

PROPOSED RESOLUTION

Resolution W-5116
WD

Agenda ID #15179
Item #6

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water and Sewer Advisory Branch

RESOLUTION W-5116
October 27, 2016

RESOLUTION

(RES. W-5116) DEL ORO WATER COMPANY, PARADISE PINES DISTRICT. ORDER AUTHORIZING A RATE BASE OFFSET REVENUE INCREASE, PRODUCING AN INCREASE IN GROSS ANNUAL REVENUES OF \$176,947, OR 7.09%, OVER CURRENT APPROVED GROSS REVENUES.

SUMMARY

By Advice Letter (AL) 453, filed on May 26, 2016, Del Oro Water Company (DOWC) seeks a rate base offset of \$1,121,664 for capital improvements made to its Paradise Pines District (PPD) water distribution system which would result in an increase in annual revenues of \$176,947, or 7.09%.

This resolution finds \$1,121,664 in DOWC's capital improvements prudent for inclusion into DOWC's PPD's rate base. The authorized revenue increase of \$176,947, or 7.09%, will not result in a rate of return greater than that last authorized for DOWC.

BACKGROUND

DOWC is a Class B multi-district water utility. DOWC's PPD is located in the city of Paradise Pines, in Butte County, and currently serves 4,786 customers. Most of these customers are residential, but the customer count also includes some commercial customers.

DOWC requests authority under General Order 96-B (GO 96-B), Water Industry Rule 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$176,947, or 7.09%, for a rate base offset of \$1,121,664. The purpose of the rate base offset is to

PROPOSED RESOLUTION

Resolution W-5116
WD

October 27, 2016 (Rev. 1)

recover costs incurred and provide an adequate rate of return on completion of its 2015-2016 Service Improvement Plan (SIP) consisting of the replacement of approximately 7,745 linear feet of pipe¹ including upgrading 11 hydrants and 140 services at original contract costs of \$1,122,925. The reason for the minor difference in contract costs and the requested amount is that the engineering cost came in less than the proposed contract costs.

DOWC's last General Rate Case² (GRC) increase for the PPD was adopted on May 7, 2015, by Resolution (Res.) W-5032, which authorized an increase of \$291,048, or 13.21%, with a 10.10% return on rate base.

NOTICE AND PROTEST

On January 7, 2015, DOWC sent a mailing to all customers in the PPD regarding the proposed improvements as directed in its 2015-2016 SIP, which was followed by an informal meeting that took place on January 21, 2016.

On May 26, 2016, DOWC served AL 453 in accordance with GO 96-B including on adjacent utilities and persons on DOWC's PPD advice letter service list. Per GO 96-B, Water Industry Rule 3.1, DOWC notified its PPD customers of this rate base offset advice letter request by mail.

One protest was received on June 14, 2016 which generally opposed the proposed increase and the nature of the advice letter filing. Accordingly, Del Oro responded timely to this protest on June 20, 2016, in writing, stating that this AL was filed in accordance with the regulatory procedures as required by the Commission.

DISCUSSION

The Water Division (WD) reviewed the reasonableness of the project expenditures based on the scope of work involved as well as DOWC's contractor selection process,

¹ The pipeline was replaced with C900 Class 200 Poly Vinyl Chloride transmission main in the following locations: South Park Drive, Water Park Drive, Glendale, Calvin, and Shaw.

² DOWC filed AL 380 on April 30, 2014 requesting this GRC.

PROPOSED RESOLUTION

Resolution W-5116
WD

October 27, 2016 (Rev. 1)

and determined the expenditures to be reasonable. WD reviewed the contracts that support the invoices and determined that the local engineering firm has been contracted on previous DOWC local projects and was selected to reduce costs. In addition, there was a bidding process between the local firm and a larger firm that does regional projects, and the local engineer bid at a lower cost.

WD reviewed the documentation associated with the water main and meter replacement projects, including the invoices supporting the expenditures and confirmed that: (1) DOWC's capital improvements were warranted; (2) the cost recovery requested for the capital improvements meets the earnings test and with the rate base offset DOWC's PPD will not exceed its authorized rate of return (see Appendix A); and (3) the capital improvement projects have been completed and are used and useful. Based on WD staff review of the project expenditures, staff finds DOWC's \$1,121,664 expenditure for the capital improvements prudent for inclusion into PPD's rate base.

The new rate base is shown in Appendix A and WD recommends that the Commission approve the summary of earnings shown in Appendix A. WD also computed the recommended rates in Appendix B to this resolution based on the recommended revenue requirement and the adopted rate design authorized in Res. W-5032. DOWC agrees with the recommended rates contained in Appendix B.

COMPLIANCE

There are no outstanding Commission orders for DOWC's PPD requiring system improvements. The utility has been filing annual reports as required.

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, Division of Drinking Water.

PROPOSED RESOLUTION

Resolution W-5116
WD

October 27, 2016 (Rev. 1)

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 September 23, 2016.

No comments were received.

FINDINGS

1. By Advice Letter 453, filed on May 26, 2016, Del Oro Water Company (DOWC) requests authority under General Order 96-B (GO 96-B), Water Industry Rule 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$176,947, or 7.09%, for a rate base offset of \$1,121,664 in its Paradise Pines District (PPD).
2. DOWC's last General Rate Case (GRC) increase for the PPD was adopted May 7, 2015, by Resolution (Res.) W-5032, which authorized an increase of \$291,048, or 13.21%, with a 10.10% return on rate base.
3. Advice Letter 453 was served in accordance with General Order 96-B on May 26, 2016. One protest letter was received, and DOWC responded accordingly.
4. Water Division (WD) reviewed the documentation associated with all of the projects, including the invoices supporting the expenditures and confirmed that: (1) DOWC's capital improvements were warranted; (2) the cost recovery requested for the capital improvements meets the earnings test and DOWC does not exceed its authorized rate of return; and (3) the capital improvement projects have been completed and are used and useful.
5. Based on WD staff review of the project expenditures, WD finds \$1,121,664 of DOWC's capital improvements prudent for inclusion into DOWC's PPD's rate base.
6. WD computed an increase to the DOWC PPD authorized revenue requirement of \$176,947 for the \$1,121,664 rate base offset amount, based on DOWC's last GRC

PROPOSED RESOLUTION

Resolution W-5116
WD

October 27, 2016 (Rev. 1)

authorized revenues, expenses, and rate of return. DOWC agrees with WD's revenue requirement calculation.

7. WD computed the recommended rates in Appendix B to this resolution based on the recommended revenue requirement and the adopted rate design in Res. W-5032. DOWC agrees with the recommended rates contained in Appendix B.
8. WD's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted. DOWC agrees with the Summary of Earnings contained in Appendix A.
9. The rates recommended by WD (Appendix B) are reasonable and should be adopted. DOWC agrees with the rates contained in Appendix B to this resolution.

PROPOSED RESOLUTION

Resolution W-5116
WD

October 27, 2016 (Rev. 1)

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, as Advice Letter No. 453-A, incorporating the revised rate schedules attached to this Resolution as Appendix B and concurrently cancel its presently effectively Schedule No. PP-1A, Annual General Metered Service. The effective date of the revised schedule 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 October 27, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

PROPOSED RESOLUTION

**Resolution W-5116
WD**

October 27, 2016 (Rev. 1)

APPENDIX A DOWC's Paradise Pines Summary of Earnings

	Authorized W-5032	2015 Recorded	Rate Base Offset	Earnings Test at Division Recommended Rates
Operating Revenues				
Metered	\$2,495,000	\$2,70,767	\$176,947	\$2,447,714
Unmetered				
Other Revenues				
Total Revenue	\$2,495,000	\$2,270,767		\$2,447,714
Operating Expenses				
610 Purchased Water	\$308,119	\$233,550		\$233,550
615 Purchased Power	\$208,832	\$174,064		\$174,064
618 Other Volume Related Expenses	\$1,735	\$1,674		\$1,674
630 Employee Labor	\$219,281	\$247,082		\$247,082
640 Materials	\$41,395	\$43,150		\$43,150
650 Contract Work	\$28,037	\$23,395		\$23,395
Water Testing	-	\$6,081		\$6,081
660 Transportation Expenses	\$58,608	\$60,296		\$60,296
664 Other Plant Maintenance	\$3,760	\$1,881		\$1,881
670 Office Salaries	\$347,069	\$338,681		\$338,681
671 Management Salaries	\$71,242	\$69,253		\$69,253
674 Employee Pensions and Benefits	\$148,982	\$122,491		\$122,491
676 Uncollectable Accounts	\$898	\$6,777		\$6,777
678 Office Services and Rentals	\$72,266	\$69,537		\$69,537
681 Office Supplies and Expenses	\$132,238	\$145,150		\$145,150
682 Professional Services	\$23,902	\$16,184		\$16,184
684 Insurance	\$47,842	\$38,295		\$38,295
688 Regulatory Commission Expense	-	-		-
689 General Expense	\$5,070	\$29,354		\$29,354
Subtotal	\$1,719,476	\$1,627,525		\$1,627,525
403 Depreciation	\$199,814	\$157,913	\$30,285	\$188,198
408 Taxes Other Than Income	\$88,041	\$120,029		\$120,029
409 State Income Taxes	\$43,110	\$5,800		\$5,800
410 Federal Income Taxes	\$151,150	\$48,298	\$34,903	\$83,201
Total Deductions	\$2,201,591	\$1,959,566		\$2,024,754
Net Revenue	\$293,409	\$311,201		\$422,960
Rate Base				
Average Plant	\$7,614,480	\$7,981,143	\$1,106,521	\$9,087,664
Average Dep. Reserve	\$4,698,853	\$4,756,756	\$30,285	\$4,787,041
Net Plant	\$12,915,627	\$3,224,387	\$1,076,236	\$4,300,623
Less: Contributions	\$109,663	\$97,455		\$97,455
Advances	\$171,651	\$171,476		\$171,476
Plus: Working Cash	\$147,430	\$147,430		\$147,430
Mat'l & Supplies	\$7,157	\$7,157		\$7,157
Rate Base	\$2,907,286	\$3,308,167	\$1,076,236	\$4,186,280
Rate of Return	10.10%	9.41%		10.10%

(END OF APPENDIX A)

PROPOSED RESOLUTION

Resolution W-5116
WD

October 27, 2016 (Rev. 1)

APPENDIX B

Sheet 1

Del Oro Water Company, Inc.

SCHEDULE NO. PP-1A

ANNUAL GENERAL METERED SERVICE

PARADISE PINES DISTRICT

APPLICABILITY

Applicable to all metered water service furnished on an annual basis to the Paradise Pines District service area.

TERRITORY

All territory served by Del Oro Water Company, Inc. in the area known as Fir Haven Subdivision, Sierra Del Oro Subdivisions, Paradise Pines Subdivisions, located approximately 6 miles north of Paradise, Butte County.

RATES

Quantity Charge:

For all water, per 100 cu. ft.	\$3.480	(I)
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Per Meter Per Month

¹Monthly Service Charge:

For 5/8 x 3/4-inch meter	\$15.72	(I)
For 3/4-inch meter	\$23.58	
For 1-inch meter	\$39.30	
For 1 1/2-inch meter	\$78.60	
For 2-inch meter	\$125.77	
For 3-inch meter	\$235.81	
For 4-inch meter	\$393.02	
For 6-inch meter	\$786.04	(I)

Per Meter Per Month

²SRF Surcharge:

	1-10 Years	11-19 Years
For 5/8 x 3/4-inch meter	\$4.33	\$3.93
For 3/4 inch-meter	\$6.49	\$5.90
For 1-inch meter	\$10.81	\$9.83
For 1 1/2-inch meter	\$21.63	\$19.66
For 2-inch meter	\$34.60	\$31.46
For 3-inch meter	\$64.88	\$58.99
For 4-inch meter	\$108.14	\$98.31
For 6-inch meter	\$216.28	\$196.62

(END OF APPENDIX B)

**DEL ORO WATER COMPANY
ADVICE LETTER NO. 453
SERVICE LIST**

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

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