

PROPOSED RESOLUTION

AGENDA ID#14848 (Rev. 1)

ITEM #30

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5096
May 12, 2016

RESOLUTION

**(RES. W-5096) DEL ORO WATER COMPANY, RIVER ISLAND DISTRICT.
ORDER AUTHORIZING A QUANTITY SURCHARGE OF \$0.035 PER 100
CUBIC FEET FOR TWELVE MONTHS TO RECOVER THE COST OF
PURCHASED FUEL IN EXCESS OF THAT GRANTED IN THE LAST GENERAL
RATE CASE FOR THE PERIOD OF JANUARY 2015 TO DECEMBER 2015.**

SUMMARY

By Advice Letter 433, filed on March 22, 2016, Del Oro Water Company, a Class B water utility, seeks to recover expenses of \$3,636.68 for River Island District, expended from January 1, 2015 to December 31, 2015, 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 \$0.035 per 100 cubic feet over a period of twelve months to recover costs incurred in this memorandum account.

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 its River Island District. 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.

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

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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 the River Island District is \$3,636.68 for 2015. River Island District has 463 metered service connections and is located approximately one mile east of Porterville in Tulare County.

NOTICE AND PROTESTS

AL 433 was served on March 22, 2016, in accordance with the provisions of G.O. 96-B. A notice of the proposed rate increase was mailed to all River Island District customers on March 23, 2016. No protests were received.

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 March 22, 2016, DOWC filed AL 433 for its River Island District 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.)

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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 operating. It is apparent that the fluctuations in fuel costs were 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 cost reasonableness, the Division of Water and Audits (Division) reviewed DOWC'S expenditures of \$3,636.68 recorded in its ledger, which DOWC provided to Staff, and has found these expenditures to be prudent and reasonable.

With respect to whether costs are included in other rates discussed above, the Division has reviewed River Island District's last GRC, authorized in May 24, 2012 (see Res.W-4915), and has ascertained 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 operating, 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 costs in addition to otherwise authorized rates discussed above.

To minimize the impact of this increase on ratepayers, the surcharge has been spread over twelve months. As provided 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 \$3,636.68 is under 5% of the current gross revenue of \$381,860 for River Island District. Therefore the Division recommends a surcharge of \$0.035 per 100 cubic feet per customer per month, for a period of twelve months. The average customer will experience an increase of \$0.65 per month. This surcharge will not result in a rate of return greater than the last rate of return authorized for the River Island 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

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account by imposing a surcharge of \$0.035 per 100 cubic feet per customer per month for a period of twelve months for its River Island District.

COMMENTS

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

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 District due to fluctuations in fuel costs, which are in excess of those granted in their last General Rate Case (GRC).
2. On March 22, 2016, DOWC filed Advice Letter (AL) 433 for its River Island District to recover the difference in costs of fuel from those allocated in its last GRC.
3. The differences in the recorded 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, 2015 through December 31, 2015, a total amount of \$3,636.68 for its River Island District.

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5. The expenses recorded in DOWC's TMA of \$3,636.68 are prudent, reasonable, and not covered by other authorized rates. 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.
7. It is appropriate for ratepayers to pay for these costs, since these costs were accrued to provide water service to DOWC ratepayers.
8. AL 433 was served on March 22, 2016, in accordance with the provisions of General Order 96-B. A notice of the proposed rate increase was mailed to all River Island District customers on March 23, 2016. No protests were received.
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 \$0.035 per 100 cubic feet per customer per month for a period of twelve months for its River Island District.
11. This surcharge will not result in a rate of return greater than the last rate of return authorized for River Island District.

THEREFORE IT IS ORDERED THAT:

1. Del Oro Water Company, River Island District, is authorized to transfer the amount of \$3,636.68, in its Transportation Memorandum Account to a balancing account for recovery over a period of twelve months for each district. 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 is authorized to recover the amounts in the balancing account reflected in Ordering Paragraph 1 above by imposing a surcharge of \$0.035 per 100 cubic feet for twelve months in the River Island District.

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3. Del Oro Water Company shall track the revenue from the \$0.035 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.
4. Del Oro Water Company is authorized to make effective the tariffs submitted with Advice Letters 433 and concurrently cancel its presently effective Schedules RI-1. 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 May 12, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

Del Oro Water Company River Island District

Service List for Advice Letter No. 433

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