

PROPOSED RESOLUTION

Resolution W-5054
DWA

AGENDA ID #14113 (Rev. 1)
ITEM #10

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5054
August 13, 2015

RESOLUTION

(RES. W-5054) DEL ORO WATER COMPANY, RIVER ISLAND AND STRAWBERRY DISTRICTS. ORDER AUTHORIZING A QUANTITY SURCHARGE OF \$0.156 PER 100 CUBIC FEET FOR TWELVE MONTHS IN THE RIVER ISLAND DISTRICT AND \$0.325 PER 100 CUBIC FEET FOR TWELVE MONTHS IN THE STRAWBERRY DISTRICT TO RECOVER THE COST OF PURCHASED FUEL IN EXCESS OF THAT GRANTED IN THE LAST GENERAL RATE CASE FOR THE PERIOD OF JANUARY 2012 TO DECEMBER 2014.

SUMMARY

By Advice Letter 398, filed on April 9, 2015, Del Oro Water Company, a Class B water utility, seeks to recover expenses of \$16,337.27 for River Island District and \$3,283.03 for Strawberry District, expended from January 1, 2012 to December 31, 2014, which have been recorded in its Transportation Memorandum Account¹, for the cost of purchased fuel in excess of that granted in the last General Rate Case. This Resolution authorizes Del Oro Water Company to collect a surcharge of \$0.156 per 100 cubic feet over a period of twelve months for its River Island District, and \$0.325 per 100 cubic feet over a period of twelve months for its Strawberry District to recover costs incurred in these memorandum accounts.

¹ On March 19, 2009, through Advice Letter 213 effective March 19, 2009, the Commission granted DOWC the establishment of a Transportation Memorandum Account.

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BACKGROUND

Del Oro Water Company (DOWC) has requested authority under General Order 96-B (G.O. 96-B) and Section 454 of the Public Utilities Code to increase rates to recover the cost of purchased fuel in excess of that granted in the last General Rate Case (GRC) for both districts, River Island and Strawberry. The River Island District's present rates became effective on January 1, 2013, pursuant to Resolution (Res.) W-4915, which granted an increase in revenues of \$31,143 or 6.20% for Escalation year 2013. The Strawberry District's present rates became effective by Consumer Price Index increase on April 13, 2015, by Advice Letter (AL) 403. The last GRC for Strawberry District became effective on February 7, 2012, pursuant to Res. W-4903, which granted an increase in revenues of \$36,508 or 10.45%.

AL 213, effective March 19, 2009, authorized DOWC to establish a Transportation Memorandum Account (TMA) to track and recover costs in all of DOWC's Districts associated with fluctuations in fuel costs for its fleet of vehicles and other expenses in connection with fuel costs. The memorandum account also states that these expenses must be additional or incremental to those allowed in DOWC's last GRC proceeding for any particular district.

The total expenses accrued in the TMA for River Island and Strawberry Districts, respectively, are \$16,337.28 and \$3,283.03.

NOTICE AND PROTESTS

AL 398 was served on April 9, 2015, in accordance with the provisions of G.O. 96-B. A notice of the proposed rate increase was mailed to all River Island and Strawberry District customers on April 15, 2015. Two customer letters from the River Island District questioning the rate increase and complaining about the amount requested were timely received, and the utility replied to those letters in a timely fashion as well.

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DISCUSSION

The increase requested herein is for the purpose of recovering through a surcharge, on a dollar-for-dollar basis, fuel expenses which DOWC incurred in its TMA. The TMA was established on March 19, 2009 due to fluctuations in fuel costs.

On April 9, 2015, DOWC filed AL 398 for its River Island and Strawberry Districts to recover the differences in the cost of fuel from that allocated in its last GRC. The differences in the actual cost of fuel and the amount estimated in the last GRC is due largely to the constant fluctuations in fuel prices. This has made it difficult to accurately estimate these costs, resulting in a wide margin of differences between the actual and the annual estimate for fuel costs in their last GRC.

When a utility seeks recovery of costs recorded in a memorandum account, it has the burden to show that: 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 Res. W-4824.)

Based on the events discussed above, we find that DOWC acted prudently in incurring the costs recorded in the TMA. These costs were incurred in order to provide service to its customers and keep the water districts running. It is apparent that the fluctuations in fuel costs was beyond the control of DOWC, and the utility has acted responsibly and appropriately by keeping track of these costs to ensure that services to the customers were not disrupted as a result of these costs.

With respect to the 2nd prong, Division of Water and Audits (Division) reviewed DOWC'S expenditures of \$16,337.28 and \$3,283.03 recorded in its ledger, which DOWC provided to Staff, and has found these expenditures to be prudent and reasonable.

With respect to the 3rd prong discussed above, Division has reviewed River Island and Strawberry Districts' last GRC, authorized in May 24, 2012 and February 1, 2012 respectively (see Res.W-4915 and W-4903), and has ascertained

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that DOWC could not have anticipated the amount of fluctuations in the price of fuel. This led to a higher cost than that allocated for in their last GRC, and the expenses accrued in the TMA could not have been included in the utility's rates. Therefore, DOWC did not receive revenue for the recently incurred expenses accrued in the TMA. Accordingly, recovering these expenses now would not amount to double recovery and is reasonable.

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

To minimize the impact of this amount on ratepayers, the surcharge has been spread over twelve months for the River Island District and twelve months for the Strawberry District. Per guidance in Standard Practice U-27-W, Rule 56b, memorandum account amortizations surcharges are to be spread over one year for under-collections under 5% of gross revenue. The sum of \$16,337.27 is under 5% of the current gross revenue of \$381,860 for River Island District. The Division recommends a surcharge of \$0.156 per 100 cubic feet per customer per month, for a period of twelve months. Also, the sum of \$3,283.03 is under 5% of the current gross revenue of \$660,545 for Strawberry District. The Division recommends a surcharge of \$0.325 per 100 cubic feet per customer per month, for a period of twelve months. These surcharges will not result in a rate of return greater than the last authorized for the River Island and Strawberry District.

DOWC should be permitted to transfer the amounts in the TMA to a balancing account for recovery. DOWC should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$0.156 per 100 cubic feet per customer per month for a period of twelve months and \$0.325 per 100 cubic feet per customer per month, for a period of twelve months, for its River Island and Strawberry Districts respectively.

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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 July 14, 2015. No comments were received.

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.

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) requests recovery of fuel costs in its River Island and Strawberry Districts due to fluctuations in fuel costs, which are in excess of that granted in their last General Rate Case (GRC).
2. On April 9, 2015, DOWC filed Advice Letter (AL) 398 for its River Island and Strawberry Districts to recover the difference in costs of fuel from that allocated in its last GRC.
3. The differences in actual cost of fuel and the amount estimated in the last GRC is due largely to the constant fluctuations in fuel prices.
4. As a result of these fluctuations, DOWC incurred and recorded in its Transportation Memorandum Account (TMA) during the period from January 1, 2012 through December 31, 2014, a total amount of \$16,337.28 and \$3,283.03 for its River Island and Strawberry Districts, respectively.

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5. The expenses recorded in DOWC's TMA of \$16,337.28 and \$3,283.03 are prudent, reasonable, and not covered by other authorized rates; also it is appropriate for rate payers to pay for these costs in addition to otherwise authorized rates.
6. DOWC could not have reasonably anticipated these expenses in the TMA in its last GRC, which became effective on May 30, 2012 for the River Island District and February 7, 2012 for the Strawberry District.
7. 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.
8. AL 398 was served on April 9, 2015, in accordance with the provisions of General Order 96-B. A notice of the proposed rate increase was included with the February monthly billing to all River Island and Strawberry District customers on April 15, 2015, two protests were received and the utility replied.
9. DOWC should be permitted to transfer the amounts in the TMA to a balancing account for recovery.
10. DOWC should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$0.156 per 100 cubic feet per customer per month for a period of twelve months and \$0.325 per 100 cubic feet per customer per month, for a period of twelve for its River Island and Strawberry Districts respectively.
11. This surcharge will not result in a rate of return greater than the last authorized for River Island and Strawberry Districts.

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THEREFORE IT IS ORDERED THAT:

1. Del Oro Water Company, River Island and Strawberry Districts, are permitted to transfer the amounts of \$16,337.28 and \$3,283.03, respectively, in its Transportation Memorandum Account to a balancing account for recovery over a period of twelve and twelve months respectively. 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, River Island and Strawberry Districts, is permitted to recover the amounts in the balancing account reflected in Ordering Paragraph 1 above by imposing a surcharge of \$0.156 per 100 cubic feet for twelve months in the River Island District and \$0.325 per 100 cubic feet for twelve months in the Strawberry District.
3. Del Oro Water Company, River Island and Strawberry Districts, shall track the revenue from the \$0.156 per 100 cubic feet and \$0.325 per 100 cubic feet monthly surcharge 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.

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4. Del Oro Water Company, River Island and Strawberry Districts, is authorized to make effective the tariffs submitted with Advice Letter 398 and concurrently cancel its presently effective Schedules RI-1, General Metered Service, and ST-1A, Annual Metered Service. The effective date of the revised rate schedules shall be five days after the effective date of this Resolution.

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 August 13, 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-5054 on all parties in these filings or their attorneys as shown on the attached lists.

Dated July 14, 2015, at San Francisco, California.

/s/DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, Third Floor, 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. 398 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
dnatkins@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

John Rowan
32719 Greene Dr.
Springville, CA 93265

Tara Campbell, Staff Accountant
tlc@corporatecenter.us

Cheryl Carter, Accounts Receivable
cmc@corporatecenter.us

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