



November 13, 2015

Proposed Resolution W-5070

Agenda ID: 14458

To: All Interested Persons

Enclosed is Proposed Resolution W-5070 of the Division of Water and Audits, which authorizes Hillview Water Company a general rate increase to produce additional annual revenue of \$358,559, or 23.01%, for Test Year 2015. Proposed Resolution W-5070 is scheduled to appear on the December 17, 2015 Commission Meeting Agenda (ID#14458).

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-5070 via email to Water.Division@cpuc.ca.gov on or before **December 3, 2015**. Please reference **"Proposed Resolution W-5070"** 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-5070."

/s/RAMI S. KAHLON

Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Proposed Resolution W-5070
Certificate of Service
Service List

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AGENDA ID#14458

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5070
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RESOLUTION

(RES. W-5070) HILLVIEW WATER COMPANY. ORDER
AUTHORIZING A RATE INCREASE PRODUCING AN
ADDITIONAL ANNUAL REVENUE OF \$358,559, OR 23.01%,
FOR TEST YEAR 2015.

SUMMARY

By Advice Letter (AL) 107, filed on June 30, 2015, Hillview Water Company (HWC) seeks a rate increase in revenues of \$653,296 or 46.30% to recover increased operating expenses and utility plant investment. This Resolution grants HWC an increase in gross annual revenues of \$358,559 or 23.01% for Test Year 2015, which is estimated to provide a Rate of Margin of 20.21%.

BACKGROUND

HWC is a Class C investor-owned water utility with 1,480 service connections. HWC has four service areas located in the foothills of eastern Madera County, southwest of Yosemite Park. HWC operates four separate water systems: the Oakhurst Sierra Lakes, the Hillview Goldside, the Raymond, and the Coarsegold Highlands water systems. Appendix E of this resolution provides a general description of each water system (number of service connections, storage and source supply capacity), information on water quality, and the projects HWC is undertaking to bring its water quality into compliance with State Water Resources Control Board's (SWRCB) safe drinking water standards. Additional information regarding the HWC's water quality is provided in the Compliance section of this resolution.

HWC has requested authority under General Order (GO.) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by \$653,296 or 46.30% for Test Year (TY) 2015 estimated to produce a Rate of Margin

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(ROM) of 20.21%. HWC's interim rates became effective on July 9, 2015, by Advice Letter (AL) 108 which authorized an interim rate increase of \$11,387, or 0.8%, based on Consumer Price Index (CPI), subject to refund or increase, relative to the rates established in this General Rate Case (GRC).

HWC's last GRC was granted on September 24, 2009 by Commission Resolution (Res.) W-4785 which authorized a rate increase in revenues of \$283,286, or 24.80% for TY 2009.

NOTICE AND PROTESTS

In accordance with GO. 96-B, HWC served a copy of the AL to its service list on June 30, 2015, and a notice of the proposed rate increase was mailed to each customer and to the general service list on August 13, 2015.

Ten customer letters were timely received and the utility replied to each. Customers in their letters primarily raised concerns about the magnitude of the rate increase HWC requested and the deficiencies in the company's water quality. An informal public participation meeting was held on September 3, 2015, at the Yosemite High School located at 50200 School Road in Oakhurst, California. The meeting started at 6:30 PM and approximately 48 of HWC's customers attended the meeting. Staff from Division of Water and Audits (Division) provided an overview of the Commission's GRC process for Class B, C, and D water utilities,¹ and HWC provided an overview of its rate increase request and also explained the reasons for the proposed rate increase. Customers expressed concerns over the magnitude of the rate increase, the quality of the water the company is providing, and the length of time it is taking the company to install the water treatment facilities necessary to address the water quality issues. Division staff and HWC's representatives answered customers' questions until approximately 8:30 PM.

In setting rates in this resolution, we have balanced the financial requirements of HWC with rate concerns of its customers.

¹ As defined in General order 96-B Water Industry Rules Section 1.2., Class B, C, and D investor-owned water utilities serve 2,001 through 10,000, 501 through 2,000, and less than 500 service connections, respectively.

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DISCUSSION

The Division of Water and Audits (Division) made an independent analysis of HWC's rate increase request. Appendix A provides HWC's and the Division's estimated Summary of Earnings (SOE) at present, requested and recommended rates. HWC was informed of the Division's differing views of revenues, expenses, and rate base and agrees with the Division's findings.

Operating Expenses

The Division reviewed operating revenue and expenses including employee labor, materials, contract work, transportation expenses, other volume related expenses, office and management salaries, office supplies and expenses, insurance, general expense, depreciation, and taxes other than income. The Division verified the operating expenses by reviewing supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

The Division's cost estimate for purchased power for TY 2015 is higher than HWC's estimate because the Division used higher sales and water pumping estimates than those assumed by HWC. HWC used a water sales amount of 210,210 one-hundred cubic feet (CCF) for estimating its purchased power costs, assuming a 25% reduction in recorded water sales from 2013 due to water conservation. The Division analyzed HWC's water sales data for the last five years (2009 through 2015) and did not find support for a 25% reduction, but did see a reduction in water sales of approximately 8% from 2013 to 2014. HWC provided additional water use data for May through August 2015 showing additional decreases in water sales. The Division however does not believe that the recent reductions in water consumption should be treated as permanent for the purpose of estimating water sales in the test year, and HWC should provide more water usage data to fully support a 25% reduction in water sales. However, the Division supports adjusting the HWC's 2014 water sales by an additional 7% to estimate the TY 2015 water sales in order to account for the additional reduction in water consumption in 2015 and potential reductions in water sales as a result of the rate increase. The Division's water sales estimate for TY 2015 is therefore 242,863 CCF, which is the sales amount used for estimating purchased power costs.

The Division accepts HWC's proposed salary amount of \$230,861 for employee labor for TY 2015, since it covers the salaries for five full-time service employees (one water operator and four shift water operators) necessary for operating and maintaining four

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water systems that are located in five district service areas covering a distance of approximately 80 miles. The Division finds HWC's request reasonable given the number of water systems the company must operate, the distance that must be covered by operators to reach each system, and the operational and maintenance expenses required for each water system, including the operation of existing water treatment facilities and extensive water quality monitoring for each system.

HWC requested \$294,403 for management salaries for TY 2015 for three managerial positions- HWC's president, general manager, and one part-time compliance officer. HWC's requested amount for management salaries would provide management a 23% increase over 2014 salaries of \$239,060. The Division did not find support for HWC's requested increase and finds HWC's current management salaries reasonable for a company the size of HWC and level of managerial responsibilities. However the Division supports a labor escalation adjustment of 1.6% to HWC's 2014 management salaries for TY 2015, based on the 2015 forecasted labor escalation rates provided by the Commission's Office of Ratepayer Advocates in its October 26, 2015 Memorandum.² Accordingly, the Division recommends \$242,528 for HWC's management salaries for TY 2015 based on management's :1) qualifications and amount of experience managing and operating water systems;³ 2) responsibility for securing more than \$12 million in Proposition 50 and 84 state grant funding for addressing the HWC's water quality issues, which will provide a significant benefit to its customers since they will not have to pay for the significant costs associated with the water treatment projects through their water rates; 3) ability to acquire/find additional sources of water supply; and 4) responsibility for developing and managing the projects for the construction of water treatment facilities and system improvements. These are complex projects requiring a significant level of responsibility and expertise. For these reasons, the Division recommends \$242,528 for management salaries.

The Division's estimate for office services and rentals is higher than HWC's estimate because the company incorrectly booked \$51,324 for the costs of its business office and shop & yard leases in the office supplies and expenses account (account 681). The Division reallocated the \$51,324 for lease expenses to office services and rentals (account 678) and reduced the office supplies and expenses account accordingly.

² October 26, 2015, Office of Ratepayer Advocates' Memorandum: Estimates of Non-labor and Wage Escalation Rates for 2015 through 2019 from the September 2015 HIS Global Insight U.S. Economic Outlook.

³ HWC's president has 34 years managing the company and is a licensed water operator with T3 and D3 level certifications; and the general manager has eight years managing HWC and is a licensed water operator with T1 and D2 level certifications.

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Utility Plant and Rate Base

For TY 2015, the Division's analysis of HWC's rate base estimate included examining utility plant-in-service from the company's last general rate increase authorized by Res. W-4785 in 2009, utility plant additions, material and supplies, working cash, and depreciation reserve. The Division overall concurs with HWC's rate base calculations for TY 2015; the only difference is a lower working cash amount resulting from a lower recommended amount for operating expenses. HWC's and the Division's rate base estimates for TY 2015 are provided in Appendix A of this resolution.

Rate of Return

HWC's rate increase request was based on a ROM of 20.21%. In accordance with Commission ratemaking policies adopted for Class C and D water utilities by Decision (D.) 92-03-09, two methods can be used for ratemaking, the Rate of Return (ROR) and ROM methods.⁴ D. 92-03-09 directs the Division to calculate the company's rates and revenue requirement using both of these methods and to recommend the ratemaking method resulting in the greater return.⁵ In this proceeding, the Division determined that the ROM method produced the higher revenue requirement. For 2015, the Division's recommended ROM for a Class C water utility such as HWC is 20.21%.⁶ Using this ROM, the Division calculates a revenue requirement of \$1,917,000. By comparison using a ROR on rate base of 10.70% (the mid-range of the 2015 recommended ROR for Class C water utilities) the revenue requirement would be \$1,748,200. Therefore the Division recommends that the ROM method be used for HWC's TY 2015 GRC.

Rates and Rate Design

⁴The revenue requirement and rates under the ROR method are based on company's rate base and under the ROM method the revenue requirement is based on the company's overall expenses which include operating and maintenance and depreciation expenses, income and other taxes, and an operating margin percentage.

⁵D. 92-03-093, Ordering Paragraph 8.

⁶ Division of Water and Audits' March 12, 2015, memorandum regarding Rates of Return and Rates of Margin for Class C and D Water Utilities:

<http://www.cpuc.ca.gov/NR/rdonlyres/B0B16EBF-3955-4C03-BDE7-C74A83462991/0/2015DWAMemoROR.pdf>.

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HWC's rate structure consists of four (4) rate schedules: Schedule No. 1, Metered Service; Schedule No. 4, Private Fire Protection Service; Schedule No. 4E Private Fire Hydrant Services on Private Property; Schedule No. 9M, Measured Services for Trucks.

At the recommended ROM, the increase in revenue will be \$358,559 or 23.01% for TY 2015. The rates proposed by the Division are shown in Appendix B. At the recommended rates for TY 2015, a monthly customer's bill for a customer with a 3/4-inch meter size service connection with an average water consumption of 13.78 CCF (10,304 gallons) will increase from \$77.17 to \$93.64 or 21.34%. A comparison of customer bills at present and recommended rates is provided in Appendix C of this resolution.

COMPLIANCE

HWC has been filing annual reports as required by the Commission. HWC's Oakhurst Sierra Lakes and Raymond water systems are under Compliance Orders from the State Water Resources Control Board's (SWRCB) Division of Drinking Water (DDW) for not meeting the primary drinking water standards for arsenic and uranium.⁷ HWC is working with SWRCB to make the necessary system improvements⁸ to address its water quality issues as discussed below.

Oakhurst Sierra Lakes Water System

HWC's Oakhurst Sierra Lakes water system currently has two iron and manganese treatment facilities (the Forest Ridge treatment facility with 200gpm capacity and the Sierra Lakes facility with a capacity of 550gpm) for the removal of iron and manganese from its water supply. HWC also utilizes coagulation and a blending process to reduce the uranium concentrations in the effluent water from the Sierra Lakes treatment plant. Despite these treatments HWC is still not meeting the arsenic and uranium maximum contaminant levels (MCLs). Therefore to address the arsenic and uranium water

⁷ Compliance Orders No. 03-11-97O-002, No. 30-11-12O-002, and No. 03-11-09O-001.

⁸ All engineering plans and specifications for HWC's proposed capital improvement projects require approval by SWRCB, including review of the construction bids and the selected construction firms for the projects.

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quality issues HWC has secured \$4,999,997 from Proposition 84 grant funds⁹ and \$1,998,600 from Proposition 50 grant funds¹⁰ for the installation of larger treatment facilities for the removal of arsenic, iron and manganese and the installation of a uranium treatment plant, as described below.

HWC will use the Proposition 84 grant funds to make the following capital improvement projects at the Sierra Lakes facility: 1) installation of a 1,250 gpm arsenic, iron, and manganese removal plant; 2) installation of a 1,200 gpm uranium removal treatment plant; and 3) addition of 600,000 gallons of new water storage facilities. HWC has completed the engineering design and specifications for the treatment facilities, which have been approved by the SWRCB, and the company is currently in the process of getting construction bids for the projects. HWC anticipates completing these capital improvement projects by the first quarter of 2017.

HWC will use the Proposition 50 grant funds to make the following capital improvement projects: 1) replacement of the Sunnydale Radial well with three new wells; 2) installation of a larger water treatment facility at Forest Ridge with a capacity of 600 gpm for the removal of iron and manganese; and 3) installation of 400,000 gallons of water storage for blending the treated water. HWC has completed 2 of the 4 phases of the project which included developing the engineering design and plans for approval by SWRCB, land acquisition and preparation of the project site, and well drilling, construction, and testing of the three new water wells. HWC's timeline for completing the additional two phases of the project is by the end of 2016.

Raymond Water System

To address the arsenic and uranium water quality issues for the Raymond water system, HWC has secured \$5,814,877 in Proposition 50 and 84 grant funding.¹¹ HWC will use these funds to make the following capital improvement projects to the Raymond water system: 1) installation of a 120 gpm arsenic and uranium treatment facility, including the addition of back-up generation for the plant; 2) addition of 220,000 gallons of water storage facilities; 3) equipping the two new wells with mobile

⁹ P84C-2010007-005C and P84-201007-005P funding agreements; grant funding under the California Public Resources Code, Section 75022 of the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006.

¹⁰ P50-2010007-006 funding agreement; grant funding under Chapter 4a.1 of the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002.

¹¹ P50-2010012-63, P84C-2010012-001C, and P84-2010012-001P funding agreements.

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back-up generation and a sludge truck for the transferring of the backwash; 4) addition of a pressure system; and 5) addition and replacement of approximately two miles of new feed and distribution main.

HWC reports it has completed the preliminary engineering plans and specifications for the project, which have been approved by the SWRCB, and the company is in the process of getting bids for the project construction. During the initial construction phase of the project, HWC will prepare the site for the installation of the treatment facility, including adding the water filtration systems and one of the new storage tanks. HWC anticipates completing this phase of the project by end of 2016. Then in early 2017, HWC plans to connect the new well equipment, feedlines and Supervisory Control and Data Acquisition (SCADA) system connections to bring the treatment plant and wells into service. HWC anticipates completing the remainder of the project work by May of 2018, including the following: the addition of the second storage tank and new pressure system, and the addition and replacement of the distribution main.

The Division staff notes that the Proposition 50 and 84 funding HWC has secured for the system improvements for the Oakhurst Sierra Lakes and Raymond water systems do not cover the costs associated with the removal of the uranium from each of the treatment facility sites. This will be an incremental cost to the company's operations currently not included in the company's operation and maintenance costs as part of this GRC since the company is not incurring this expense.

UTILITY SAFETY

Safety for water utilities considers a number of factors such as water quality, system design, operation and maintenance, and service. One of the highest safety priorities for the Commission is ensuring that water utilities serving water for human consumption provide water that is not harmful or dangerous to health. As discussed in the Compliance section of this resolution, HWC has obtained approval from the SWRCB for the engineering plans and system specifications for the required treatment facilities and system improvements for the removal and treatment of the arsenic and uranium from the source supply for the Oakhurst Sierra Lakes and Raymond water systems to bring the water quality into compliance with SWRCB's applicable water quality standards. HWC is currently in the process of getting bids for the construction of these projects and the company's timeline for completing the installation of the new treatment facilities for Oakhurst Sierra Lakes and the Raymond water systems is by the end of 2016 and early 2017, respectively. Accordingly, the Division finds HWC is taking the

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necessary steps to bring its water quality into compliance with the SWRCB's applicable water quality standards for safe drinking water.

COMMENTS

Public Utilities Code section 311(g)(1) requires that a proposed resolution be served on all parties, and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution.

Accordingly, this proposed resolution was mailed to the utility and its service list, and made available for public comment on November 13, 2015.

FINDINGS

1. The Summary of Earnings (Appendix A) recommended by the Division of Water and Audits (Division) is reasonable and should be adopted.
2. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
4. After the rates approved by this Resolution become effective, Hillview Water Company (HWC) should be allowed to file a Tier 2 Advice Letter (AL) within 30 days to collect the under-collected revenues from July 9, 2015, the interim rate date, to the effective date of the new rates. This AL should become effective upon approval by the Division.
5. HWC Oakhurst Sierra Lakes and Raymond water systems are under Compliance Orders from the State Water Resources Control Board's (SWRCB) Division of Drinking Water (DDW) for not meeting the primary drinking water standards for arsenic and uranium.
6. HWC is taking the necessary steps to bring its water quality into compliance with the SWRCB's applicable water quality standards for safe drinking water.

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7. HWC has secured \$4,999,997 from Proposition 84 grant funds and \$1,998,600 from Proposition 50 grant funds to install a larger treatment facilities to bring its water quality for the Oakhurst Sierra Lakes water system into compliance with SWRCB's primary drinking water standards for arsenic and uranium.
8. HWC has secured \$5,320,400 in Proposition 50 and 84 grant funding to install a arsenic and uranium treatment facility and make the necessary system improvements to address the arsenic and uranium water quality issues to bring its water quality for the Raymond water system into compliance with SWRCB's primary drinking water standards for arsenic and uranium.
9. HWC has obtained approval from the SWRCB for the engineering plans and system specifications for the required treatment facilities and system improvements for the removal and treatment of the arsenic and uranium from the source supply for the Oakhurst Sierra Lakes and Raymond water systems.
10. HWC's timeline for completing the installation of the new treatment facilities for Oakhurst Sierra Lakes and the Raymond water systems is by the end of 2016 and early 2017, respectively.

THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Hillview Water Company 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 schedules: Schedule No. 1, Metered Service; and Schedule No. 4, Private Fire Protection Service; Schedule No. 4E Private Fire Hydrant Services on Private Property; Schedule No. 9M, Measured Services for Trucks. The effective date of the revised schedules shall be five days after the date of filing.
2. Hillview Water Company is authorized to file a Tier 2 Advice Letter within 30 days from the effective date of the authorized rates to collect the under-collected revenues from July 9, 2015, the interim rate date, to the effective date of the new rates established by this Resolution. This Advice Letter should become effective upon approval by the Division of Water and Audits.

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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 December 17, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A Hillview Water Company Summary of Earnings Test Year 2015

	HWC		DWA	
	Present Rates	Requested Rates	Present Rates	Recommended Rates
Operating Revenues				
Metered	\$ 1,372,258	\$ 2,025,554	\$ 1,479,157	\$ 1,831,902
Private Fire	\$ 38,671	\$ 38,671	\$ 38,671	\$ 44,484
Other			\$ 40,613	\$ 40,613
Total Revenue	\$ 1,410,929	\$ 2,064,225	\$ 1,558,441	\$ 1,917,000
Operating Expenses				
610 Purchased Water	\$ -	\$ -	\$ -	\$ -
615 Purchased Power	\$ 170,183	\$ 170,183	\$ 184,444	\$ 184,444
618 Other Volume Related Expenses	\$ 22,199	\$ 22,199	\$ 22,199	\$ 22,199
630 Employee Labor	\$ 230,861	\$ 230,861	\$ 230,861	\$ 230,861
640 Materials	\$ 25,591	\$ 25,591	\$ 25,591	\$ 25,591
650 Contract Work	\$ 67,115	\$ 67,115	\$ 67,115	\$ 67,115
660 Transportation Expenses	\$ 59,031	\$ 59,031	\$ 59,031	\$ 59,031
664 Other Plant Maintenance	\$ 55,727	\$ 55,727	\$ 47,175	\$ 47,175
670 Office Salaries	\$ 93,605	\$ 93,605	\$ 86,067	\$ 86,067
671 Management Salaries	\$ 294,403	\$ 294,403	\$ 242,885	\$ 242,885
674 Employee Pensions and Benefits	\$ 165,159	\$ 165,159	\$ 147,743	\$ 147,743
676 Uncollectable Accounts	\$ 5,220	\$ 5,220	\$ 5,220	\$ 5,220
678 Office Services and Rentals	\$ 38,368	\$ 38,368	\$ 82,105	\$ 82,105
681 Office Supplies and Expenses	\$ 88,038	\$ 88,038	\$ 36,714	\$ 36,714
682 Professional Services	\$ 36,186	\$ 36,186	\$ 34,834	\$ 34,834
684 Insurance	\$ 49,559	\$ 49,559	\$ 49,166	\$ 49,166
688 Regulatory Commission Expense	\$ 14,000	\$ 14,000	\$ 12,716	\$ 12,716
689 General Expenses	\$ 14,997	\$ 14,997	\$ 12,995	\$ 12,995
800 Expenses Capitalized	\$ (14,120)	\$ (14,120)	\$ (14,120)	\$ (14,120)
Subtotal	\$ 1,416,122	\$ 1,416,122	\$ 1,332,742	\$ 1,332,742
403 Depreciation	\$ 92,015	\$ 92,015	\$ 92,015	\$ 92,015
408 Taxes Other Than Income	\$ 82,664	\$ 82,664	\$ 78,148	\$ 78,148
409 State Income Taxes	\$ 800	\$ 33,715	\$ 800	\$ 28,471
410 Federal Income Taxes	\$ -	\$ 118,212	\$ -	\$ 97,752
Total Expenses	\$ 175,479	\$ 326,606	\$ 170,963	\$ 296,385
Net Revenue	\$ (180,672)	\$ 321,497	\$ 54,737	\$ 287,873
Rate Base				
Average Plant	\$ 7,806,560	\$ 7,806,560	\$ 7,806,560	\$ 7,806,560
Average Accumulated Depreciation	\$ 3,627,788	\$ 3,627,788	\$ 3,627,788	\$ 3,627,788
Net Plant	\$ 4,178,772	\$ 4,178,772	\$ 4,178,772	\$ 4,178,772
Less:				
Advances	\$ 127,838	\$ 127,838	\$ 127,838	\$ 127,838
Contributions in Aid of Construction	\$ 2,108,490	\$ 2,108,490	\$ 2,108,490	\$ 2,108,490
Deferred Income Tax	\$ 348,359	\$ 348,359	\$ 348,359	\$ 348,359
Deferred Investment Tax	\$ 411	\$ 411	\$ 411	\$ 411
Plus:				
Construction Work in Progress	\$ -	\$ -		
Working Cash	\$ 118,010	\$ 118,010	\$ 111,062	\$ 111,062
Materials and Supplies	\$ 108,655	\$ 108,655	\$ 108,655	\$ 108,655
Rate Base	\$ 1,820,339	\$ 1,820,339	\$ 1,813,391	\$ 1,813,391
Rate of Return	-9.93%	17.66%	3.02%	15.87%
ROM	-11.98%	21.32%	3.84%	20.21%

END OF APPENDIX A

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APPENDIX B Hillview Water Company (Page 1 of 4)

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

LIMITATIONS

Hillview may add up to a maximum of one-hundred services to its Oakhurst-Sierra lakes Service Area without further SWRCB approval. Thereafter, Hillview must seek SWRCB approval for further additions. Except, however, service may be provided to a person or entity that developed and contributes additional source and storage adequate to supply the additional demand that the person or entity proposes to add in the Oakhurst-Sierra Lakes Service Area. The additional source and storage must be developed in a location specified by Hillview and must be constructed to meet standards acceptable to Hillview and SWRCB.

TERRITORY

Coarsegold Highlands, Raymond, and subdivisions in and near Oakhurst, Madera County.

RATES

Quantity Rates:

All water used per 100 cubic feet \$ 3.545 (l)

Service Charge:

	<u>Per Meter,</u> <u>Per Month</u>	
For 3/4 inch meter	\$ 44.79	(l)
For 1 inch meter	74.64	(l)
For 1/ 1/2 inch meter	149.29	(l)
For 2 inch meter	238.86	(l)
For 3 inch meter	447.87	(l)
For 4 inch meter	746.45	(l)
For 6 inch meter	1,492.90	(l)

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.

(Continued)

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Schedule No. 4 PRIVATE FIRE PROTECTION

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Oakhurst-Sierra Lakes, Goldside-Hillview Estates, Coarsegold Highlands, Raymond and vicinity, Madera County.

RATES

	Rate <u>Per Month</u>	
For each inch of diameter of service connection	\$ 6.54	(l)

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the utility or under the utility's direction. Cost for the entire fire protection including the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The expense of maintaining the private fire protection facilities on the applicant's premises (including the vault, meter and backflow device) shall be paid for by the applicant.
3. All facilities from the riser for the backflow device on, including the backflow device shall be the sole property of the applicant. The utility and its duly authorized agent shall have the right of ingress to, and egress from, the premises for all purposes relating to said facilities.
4. The minimum diameter for fire protection service shall be four inches and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
5. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a main extension from the nearest existing main of adequate capacity shall be required.
6. The fire hydrant shall be used for fire fighting purposes and fire drills only. Any unauthorized use will be charged for at the regular established rates for general metered service and may be grounds for the utility to discontinue the fire hydrant service without liability to the utility.
7. The utility will supply only such water at such pressures as may be available from time to time as the result of its normal operation of the system.
8. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
9. Per W-5009, the revenue difference between interim rates and final rates shall be recovered over a period of 36 months starting November 10, 2014. The recovery surcharge will be \$0.17 per month for each inch of diameter of service.

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Schedule No. 4E

PRIVATE FIRE HYDRANT SERVICES ON PRIVATE PROPERTY

APPLICABILITY

Applicable to all fire hydrant services rendered from fire hydrants located on private property that are connected to company owned mains

TERRITORY

Royal Oaks Estates, Sunnydale, Goldside Estates, Hillview Estates, Sierra Lakes Tracts and vicinity, Madera County.

RATES

	Rate Per Month
4" Riser type fire hydrant with single 2-1/2 outlet	\$ 11.43 (I)
6" Standard type fire hydrant	\$ 20.05 (I)

SPECIAL CONDITIONS

1. The fire hydrant will be installed by the utility or by a construction agency acceptable to it at the cost of the applicant. The cost will not be subject to refund.
2. The relocation, replacement, or enlargement of any hydrant shall be at the expense of the party asking such request.
3. The cost of maintenance and repair of hydrant will be borne by the utility.
4. The utility or its authorized agents shall have at all reasonable times the right of ingress to and egress from the customer's premises for any purpose connected with private fire hydrant services.
5. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service hereunder.
6. The fire hydrant shall be used for fire fighting purposes and fire drills only. Any unauthorized use will be charged for at the regular established rates for general metered service and may be grounds for the utility to discontinue the fire hydrant service without liability to the utility.
7. The utility will supply only such water at such pressures as may be available from time to time as the result of its normal operation of the system.
8. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
9. Per W-5009, the revenue difference between interim rates and final rates shall be recovered over a period of 36 months starting November 10, 2014. The recovery surcharge will be \$0.68 per month for 4" rise type fire hydrants and \$1.02 per month for 6" standard type fire hydrants.

PROPOSED RESOLUTION

Resolution W-5070
DWA

December 17, 2015

APPENDIX B Hillview Water Company (Page 4 of 4)

Schedule No. 9M

MEASURED SERVICES FOR TRUCKS

APPLICABILITY

Applicable to all tank truck water sales.

TERRITORY

Coarsegold Highlands, Raymond, and subdivisions in and near Oakhurst, Madera County.

RATES

Per 100 cubic feet \$ 4.920 (l)

SPECIAL CONDITIONS

1. All bills subject to reimbursement fee set forth on Schedule No. UF.

END OF APPENDIX B

PROPOSED RESOLUTION

Resolution W-5070
DWA

December 17, 2015

APPENDIX C Hillview Water Company

<u>COMPARISON OF RATES</u>				
Test Year 2015				
Metered Service				
	Present <u>Rates</u>	Recommended <u>Rates</u>	<u>Percent Increase</u>	
<u>Service Charge Per Meter Size:</u>				
3/4-inch	\$ 32.23	\$44.79	38.96%	
1-inch	\$ 51.74	\$74.64	44.27%	
1 1/2-inch	\$ 100.51	\$149.29	48.53%	
2-inch	\$ 159.04	\$238.86	50.19%	
3-inch	\$ 295.61	\$447.87	51.51%	
4-inch	\$ 490.71	\$746.45	52.12%	
6-inch	\$ 978.46	\$1,492.90	52.58%	
<u>Quantity Charge:</u>				
All water usage, per CCF	\$ 3.261	\$ 3.545	8.71%	
<u>A monthly bill comparison for a customer with a 3/4-inch meter</u>				
<u>Usage per 100 cubic feet (CCF)</u>	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
0	\$ 32.23	\$ 44.79	\$ 12.56	38.96%
7	\$ 55.06	\$ 69.60	\$ 14.54	26.42%
Average 14	\$ 77.17	\$ 93.64	\$ 16.47	21.34%
20	\$ 97.45	\$ 115.68	\$ 18.23	18.71%
25	\$ 113.76	\$ 133.41	\$ 19.65	17.28%

END OF APPENDIX C

PROPOSED RESOLUTION

Resolution W-5070
DWA

December 17, 2015

APPENDIX D Hillview Water Company Adopted Quantities Test Year 2015

1. Purchased Power	\$184,444
Total kWh	917,344
Estimated Average Cost Per kWh	\$0.2011
Energy Provider	Pacific Gas and Electric
Energy Tariff Schedules	E-19S, A-6, A-1
2. Water Sales in Ccf	242,863
Pumped Water in Ccf	280,533
3. Active Metered Service Connections	
3/4 -inch	1,327
1-inch	67
1 1/2-inch	35
2-inch	34
3-inch	<u>7</u>
Total	1,470
4. Payroll	
Employee Labor	\$230,861
Office Salaries	\$ 86,067
Management Salaries	\$242,885
5. Payroll Taxes	\$ 44,169
6. Property Taxes	\$ 33,976

<u>Tax Calculations</u>	<u>TY 2015</u>
Operating Revenues	\$ 1,917,000
Operating Expenses	\$ 1,332,742
Taxes Other than Income	\$ 78,148
Depreciation	\$ 92,015
Interest	\$ 92,030
Taxable Income for State	\$ 322,065
State Taxes	\$ 28,471
Taxable Income for Federal	\$ 293,595
Federal Income Taxes	\$ 97,752

END OF APPENDIX D

APPENDIX E

Hillview Water Company

<u>Table 1</u>				
<u>Hillview Water Company's Water Systems</u>				
	Oakhurst Sierra Lakes	Goldside Hillview	Coarsegold Highlands	Raymond
Number of service connections	1,046	316	24	94
Supply	17 active wells and five in-active wells; the combined capacity for the 15 active wells that are online is 1,170 gpm	8 active and three inactive ground water wells; combined capacity of active wells is 232 gpm.	2 active wells with an estimated combined capacity of 31 gpm	5 active ground water wells with an estimated combined capacity of 53 gpm
Storage	18 water storage tanks with approximately 1.3 million gallons (MG) of total storage capacity	2 subsurface reservoirs, the Goldside reservoir (407,000 gallons) and the Hillview reservoir (106,000 gallons); One 10,000 gallon polyethylene storage tank.	two 30,000 gallon welded steel storage tanks	7 storage tanks with a capacity of 60,000 gallons
Treatment facilities	1) two iron and manganese removal facilities with total treatment capacity of 750 gallons per minute; 2) a uranium blending reservoir; 3) an aeration tower; 4) chlorination facilities	chlorination facilities	chlorination facilities	chlorination facilities
SCADA	9 of the water wells and all (10) primary storage tanks are monitored by SCADA	installed on three wells and the storage tank	installed on Storage tanks and pressure system	installed on storage tank and three primary wells
Proposition 50 Projects	Forest Ridge Project: \$1,998,600 in Proposition 50 funding to replace the Sunnydale Radial well with three new wells; install a 600 gpm iron and manganese treatment facility and a 400,000 gallon water storage tank for blending the treated water. HWC has completed 2 phases of the project and anticipates completion of the additional phases by December 2016.		The Coarsegold water system will benefit from the Proposition 50 Project since the 250 gpm iron and manganese treatment facility will be moved and installed on this water system. Iron is a Secondary Drinking Water Standard MCL which is exceeded in Coarsegold. The Treatment Plant from Forest Ridge P-50 will bring the MCLs into compliance for iron and manganese.	Raymond Project: \$5,814,877 Proposition 50 and 84 funding for:1) installing 120 gpm arsenic and uranium removal treatment plant; 2) 220,000 gallons of water storage; 3) equip two new wells drilled during the planning phase; 4) add a new pressure system; and 5) add & replace approximately two miles of feed and distribution mains (size 10", 8", 6", and 4"). The project should be completed by May 2018.
Proposition 84 Projects	Sierra Lakes Project: \$4,999,997 in Proposition 84 funding for: 1) installation of a 1,250 gpm arsenic, iron, and manganese removal treatment plant; 2) 1,200 gpm uranium removal treatment plant; and 3) addition of 600,000 gallons of water storage for the treated water. HWC has completed engineering design and specification for the treatment facilities and is putting the project to bid. HWC anticipated completing the project by the first quarter of 2017. The project is being re-bid as a single phase project to reduce cost and construction duration.	The Goldside water system will benefit from the Sierra Lakes Project by receiving the 550 gpm iron and manganese water treatment plant. Iron & manganese are Secondary Drinking Water Standards, which are exceeded by 4 wells in the Goldside Water System. The treatment system will be relocated by Sierra Lake Prop 84 and refurbished by Hillview. This project is expected to be completed by mid 2018 for Goldside.		
Compliance with SWRCB's water quality standards for safe drinking water	This system has two compliance orders from SWRCB for exceeding the maximum contaminant levels (MCLs) for arsenic and uranium. HWC is undertaking the Proposition 50 and 84 projects discussed above to bring its water quality into compliance with SWRCB's water quality standards for safe drinking water.	Water produced by the company's active wells meets all primary drinking water standards (CDPH 2012 annual inspection report for Goldside water system).	Water produced by the system meets all primary drinking water standards (CDPH 2012 Engineering Report).	The system is under SWRCB compliance order for exceeding the nitrate, arsenic and uranium MCLs.

**Hillview Water Company
Advice Letter 107
Service List (1/2)**

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*Ron & Margie Lester	51233 Rusty Lane, Oakhurst, CA 93644
*Don Cesar	51172 Rusty Lane, Oakhurst, CA 93644
*Klaus Penning	38584 Sierra Lakes Drive, Oakhurst, CA 93644
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Hillview Water Company
Advice Letter 107
Service List (2/2)

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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-5070 on all parties in these filings or their attorneys as shown on the attached lists.

Dated November 13, 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.