

PROPOSED RESOLUTION

Resolution W-5062
DWA

AGENDA ID #14279

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5062
October 1, 2015

RESOLUTION

**(RES. W-5062) DEL ORO WATER COMPANY TULARE DISTRICT.
ORDER AUTHORIZING A GENERAL RATE INCREASE SUBJECT
TO INCREASE OF \$11,501, OR 16.4%, FOR TEST YEAR 2014.**

SUMMARY

Del Oro Water Company filed Advice Letter 414 on June 19, 2015, requesting authority under Rule 7.6.2 of General Order 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase rates for water service in its Tulare District by \$11,456, or 16.3%, over current revenues in Test Year 2015 due to increased expenses and to earn an adequate return on investment.

This resolution grants a general rate increase of \$11,501, or 16.4%, using a rate of return of 10.10% for Test Year 2015.

BACKGROUND

Del Oro Water Company (DOWC) filed its last general rate case (GRC) for its Tulare District (Tulare) through Advice Letter (AL) 335. By Resolution (Res.) W-4967, dated March 13, 2014, the Commission granted DOWC a general rate increase of \$3,705, or 5.7%, and a rate of return (ROR) of 10.10% for Test Year (TY) 2012. The present rates became effective on June 30, 2015, by approval of AL 417, which authorized an interim rate increase of 0.8%, subject to increase or decrease.

DOWC is a Class B multi-district water utility providing water service to 15 districts throughout California. Its main office is located in Chico, California. Tulare serves 113 service connections. The Tulare system consists of three wells, three steel pressurized storage tanks, and an accompanying distribution system.

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NOTICE AND PROTESTS

A notice of an informal public meeting and proposed rate increase was mailed to each customer and to the general service list. An informal public meeting was held on July 22, 2015 at 6:30 PM at the Pizza Factory in Porterville, CA to discuss the pending General Rate Case for Tulare District. Five people, including one husband and wife couple, were in attendance, representing four water service connections. Tara Campbell, Accountant, and Janice Hanna, Director of Accounting, gave an approximately 20 minute presentation explaining the GRC, and also provided a drought update.

All present received paper copies of the presentation. The meeting was then opened up to questions and comments. Comments focused on the effect of the proposed rate increase on the community, which contains a large percentage of low-income residents. Also, a meter installation project has been in progress in the district, and some questions were received regarding the placement of the meters. Del Oro staff explained that the exact placement of meters is determined by the location of easements and service lines. One customer requested that field staff review the placement of his meter location.

The proposed GRC also includes metered rates for the first time, so customers asked questions about how the metered rates will affect them. Those present who spoke up all had small households and wanted metered rates implemented as early as possible as they felt that large households (such as the example given by one customer of a neighbor with 13 people) were not being charged their fair share. The remaining comments pertained to the California State drought requirements and the two-day a week watering schedule.

There were no written protests or comments received.

DISCUSSION

In reviewing DOWC's rate increase request, the Division of Water & Audits (Division) made an independent analysis of DOWC's Tulare's operations. Appendix A of this resolution shows DOWC's and the Division's estimated summary of earnings at present, proposed, and recommended rates for TY 2015.

DOWC was informed of the Division's differing views of revenues and expenses and agrees with the Division's recommended revenue requirement in Appendix A, as well as the recommended rates contained in Appendix B. The Division recommends that the Commission approve the rate increase and resulting rates shown in Appendix B.

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Revenues

The difference between Tulare's proposed revenues of \$81,760 and the Division's proposed revenues of \$81,805, is due to a different methodology in estimating income taxes. The Division's tax calculations are shown in Appendix D, and DOWC agrees with the Division's proposed tax calculation.

Expenses

The Division reviewed Tulare's estimated 2015 operating expenses, including purchased power, other volume related expense, employee labor, materials, contract work, transportation expense, other plant maintenance, office salaries, management salaries, employee pensions and benefits, uncollectibles, office services and rentals, office supplies and expenses, professional services, insurance, regulatory Commission expense, general expenses, depreciation, and property taxes. The Division verified the operating expenses by reviewing supporting documents for substantiation and accuracy and included the amounts that were verifiable and deemed reasonable for ratemaking purposes.

Rate Base

DOWC proposed no plant additions in this GRC. Therefore, there are no differences between DOWC's and the Division's estimates in depreciation, taxes other than income, and rate base.

Rate of Return

DOWC has requested a 10.10% ROR for Tulare for TY 2015. The Division's March 21, 2015 Memorandum entitled "Rates of Return and Rates of Margin for Class C and Class D Water Utilities" provides guidance for determining an appropriate ROR for utilities by providing a range of ROR's centered on the average rate allowed by the Commission. The Memorandum recommends an average ROR of 10.10% for Class B utilities, which the Division also recommends for DOWC.

Revenues and Rate Design

As shown in Appendix A, the Summary of Earnings for TY 2015, as a result of application of the recommended rate of return, rate base, and operating expenses, the Division recommends an increase from present rates of \$81,805 or 16.4%, rather than DOWC's recommended increase of \$81,760, or 16.3%.

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Tulare's interim rates became effective on June 30, 2015, by approval of AL 417, which authorized an interim rate increase of 0.8%, subject to refund, if the rates established in this GRC are lower than the interim rates. The rates authorized by this Resolution are higher than the interim rates; therefore, Tulare should be allowed to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from the interim rate date to the effective date of the new rates.

DOWC is a class B utility. Consistent with Standard Practice U-7-W (page 4), the Division proposed rate design would collect 50% of fixed costs through the service charge. The rates proposed by the Division are shown in Appendix B.

Tulare's current rate structure consists of two schedules: No. TU-1, Monthly General Metered Service and TU-2, Monthly Flat Rate Service. DOWC is currently in the process of converting all of its customers from flat rate service to metered service. Once all services are converted to meters, metered rates will commence. All Tulare customers will be metered by the end of the year.

At the Division's recommended rates shown in Appendix B, the monthly bill for a single-family residential unit will increase from \$49.15 to \$57.19, which is \$8.04 or 16.4%. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

COMPLIANCE

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

UTILITY SAFETY

Safety for water utilities considers a number of factors such as water quality, system design, operation and maintenance, and service, including adequate source supply and capacity to meet maximum day demands and for public fire protection. The Commission's General Order (G.O.) 103-A provides the rules for water service, minimum standards for operation, maintenance, design and construction for the regulated water utilities. One of the highest safety priorities for the Commission however is ensuring that water utilities serving water for human consumption provide water that is not harmful or dangerous to health. This 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.

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COMMENTS

This is an uncontested matter that pertains solely to water corporation. Accordingly, pursuant to Public Utilities Code Section 311(g)(3), this resolution is exempt from the 30-day period for public review and comment.

FINDINGS

1. The present rates became effective on June 30, 2015, by approval of Advice Letter 417, which authorized an interim rate increase of 0.8%, subject to increase or decrease.
2. Del Oro Water Company should be allowed to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from the interim rate date to the effective date of the new rates.
3. The Summary of Earnings (Appendix A) recommended by the Division of Water and Audits is reasonable and should be adopted.
4. The rates (Appendix B) recommended by the Division of Water and Audits are reasonable and should be adopted.
5. The quantities (Appendix D) used to develop the recommendations of the Division of Water and Audits are reasonable and should be adopted.
6. Del Oro Water Company is in compliance with the California Department of Public Health water quality standards for safe drinking water.
7. The water rate increase authorized herein is justified and the resulting rates are just and reasonable.

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THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company; Tulare District, to file a supplemental advice letter with the revised rate schedules attached to this Resolution as Appendix B, and concurrently cancel its presently effective rate Schedule No. TU-1, Monthly General Metered Service, and TU-2, Monthly Flat Rate Service. The effective date of the revised schedules shall be five days after the date of filing.
2. Del Oro Water Company is authorized to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from June 30, 2015, the interim rate date, to the effective date of the new rates established in this Resolution. This advice letter shall become effective upon approval by Staff of the Division of Water and Audits.
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 October 1, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A

DEL ORO WATER COMPANY Tulare DISTRICT Summary of Earnings - Test Year 2015

	Utility Estimated Rates		Branch Estimated Rates	Recommended Rates
	Present	Proposed	Present	
<u>Operating Revenues</u>				
Metered Water Revenue	\$70,304	\$81,760	\$70,304	\$81,805
Total Revenue	70,304	81,760	70,304	81,805
<u>Operating Expenses</u>				
610 Purchased Water	0	0	0	0
615 Purchased Power	11,503	11,503	11,503	11,503
618 Other Volume Related	1,015	1,015	1,015	1,015
630 Employee Labor	19,720	19,720	19,720	19,720
640 Materials	2,116	2,116	2,116	2,116
650 Contract Work	1,343	1,343	1,343	1,343
660 Transportation Expenses	4,485	4,485	4,485	4,485
664 Other Plant Maintenance	0	0	0	0
670 Office Salaries	8,943	8,943	8,943	8,943
671 Management Salaries	1,638	1,638	1,638	1,638
674 Employee Pensions and Benefits	7,220	7,220	7,220	7,220
676 Uncollectibles	0	0	0	0
678 Office Services and Rentals	1,517	1,517	1,517	1,517
681 Office Supplies and Expenses	5,428	5,428	5,428	5,428
682 Professional Services	169	169	169	169
684 Insurance	2,971	2,971	2,971	2,971
688 Regulatory Commission Expense	333	333	333	333
689 General Expense	144	144	144	144
Total Expenses	68,546	68,546	68,546	68,546
Depreciation	445	445	445	445
Taxes Other Than Income	3,272	3,272	3,272	3,272
Income Taxes	800	2,103	800	2,148
Total Deductions	73,063	74,366	73,063	74,411
Net Revenue	(2,759)	7,394	(2,759)	7,394
RATE BASE				
Utility Plant	69,002	69,002	69,002	69,002
Construction work in progress	0	0	0	0
Materials & Supplies	0	0	0	0
Working Cash	5,402	5,402	5,402	5,402
Accumulated Depreciation	1,193	1,193	1,193	1,193
Advances for Construction	0	0	0	0
Contributions in Aid of Constr.	0	0	0	0
Contributions	0	0	0	0
Deferred Income Taxes	0	0	0	0
TOTAL RATE BASE	73,211	73,211	73,211	73,211
Rate of Return	-3.77%	10.10%	-3.77%	10.10%

END OF APPENDIX A

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APPENDIX B

**DEL ORO WATER COMPANY
TULARE DISTRICT
Schedule No. TU-1
MONTHLY GENERAL METERED SERVICE
Test Year 2015**

APPLICABILITY

Applicable to all water service.

TERRITORY

All territory served by Del Oro Water Company in two tracts: Located one mile south of Porterville and one-half mile northwest of Porterville, both in the unincorporated area of Tulare County.

RATES

Quantity Charge:

For all water, per 100 cu. ft.	\$10.95	(I)
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Monthly Service Charge:

	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter	\$ 28.41	 (I)
For 3/4-inch meter	\$ 42.61	
For 1-inch meter	\$ 71.01	
For 1 1/2-inch meter	\$142.03	
For 2-inch meter	\$227.24	
For 3-inch meter	\$426.08	
For 4-inch meter	\$710.13	

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

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12 month period commencing on January 1 and due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, the resident may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods.
2. The established billing cycle for water is monthly.
3. The opening bill for metered service, except upon conversion from flat rate service, shall be established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due to customers.

(N)

(N)

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APPENDIX B (cont.)

- (N)
4. All bills are subject to reimbursement fee set forth on Schedule No. UF.
 5. A late charge will be imposed per Schedule No. LC.
 6. 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.
 7. The residential flat rate charges apply to service connections not larger than one-inch diameter.
 8. All service not covered by the above classification will be furnished only on a metered basis.
 9. The monthly flat rate charge is due in advance, in accordance with the utility's established billing period.
 10. For the East Plano Service Area of the Tulare District, as authorized by the California Public Utilities Commission all bills are subject to a one-time Surcharge of \$65.24 over approximately twenty-four (24) billing cycles at \$2.72 per month to each customer's bill as approved by the CPUC in Advice Letter No. 354-A effective May 10, 2013. This charge offsets the expenses resulting from the Environmental Protection Agency's adopted National Primary Drinking Water Regulations for water testing for the period January 1, 2012 through December 31, 2012.
 11. The CPUC granted and approved on April 26, 2012, the East Plano Service Area of the Tulare District an Interim Rate Increase followed by Resolution No. W-4967 dated March 13, 2014, granting a General Rate Increase. With the approval of Advice Letter No. 378, DOWCTU, East Plano Service Area, is granted reimbursement of the under-collected revenues in the amount of \$2,136.24 as a one-time surcharge for approximately eighteen (18) billing cycles or until the net shortfall is reimbursed. If over-collection of funds occurs, a credit will be issued to the customers.

	<u>Per Customer</u>	<u>Per Month</u>
Single Family Residence:	\$116.84	\$6.49
Duplex	182.39	10.13
Triplex	266.34	14.80
Fourplex	336.72	18.71

12. The CPUC granted and approved on April 26, 2012, the Grandview Gardens Service Area of the Tulare District an Interim Rate Increase followed by Resolution No. W-4967 dated March 13, 2014, granting a General Rate Increase. With the approval of Advice Letter No. 378, DOWCTU, Grandview Gardens Service Area, is granted reimbursement of the under-collected revenues in the amount of \$2,004.77 as a one-time surcharge for approximately eighteen (18) billing cycles or until the net shortfall is reimbursed. If over-collection of funds occurs, a credit will be issued to the customers.

	<u>Per Customer</u>	<u>Per Month</u>
Single Family Residence	\$12.87	\$ 0.72
Duplex	125.18	6.95
Triplex	345.62	19.20

(N)

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APPENDIX B (cont.)

DEL ORO WATER COMPANY
TULARE DISTRICT
Schedule No. TU-2
MONTHLY FLAT RATE SERVICE
Test Year 2015

APPLICABILITY

Applicable to all water service.

TERRITORY

All territory served by Del Oro Water Company in two tracts: Located one mile south of Porterville and one-half mile northwest Of Porterville, both in the unincorporated area of Tulare County.

RATES

	<u>Per Service Connection</u>	
	<u>Per Month</u>	
For each single-family residential unit	\$ 57.19	(I)
For a duplex unit	91.51	
For a triplex unit	131.54	
For a fourplex unit	160.13	(I)

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12 month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, the resident may elect, as the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility’s established billing periods.
2. The established billing cycle for water used is monthly.
3. The opening bill for metered service, except upon conversion from flat rate service, shall be established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customers.
4. All bills are subject to reimbursement fee set forth on Schedule No. UF.
5. A late charge will be imposed per Schedule No. LC.
6. 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 B

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APPENDIX C

DEL ORO WATER COMPANY TULARE DISTRICT COMPARISON OF RATES TEST YEAR 2015

Per Service Connection, Per Month

	Present Rates	Recommended Rates	Amount of Increase	Percent Increase
For each single-family Residential Unit	\$49.15	\$57.19	\$8.04	16.4%
For a Duplex Unit	\$78.64	\$91.51	\$12.87	16.4%
For a Triplex Unit	\$113.05	\$131.54	\$18.49	16.4%
For a Fourplex Unit	\$137.62	\$160.13	\$22.51	16.4%

END OF APPENDIX C

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APPENDIX D

DEL ORO WATER COMPANY TULARE DISTRICT ADOPTED QUANTITIES TEST YEAR 2015

1. Purchased Water Cost	\$0
2. Purchased Power Cost	\$11,503
3. Water Sales in Ccf	3,425
4. Payroll	
Employee Labor	\$19,720
Office Salaries	\$8,943
Management Salaries	\$1,638
5. Taxes Other Than Income	\$3,272
6. Service Connections Meter Size	
5/8 x 3/4"	107
3/4"	0
1"	4
1 1/2"	1
2"	1
3"	0
4"	0
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Total	113

Adopted Tax Calculation:

1. Operating Revenues	\$81,805
2. Expenses	\$68,546
3. Depreciation	\$445
4. Property Taxes	N/A
5. Taxable Income for State Tax	\$9,542
6. State Tax (8.84%)	\$844
7. Taxable Income for FIT	\$8,699
8. Federal Tax	\$1,305

END OF APPENDIX D

**DEL ORO WATER COMPANY
TULARE DISTRICT
ADVICE LETTER NO. 414
SERVICE LIST**

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

Division of Water and Audits
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