

PROPOSED RESOLUTION

Resolution W-5108
WD

Agenda ID #15113

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5108
December 1, 2016

RESOLUTION

(RESOLUTION W-5108), DEL ORO WATER COMPANY,
METROPOLITAN DISTRICT. ORDER AUTHORIZING A
GENERAL RATE INCREASE PRODUCING ADDITIONAL
ANNUAL REVENUES OF \$3,753 OR 21.53% FOR TEST
YEAR 2016.

SUMMARY

By Advice Letter (AL) 455, filed on June 9, 2016, Del Oro Water Company, Metropolitan District (DOWC-MP) requests authority under Rule 7.6.2 of General Order (G.O.) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase rates for water service to produce additional annual revenues of \$4,047 or 23.37%, above current revenues to recover increased operating expenses and earn a Rate of Return of 10.10% on its plant investment.

For Test Year 2016, this resolution grants Del Oro Water Company's, Metropolitan District, a general rate increase producing additional annual revenues of \$3,753, or 21.53%, over the revenues produced under current rates, and provides a 10.10% Rate of Return.

BACKGROUND

Del Oro Water Company (DOWC) is a Class B multi-district water company¹ that provides water service to 18 water districts throughout the state. The Metropolitan District is one of the 18 water districts located in Fresno County and currently serves 29

1. A water company is classified as a Class B utility if it has more than 2,000 but less than 10,000 service connections.

PROPOSED RESOLUTION

Resolution W-5108

December 1, 2016

WD

metered customers. The Metropolitan District's water distribution system consists of two wells, a steel pressure/storage tank, and water distribution mains.

DOWC-MP's last general rate case (GRC) increase was granted by Resolution W-4939 dated December 20, 2012, for Test Year (TY) 2012. The GRC granted a general rate increase producing additional annual revenues of \$1,955 or 11.99% and a Rate of Return (ROR) of 10.80%. This GRC was followed by CPI increases effective April 22, 2014 (pursuant to AL No. 379), April 12, 2015 (pursuant to AL No. 440) and June 17, 2016 (pursuant to AL No. 458). The proposed changes in rates in the currently requested GRC are necessary to offset increased operating expenses and to provide an adequate rate of return.

NOTICE AND PROTESTS

In accordance with GO 96-B, General Rule 4.3 and 7.2 and Water Industry Rule 4.1, a copy of AL No. 455 was served to adjacent utilities and persons on the general service list. Notice of the proposed rate increase was mailed to customers on June 20, 2016. No protest letters were filed in response to DOWC's request for a rate increase.

DISCUSSION

In AL No. 455, DOWC-MP requested an increase in its rates using recorded amounts for 2015 escalated to 2016 to arrive at the proposed amounts for Test Year (TY) 2016. The Water Division (WD)'s recommendations are based on DOWC-MP's recorded expenses for 2015 including a CPI increase effective June 17, 2016 and Commission recommended escalation factors as appropriate.²

DOWC-MP is in agreement with the WD's recommended revenue requirement, shown in Appendix A, recommended rates, shown in Appendix B, and the adopted quantities shown in Appendix D. The WD recommends that the Commission approve the rates recommended in this Resolution.

² WD used the following monthly Escalation Memorandum for forecasting trends in the general price levels of utility labor and non-labor expenses: "Office of Ratepayer Advocates: Estimate of Non-labor and wage escalation rates for 2016 through 2020 from the February 2016 HIS Global Insight US Economic Outlook", Memo to D. Sanchez, Program manager, ORA; R. Kahlon, Director, Water Division, Dated July 29, 2016.

PROPOSED RESOLUTION

Resolution W-5108
WD

December 1, 2016

SUMMARY OF EARNINGS

The WD made an independent analysis of DOWC-MP's operations to make its recommendations. Appendix A shows DOWC-MP's and the WD's estimated summary of earnings at present and proposed rates for TY 2016. Where WD's review agreed with DOWC-MP's requests, they have been accepted by the WD. Significant differences between WD and DOWC-MP are discussed below.

OPERATING EXPENSES

WD reviewed all other expenses that are directly related to the operations of the Metropolitan District's water distribution system and generally found those expenses reasonable. Some modifications were made to expenses for Materials, Contract Work and Regulatory Commission expenses. These are discussed below.

Allocated expenses

DOWC proportionally allocates the following operating expenses among all of its districts, based on the number of customers in each district relative to the total number of customers in all of its districts:

- management, superintendent, and office salaries and benefits;
- transportation expenses;
- office rental and supplies;
- professional services; and
- property insurance.

DOWC's allocation for the Metropolitan District is 0.34% of the total expenses over DOWC's 18 districts except for Transportation and Employee Labor which are allocated amongst six districts.³ Metropolitan's allocation for Transportation expenses and Employee labor are 2.6% of the total expenses for the six districts. The WD concurs with DOWC's allocation percentages.

³ Districts include: River Island, Cal Pines, Country Estates, Tulare, Metropolitan and Traver.

PROPOSED RESOLUTION

Resolution W-5108
WD

December 1, 2016

Materials

DOWC-MP estimates \$792 for TY 2016 this expense. This account includes expenses related to the cost of maintenance and repairs in the water system. DOWC-MP estimates its 2016 amount by using an average of its costs for the years 2013 through 2015.⁴ WD estimates \$775 for TY 2016 based on the average of materials expenses from 2013 through 2015 escalated by Commission recommended escalation factors.

Contract Work

DOWC-MP estimates \$626 for TY 2016 for this expense. This account includes expenses related to the costs of contract work done by employees not under regular employment from the utility. The utility estimates its 2016 amount by using an average of its costs for the years 2013 through 2015 and applying an escalation factor of 0.7%.⁵ WD estimates \$638 for this item by applying Commission recommended escalation factors to the average of Contract Work expenses from 2013 through 2015.

Regulatory Commission Expense

DOWC-MP estimates \$1,000 for this expense which was amortized over three years for this GRC. The amortized amount for TY 2016 for this expense was \$333. This account includes expenses related to the preparation of AL No. 455 and attendance at a town hall meeting. Since no town hall meeting was held, WD revised this expense to \$500. The corresponding amortized amount for TY 2016 should be \$167.

Rate Base

DOWC-MP's estimates rate base for TY 2016 as \$15,086 while WD estimates an amount of \$15,072. This difference is due to lower working cash requirements based on WD's recommendations with lowered expense amounts.

⁴ Material costs for 2013, 2014 and 2015 were \$2,016, \$204 and \$140 respectively.

⁵ Contract work for 2013, 2014 and 2015 were \$755, \$315 and \$795 respectively.

PROPOSED RESOLUTION

Resolution W-5108

December 1, 2016

WD

REVENUE

DOWC-MP estimates that at present and proposed rates, its total TY 2016 revenues from water sales will be \$17,315 and \$21,362 with Rates of Return (ROR) of -14.94% and 10.10%, respectively. The proposed rates will result in an increase of \$4,047 or 23.37% over present revenues. DOWC-MP's last GRC used a ROR of 10.80% in Resolution W-4939 dated December 20, 2012.

WD's estimated revenues for TY 2016 at present and proposed rates of \$17,434 and \$21,188, respectively. The corresponding ROR's are -9.04% and 10.10%. The WD's proposed revenues will result in an increase of \$3,753, or 21.53%, over DOWC-MP's revenues at present rates. The net revenues at proposed rates will be \$1,522 for DOWC-MP.⁶

Revenue Requirement and Rate of Return

DOWC requests a 10.10% ROR for its Metropolitan District for TY 2016. The Division's Finance Unit finds it reasonable and recommends that 10.10% be considered in the determination of the ROR for DOWC's outstanding GRCs, which the Division also recommends for DOWC's Metropolitan District.

DOWC-MP's rate structure consists of one schedule: 1-MP, General Metered Service. At the recommended ROR the increase in revenue will be \$3,753 or 21.53% for TY 2016. The rates proposed by WD are shown in Appendix B.

Based on WD's recommended rates, the bill for a 5/8 x 3/4-inch metered residential customer using the system average of 15.32 one-hundred cubic feet (Ccf) per month would increase from \$50.07 to \$60.19, or 20.21%. 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.

⁶ WD's revenues for TY 2016 at current rates are based on rates approved in AL No. 458 on June 17, 2016. DOWC-MP's revenues were based on rates that were approved prior to those rates.

PROPOSED RESOLUTION

Resolution W-5108
WD

December 1, 2016

COMPLIANCE

DOWC-MP has no outstanding Commission or compliance orders and the utility has been filing annual reports as required.

SAFETY

The rates approved in this Resolution will provide the utility with the financial resources to safely operate and maintain its operations for the benefit of its customers, employees, and members of the general public. The water served by the utility meets all applicable primary water quality standards set forth by the State Water Resources Control Board, Division of Drinking Water.

COMMENTS

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

FINDINGS

1. By Advice Letter(AL) 455, filed on June 9, 2016, Del Oro Water Company, Metropolitan District (DOWC-MP) requests authority under Section 7.6.2 of General Order (GO) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase water revenues for TY 2016 by \$4,047, or 23.37%, over the revenues produced under current rates.
2. Advice Letter 455 was served in accordance with General Order 96-B.
3. DOWC-MP mailed notices of the proposed rate increase on June 20, 2016 to each customer and the general service list. No protests were received.
4. DOWC-MP's last general rate increase was granted by Resolution W-4939 through a General Rate increase in December 2012. This was followed by CPI increases effective April 22, 2014 (pursuant to AL No. 379), April 12, 2015 (pursuant to AL No. 440) and June 17, 2016 (pursuant to AL No. 458).

PROPOSED RESOLUTION

Resolution W-5108

December 1, 2016

WD

5. In reviewing DOWC-MP's request, the Water Division (WD) made an independent analysis of the company's operations.
6. The WD's adjustments to DOWC-MP's projected expenses for Materials, Contract Work, and Regulatory Commission expenses are reasonable and should be adopted.
7. DOWC-MP is in agreement with the WD's recommended revenue requirement, shown in Appendix A, and recommended rates, shown in Appendix B.
8. The WD's recommended Summary of Earnings shown in Appendix A is reasonable and should be adopted.
9. The rates recommended by the WD in Appendix B are reasonable and should be adopted.
10. The quantities shown in Appendix D are reasonable and should be adopted.
11. DOWC-MP has no outstanding Commission or compliance orders.
12. The water served by Del Oro Water Company, Metropolitan District, meets all applicable primary water quality standards set forth by the State Water Resources Control Board, Division of Drinking Water.

PROPOSED RESOLUTION

Resolution W-5108
WD

December 1, 2016

THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company, Metropolitan District, to file a supplemental advice letter with the rate schedule attached to this Resolution as Appendix B, and concurrently cancel its presently effective Rate Schedule No. 1-MP, General 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 December 1, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

PROPOSED RESOLUTION

Resolution W-5108

December 1, 2016

WD

APPENDIX A						
Del Oro Water Company - Metropolitan District						
Summary of Earnings						
Test Year 2016						
Line No	Item	DOWC-MD From AL 455		Water Division		
		Present Rates	Requested Rates	Present Rates	Proposed Rates	
	Operating Revenues					
1	460	Flat rates				
2	470	Metered rates	17,315	21,362	17,434	21,188
3	462	Private fire protection	0		0	0
4	480	Other water revenue				
5		TOTAL REVENUE	17,315	21,362	17,434	21,188
	Operating Expenses					
6	610	Purchased water	0	0	0	0
7	615	Purchased power	1,894	1,894	1,894	1,894
8	618	Other volume related	0	0	0	0
9	630	Employee labor	4,737	4,737	4,737	4,737
10	640	Materials	792	792	775	775
11	650	Contract work	626	626	638	638
12	660	Transportation expense	1,311	1,311	1,311	1,311
13	664	Other plan maintenance	0	0	0	0
14	670	Office salaries	2,383	2,383	2,383	2,383
15	671	Management salaries	421	421	421	421
16	674	Employee pension & benefits	899	899	899	899
17	676	Uncollectible	0	0	0	0
18	678	Office services & rentals	441	441	441	441
19	681	Office supplies & expense	2,049	2,049	2,049	2,049
20	682	Professional services	54	54	54	54
21	684	Insurance	783	783	783	783
22	688	Regulatory commission expense	333	333	167	167
23	689	General expenses	944	944	944	944
24		SUBTOTAL	17,667	17,667	17,495	17,495
25	403	Depreciation	216	216	216	216
26	408	Taxes other than income	886	886	886	886
27	409/10	Income taxes	800	1,069	800	1,069
28		Total Deductions	19,569	19,838	19,397	19,666
29		Net Revenue	-2,254	1,524	-1,963	1,522
30		Rate Base	15,086	15,086	15,072	15,072
31		Rate of Return	-14.94%	10.10%	-13.02%	10.10%
END OF APPENDIX A						

PROPOSED RESOLUTION

Resolution W-5108
WD

December 1, 2016

APPENDIX B

DEL ORO WATER COMPANY – METROPOLITAN DISTRICT
Schedule No. MP-1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

All territory served by Del Oro Water Company, Inc. known as Skaal Knoll Homesites, located approximately two miles west of Highway 99, and west half of lot 53 of West Fresno Tract in the unincorporated area of Fresno County.

RATES

Quantity Rates:

All usage, per 100 cu. ft. \$2.219 (I).....

Service Charge:

For 5/ 8 x 3/ 4 –inch meter	\$ 26.19	(I)
For 3/ 4 –inch meter	\$ 39.28	(I)
For 1 –inch meter	\$ 65.47	(I)
For 1-1/ 2 –inch meter	\$ 130.93	(I).....
For 2 –inch meter	\$ 209.49	(I)

This Service Charge is a readiness-to-serve charge, which is applied to all metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL NO.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, 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 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.

(continued)

END OF APPENDIX B

PROPOSED RESOLUTION

Resolution W-5108
WD

December 1, 2016

APPENDIX C						
Del Oro Water Company - Metropolitan District						
Comparison of Rates						
Test Year 2016						
<u>Per service connection per month</u>						
Tariff Rates						
		Current	Recommended	Increase		
				\$	%	
<u>Service Charge</u>						
	5/8 x 3/4 inch meter	\$ 19.06	\$ 26.19	\$ 7.13	37.39%	
	3/4 inch meter	\$ 28.59	\$ 39.28	\$ 10.69	37.39%	
	1 inch meter	\$ 47.66	\$ 65.47	\$ 17.81	37.36%	
	1 1/2 inch meter	\$ 95.33	\$ 130.93	\$ 35.60	37.35%	
	2 inch meter	\$152.52	\$ 209.49	\$ 56.97	37.36%	
<u>Quantity Charge</u>						
	All water usage per 100 cubic feet	\$ 2.024	\$ 2.219	\$ 0.195	9.65%	
<u>A monthly bill comparison for a customer with a 5/8 x 3/4 inch meter is shown below:</u>						
		Present	Recommended	Increase		
Usage		Rates	Rates	\$	%	
ccf						
	0	\$ 19.06	\$ 26.19	\$ 7.13	37.39%	
	10	\$ 39.30	\$ 48.38	\$ 9.08	23.11%	
<i>Average</i>	15.32	\$ 50.07	\$ 60.19	\$ 10.12	20.21%	
	20	\$ 59.54	\$ 70.58	\$ 11.04	18.53%	
	30	\$ 79.78	\$ 92.77	\$ 12.99	16.28%	
	40	\$100.02	\$ 114.96	\$ 14.94	14.94%	
END OF APPENDIX C						

PROPOSED RESOLUTION

Resolution W-5108
WD

December 1, 2016

APPENDIX D						
Del Oro Water Company - Metropolitan District						
Adopted Quantities						
Test Year 2016						
1	Service Connections					
		Metered Service				
		5/8 X 3/4 Inch	29			
2	Water Consumption (Ccf)		5,300			
3	Purchased Power					
		Total KWh	7586			
		Total Cost	\$ 1,894			
4	Property Taxes		\$ 275			
5	Operating Revenues		\$21,188			
	Expenses		\$17,495			
	Depreciation		\$ 216			
	Taxes other than Income		\$ 886			
	Taxable income for State		\$ 2,590			
	State Tax		\$ 800			
	Taxable Income for Federal		\$ 1,790			
	Federal Tax		\$ 269			
	Rate Base		\$15,072			
		END OF APPENDIX D				

PROPOSED RESOLUTION

Resolution W-5108
WD

December 1, 2016

**DEL ORO WATER COMPANY
METROPOLITAN DISTRICT
ADVICE LETTER NO. 455
SERVICE LIST**

California Public Utilities Commission
Office of Ratepayer Advocates
ORA@cpuc.ca.gov

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

Fresno County Administrator
Jean Rousseau
2281 Tulare, Suite 304
Fresno, CA 93721
gajohnson@co.fresno.ca.us

California Department of Public Health
Tricia Wathen, Visalia District Engineer
Tricia.Wathen@cdph.ca.gov

**Betsy Lichti, Sr. Sanitary Engineer,
Fresno District**
Betsy.Lichti@cdph.ca.gov