a balancing account for recovery. DOWC should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$1.76 per month per customer, for a period of twenty four months, for DOWCCP.

COMMENTS

Public Utilities Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft resolution was mailed to the utility, all protestants, and made available for public comment on August 18, 2015.

SAFETY

The resolution provides adequate revenues to the utility so that it can provide safe and reliable water service to its customers. The water served by the utility meets all applicable primary water quality standards set forth by the State Water Resources Control Board.

PROPOSED RESOLUTION

Resolution W-5058
DWA

September 17, 2015

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

FINDINGS

1. Del Oro Water Company (DOWC) seeks to recover the lost revenues and increased operational costs, as a result of the California Pines District's (DOWCCP) implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan, as recorded in its Statewide Lost Revenue Recovery Memorandum Account (SLRRMA). The SLRRMA was established on February 27, 2014 by approval of AL 367-B.
2. By Advice Letter (AL) 405, filed on April 17, 2015, for DOWCCP, DOWC seeks to recover the lost revenues and increased operational costs which DOWC recorded in its SLRRMA from April 1, 2014 through December 31, 2014.
3. DOWCCP incurred and recorded in the SLRRMA from April 1, 2014 through December 31, 2014, a total amount of \$12,194.
4. The expenses recorded in DOWC's SLRRMA of \$12,194 are prudent, reasonable, and not covered by other authorized rates. Also, it is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates.
5. DOWC could not have reasonably anticipated these expenses in the SLRRMA in its present rates, which became effective on April 10, 2015 for DOWCCP.
6. It is appropriate for ratepayers to pay for these costs, since these costs were accrued to provide water service to ratepayers, which is beneficial to its customers.
7. AL 405 was served on April 17, 2015, in accordance with the provisions of General Order (G.O.) 96-B. A notice of the proposed rate increase was mailed to all DOWCCP customers on April 29, 2015. One protest was received and the utility replied.

PROPOSED RESOLUTION

Resolution W-5058
DWA

September 17, 2015

8. DOWC should be permitted to transfer the amounts in its SLRRMA to a balancing account for recovery.
9. DOWC should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$1.76 per month per customer, for a period of twenty four months, for DOWCCP.
10. This surcharge will not result in a rate of return greater than the last authorized for DOWCCP.

THEREFORE IT IS ORDERED THAT:

1. Del Oro Water Company, California Pines District, is permitted to transfer the amounts of \$12,194, in its Statewide Lost Revenue Recovery Memorandum Account to a balancing account for recovery over a period of twenty four months. Accrued interest at the 90-day commercial paper rate may be added on the uncollected amounts from the effective date of this Resolution.
2. Del Oro Water Company, California Pines District, is permitted to recover the amounts in the balancing account reflected in Ordering Paragraph 1 above by imposing a surcharge of \$1.76 per month per customer, for a period of twenty four months.
3. Del Oro Water Company, California Pines District, shall track the revenue from a surcharge of \$1.76 per month per customer, for a period of twenty four months, reflected in Ordering Paragraph 2 above in a balancing account and account for any over or under collected revenues in its next general rate case.

PROPOSED RESOLUTION

Resolution W-5058
DWA

September 17, 2015

4. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company, California Pines District, to file a supplemental advice letter with the revised surcharge rate schedules and concurrently cancel its presently effective Schedules, CP-1A, Annual General Metered Service. The effective date of the revised rate schedules shall be five days after the date of filing.
5. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at the Public Utilities Commission of the State of California on September 17, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5058 on all parties in these filings or their attorneys as shown on the attached lists.

Dated August 18, 2015, at San Francisco, California.

/s/DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

DEL ORO WATER COMPANY

ADVICE LETTER NO. 405 SERVICE LIST

California Public Utilities Commission
Division of Ratepayer Advocates
dra_water_al@cpuc.ca.gov

Springville Public Utility District (SPUD)
Attn: Marilyn
P.O. Box 434
Springville, CA 93265
1-559-539-2869
spud@springvillewireless.com

Tulare County Administrator
Jean Rousseau
2800 West Burrel Avenue
Visalia, CA 93291-4582
1-559-636-5005
dnatkings@co.tulare.ca.us

California Hot Springs Water Service
P.O. Box 146
California Hot Springs, CA 93207
No Email

Del Oro Water Company
Janice Hanna, Director of Corporate Accounting
jeh@corporatecenter.us

Tommy Gambrelle
Kenny Nave
16497 Wardlaw Drive
Springville, CA 93265

Stephanie Sprague, Staff Accountant
stephanie@corporatecenter.us

Tara Campbell, Staff Accountant
tlc@corporatecenter.us

John Rowan
32719 Greene Dr.
Springville, CA 93265

Cheryl Carter, Accounts Receivable
cmc@corporatecenter.us

Del Oro Water Company, Inc.
servicelist@delorowater.com