

PROPOSED RESOLUTION

AGENDA ID #14701 (Rev. 2)
ITEM #33

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5087
March 17, 2016

RESOLUTION

(RES. W-5087) DEL ORO WATER COMPANY. ORDER AUTHORIZING A
RATE BASE OFFSET REVENUE INCREASE, PRODUCING AN
INCREASE IN GROSS ANNUAL REVENUES OF \$13,572, OR 24.37%.

SUMMARY

By Advice Letter 427, filed on November 25, 2015, Del Oro Water Company seeks a rate base offset of \$89,919 for its Stirling Bluffs District for the improvements at the water treatment plant which would result in an increase in annual revenues of \$13,572, or 24.37%.

This Resolution grants an increase of \$13,572, or 24.37%, over revenues earned under current rates, which will not result in a rate of return greater than the last authorized general rate case for Del Oro Water Company.

BACKGROUND

Del Oro Water Company (DOWC), a Class B water utility, requests authority under General Order (G.O.) 96-B, Water Industry Rules 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$13,572 or 24.37% for a rate base offset of \$89,919 for the improvements at the water treatment plant for its Stirling Bluffs District (Stirling).

The last general rate increase for Stirling was granted on August 28, 2014 pursuant to Resolution W-4992, which authorized a general rate increase of \$13,499, or 9.9%, and a rate of return of 10.15% for Test Year 2014. The present rates became effective on April 13, 2015 by approval of Advice Letter (AL) 402, which authorized a Consumer Price Index-Urban increase of \$442 or 0.8%.

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DOWC presently provides service to approximately 157 metered rate customers in Stirling City and adjoining areas in Butte County.

NOTICE AND PROTESTS

AL 427 was served in accordance with G.O. 96-B and the notice was mailed to Stirling's customers on November 25, 2015. No protests were received by the Division of Water and Audits (DWA).

DISCUSSION

The California Department of Public Health, Division of Drinking Water, required the modification of the Stirling's existing treatment plants under the California Surface Water Treatment Rule and the total cost was \$89,919.

DWA reviewed the documentation associated with the plant improvements, including invoices supporting the expenditures. DWA confirmed that: (1) the requested cost recovery associated with the plant additions does not exceed the authorized rate of return (see Appendix A); and (2) these plant additions have been completed and are currently used and useful.

A field inspection conducted by DWA staff on January 28, 2016 verified that the plant additions of the two filtration tanks were prudent investments and are used and useful. DWA reviewed the invoices and found the expenses are reasonable.

The new rate base is shown in Appendix A. DWA recommends that the Commission approve the summary of earnings shown in Appendix A and the rate increases and resulting rates shown in Appendix B.

Stirling's revenues consist of metered revenues and water delivered to DOWC's other districts. This resolution authorizes an increase of \$13,572, or 24.37%, to the present metered rates, as the revenue delivered to DOWC's other districts remain the same.

SAFETY, COMPLIANCE, AND CONSERVATION

In terms of safety and water conservation, Stirling's plant additions are necessary for insuring adequate amounts of water for safe and reliable service.

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DOWC has been filing annual reports as required.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public Utilities Code 311(g)(2), the otherwise 30-day period for public review and comment is being waived.

FINDINGS

1. The California Department of Public Health, Division of Drinking Water, required the modification of the Del Oro Water Company, Stirling Bluffs District's existing treatment plant under the California Surface Water Treatment Rule and the total cost was \$89,919.
2. The increase in rate base of \$89,919 and the resulting annual revenue requirement increase of \$13,572 or 24.37% are reasonable and should be adopted.
3. The Division of water and Audits' recommended summary of earnings (Appendix A) is reasonable and should be adopted.
4. The rates recommended by the Division of Water and Audits (Appendix B) are reasonable and should be adopted.

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THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Del Oro 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. SB-1, Metered Service. The effective date of the revised schedules shall be five days after the date of filing.
2. 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 March 17, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A

DEL ORO WATER COMPANY – STIRLING BLUFFS DISTRICT

Summary of Earnings Test Year 2015

	Adopted Res. W-4992 8/28/2014	CPI-U Increases	Actual 2014	Rate Base Offset	Earnings Test at Recommended Rates
OPERATING REVENUES:					
Metered Rates	\$55,240	\$442	\$48,321	\$13,572	\$61,893
Water delivered to other Del Oro districts	94,720		94,720		94,720
TOTAL OPERATING REVENUES	149,960		143,041	13,572	156,613
OPERATING EXPENSES					
Purchased Water	59,903		60,173		60,173
Purchased Power	19,823		18,114		18,114
Other Volume Related Expenses	1,799		1,030		1,030
Employee Labor	7,610		8,342		8,342
Materials	1,005		931		931
Contract Work	609		0		0
Water Testing	0		610		610
Transportation Expense	1,926		1,849		1,849
Other Plant Maintenance	246		2,054		2,054
Office Salaries	11,462		10,477		10,477
Management Salaries	2,416		2,373		2,373
Employee Pension and Benefits	5,129		4,788		4,788
Uncollectibles	103		(19)		(19)
Office Service and Rentals	2,327		2,316		2,316
Office Supplies and Expenses	5,173		6,346		6,346
Professional Services	1,726		265		265
Insurance	3,255		3,585		3,585
Regulatory Commission Expense	333		0		0
General Expenses	431		2,075		2,075
SUBTOTAL	125,277		125,309		125,309
Depreciation	6,867		7,355	3,246	10,601
Taxes Other than Income	4,166		649		649
State and Federal Income Taxes	3,073		3,073	1,363	4,436
TOTAL DEDUCTIONS	139,383		136,386	4,609	140,995
NET REVENUE	10,577		6,655		15,618
RATE BASE					
Average Plant	197,389		201,047	88,296 ¹	289,343
Average Accumulated Depreciation	94,977		95,897	3,246	99,143
NET PLANT	102,413		105,150	85,050	190,200
Less Advances	8,643		8,643		8,643
Less Contributions	0		0		0
Plus Materials	0		0		0
Plus Working Cash	10,440		10,440		10,440
RATE BASE	104,209		106,947	85,050	191,997
RATE OF RETURN (ROR)	10.15%		6.23%		8.14%

1. ¹ The total plant added in 2015 was \$89,919; however, the average plant of \$88,296 for TY 2015 was used in the Summary of Earnings calculation.

END OF APPENDIX A

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DEL ORO WATER COMPANY
STIRLING BLUFFS DISTRICT

Schedule No. SB-1

METERED SERVICE

APPLICABILITY

1. Applicable to all metered water service.

TERRITORY

2. Stirling City and vicinity, Butte County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
3. Quantity Rate:		
For all water delivered per 100 cu. ft.	\$ 2.08	(I)
Service Charge:		
For 5/8 x 3/4 inch meter	\$ 9.02	(I)
For 3/4 inch meter	\$ 13.52	
For 1 inch meter	\$ 22.52	
For 1-1/2 inch meter	\$ 45.05	
For 2 inch meter	\$ 72.07	
For 3 inch meter	\$ 135.14	
For 4 inch meter	\$ 225.23	(I)

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 rates.

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STIRLING BLUFFS DISTRICT

Schedule No. SB-1

METERED SERVICE

SPECIAL CONDITIONS

1. All bills are subject to reimbursement fee set forth in Schedule No. UF.
2. A late charge will be imposed per Schedule No. LC.
3. 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.
4. 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, 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.

END OF APPENDIX B

**DEL ORO WATER COMPANY
ADVICE LETTER NO. 427
SERVICE LIST**

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