

DRAFT

AGENDA ITEM #6522

WATER/JPT/MXK/EYC/jj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4638

APRIL 12, 2007

**R E S O L U T I O N**

**(RES. W-4638), DEL ORO WATER COMPANY, INC., (Del Oro) PINE FLAT AND PINE MOUNTAIN DISTRICTS. ORDER AUTHORIZING A RATE BASE OFFSET REVENUE INCREASE PRODUCING AN INCREASE IN GROSS ANNUAL REVENUES OF \$32,784 OR 52.93% IN THE PINE FLAT DISTRICT AND \$10,695 OR 37.14% IN THE PINE MOUNTAIN DISTRICT.**

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**SUMMARY**

Del Oro requested a rate base offset rate increase by Advice Letter No. 152 accepted by Water Division (Division) on September 12, 2006. The Division staff is recommending a rate base offset increase producing additional annual revenue of \$32,784, or 52.93% for the Pine Flat District and \$10,695, or 37.14% for the Pine Mountain District.

**BACKGROUND**

Pine Flat and Pine Mountain are districts of the Del Oro Corporation, owned by Robert S. Fortino. The Pine Flat district provides water service to approximately 201 connections to the town of Pine Flat, located approximately two miles southeast of California Hot Springs in Tulare County. The Pine Mountain District provides water service to approximately 89 connections to the Town of Pine Mountain, located approximately one mile east of Pine Flat.

Del Oro has other districts serving communities of Ferndale in Humboldt County; Magalia, Lime Saddle, Paradise Pines, and Stirling Bluffs in Butte County; Johnson Park in Shasta County; Country Estates in Kern County; and Walnut Ranch in Colusa County.

Pine Flat's present rates became effective on September 6, 2005, pursuant to Res. No. W-4558 which authorized a general rate increase of \$35,715 or 136% of additional annual revenue. Pine Mountain's present rates became effective on September 6, 2005,

**Resolution W-4638  
Del Oro/AL NO. 152/JPT/MXK/EYC/jlj**

**April 12, 2007**

pursuant to Res. No. W-4559, which authorized a general rate increase of \$15,918 or 93.13% of additional annual revenue.

Commission Decision No. (D.) 05-01-047 dated January 27, 2005, authorized Del Oro Water Company to borrow approximately \$500,000 in order to make certain capital improvements and contract engineering studies and for authority to recover all such costs and advances by increases in the respective water rates of customers in the Pine Flat District and Pine Mountain District in the vicinity of Pine Flat, Tulare County. D.05-01-047 Ordering Paragraph 8 states:

“In order to include capital expenditures for Pine Flat and Pine Mountain service areas in rate base, DOWC may file two advice letters once the plant additions have been completed and are being used and useful, subject to reasonableness review.”

The total cost of the capital improvements put into service through August 31, 2006 for both districts is \$275,812. The plant facility improvements are shared for both districts; therefore Del Oro distributes the capital improvements costs to the districts based on a ratio of the number of customers in each district. Del Oro has allocated 70% of the costs to Pine Flat and 30% to Pine Mountain. The components of the total costs are as follows: the drilling and testing of the new well costs \$111,713, the California Environmental Quality Act (CEQA) study addressing the new well facility costs \$66,932, the study and on-going rehabilitation of the spring sources cost \$38,039, financing costs of \$13,759 and meter installations costs \$45,369. The revenue requirement for the capital improvements is \$32,784, or 52.93% for the Pine Flat District and \$10,695, or 37.14% for the Pine Mountain District from the current authorized revenues for each district.

**NOTICE AND PUBLIC MEETING**

Notice of the meeting was mailed to the ratepayers on February 6, 2007. The Division received six letters of complaint regarding the proposed rate increase. The complaints dealt primarily with the size of the increase, the readiness-to-serve-charge fee, and the impact on low or fixed income residents. There were no formal protests to Del Oro’s request.

On March 12, 2007, at 6:00 p.m., a public meeting was held in the utility’s service area. The public meeting included customers from both Pine Flat and Pine Mountain Districts. The Commission staff and Del Oro’s representatives were at the meeting. Commission representative conducted the meeting and explained the rate base offset filing process and Del Oro representative explained the reasons for the capital

improvements and plant additions. Del Oro also made a presentation and provided supporting documents to the customers in attendance. The customers commented about the recent general rate increase and the need for the capital improvements. The customers also questioned whether switching all to meter rates led to water conservation for the districts. Commission staff representative assured customers that the capital improvements costs were thoroughly audited and reviewed.

**PROTESTS**

There were no formal protests to Del Oro's request.

**DISCUSSION**

Del Oro has completed the drilling and testing of a new well in the Pine Flat District, which will supply both districts. The well is capable of producing 50 gallons per minute. The cost of the new well is \$91,164. Del Oro also completed an environmental study to address the addition of the new well, pumping station and treatment facility. The CEQA study addressing the new well facility costs \$66,932. The company also made repairs to an exiting spring system and this on-going rehabilitation of the spring source which supplies both districts at a cost of \$38,039. The company is also installing water meters at all service connections at a cost of \$44,369 to attempt to reduce water usage through conservation. The meter installations will help achieve the 2007 Water Action Plans goal of water and energy conservation.

The Branch investigated these costs and found that they were appropriate. The total cost of the projects for both districts translates into a combined rate base offset of \$275,812. The depreciation rate of 3% results in an annual depreciation of \$8,274. The total revenue requirement for this project is \$32,784 or 52.93% increase for the Pine Flats District and \$10,695, or 37.14% increase for the Pine Mountain District.

The Division recommends the rate increase, to offset the cost associated with capital improvements put into service through August 31, 2006.

Del Oro should read the meters and compile one year of water usage data for metered customers after their conversion to metered rates. After the utility has compiled the data, Del Oro should file an advice letter to adjust the current metered rates to reflect the water consumption for both districts. In the interim, the utility should keep charging the Pine Flat and Pine Mountain customers the flat rates since the revenue requirement is based on flat rates collected from the customers.

Service by Del Oro is satisfactory. There was a compliance order in Res W-4558 requiring system which stated:

“Pine Flat District is under a Commission order to replace 3,500 feet of two-inch mains with six-inch mains. Having acquired the system on October 1, 2004, Del Oro Water Company has not had time to adequately address the distribution system problems. “

However, the replacement of distribution lines is included in Del Oro’s proposed Capital Improvement Project. There are no other outstanding Commission orders nor are there any service problems requiring corrective actions. The utility has been filing annual reports as required.

The revenue increase is reflected in the revised Schedules Nos. PF-1A, Annual General Metered Service – Pine Flat District; PF-2A, Annual General Flat Rate Service - Pine Flat District; PM-1A, Annual General Metered Service – Pine Mountain District; and PM-2A, Annual General Flat Rate Service - Pine Mountain District. The monthly bill for an average residential customer using 10 Ccf (one Ccf equals 100 cubic feet) of water with a ¾-inch meter will increase from \$31.45 to \$50.52 which is \$19.07 or 60.64% in Pine Flat and from \$17.93 to \$40.06 which is \$22.13 or 123.4% in Pine Mountain.

The Division recommends the rate base offset increases and resulting rates requested in draft advice be approved.

**COMMENTS**

This is an uncontested matter in which the resolution grants 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. Commission Decision 05-01-047 dated January 27, 2005, authorized Del Oro Water Company, Inc. to borrow approximately \$500,000 in order to make certain capital improvements and contract engineering studies and for authority to recover all such costs and advances by increases in the respective water rates of customers in the Pine Flat District and Pine Mountain District.
2. Del Oro Water Company, Inc. is complying with Decision No. 05-01-047 Ordering Paragraph 8: “In order to include capital expenditures for Pine Flat and Pine

Mountain service areas in rate base, Del Oro Water Company, Inc. may file two advice letters once the plant additions have been completed and are being used and useful, subject to reasonableness review.”

3. Del Oro Water Company, Inc. is requesting recovery on rate base additions completed up thru August 31, 2006.
4. The requested rate base offset increase and resulting rates are reasonable and should be adopted.
5. The revised rate base offset for projects thru August 31, 2006 is \$275,812.
6. The revenue requirement for the capital improvements is \$32,784, or a 52.93% increase for the Pine Flat District and \$10,695, or a 37.14% increase for the Pine Mountain District.
7. Del Oro Water Company, Inc. should keep charging its customers the flat rates for Pine Flat and Pine Mountain Districts since the revenue requirement is based on flat rates collected from the customers.
8. Del Oro Water Company, Inc. should file an advice letter for a meter rate structure adjustment after compiling 12 months of recorded water consumption data.
9. The Commission finds, after investigation by the Division, that the rate increase hereby authorized is justified, and the resulting rate increase is just and reasonable.
10. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g) (3).

**THEREFORE IT IS ORDERED THAT:**

1. Del Oro Water Company, Inc. is authorized to make effective the revised Schedules Nos. PF-1A, Annual General Metered Service - Pine Flat District; PF-2A, Annual General Flat Rate Service - Pine Flat District; PM-1A, Annual General Metered Service - Pine Mountain District; and PM-2A, Annual General Flat Rate Service - Pine Mountain District, attached to this resolution, and to concurrently cancel its presently effective rate schedules. The effective date of the revised rate schedules shall not be earlier than five days after the effective date of this resolution.
2. Del Oro Water Company, Inc. is directed to keep charging its customers the flat rates for Pine Flat and Pine Mountain Districts since the revenue requirement is based on flat rates collected from the customers.
3. Del Oro Water Company, Inc. is directed to file an advice letter for a metered rate structure adjustment after compiling 12 months of recorded water consumption data.

**DRAFT**

**Resolution W-4638  
Del Oro/AL NO. 152/JPT/MXK/EYC/jlj**

**April 12, 2007**

4. 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 April 12, 2007; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

Schedule No. PF-1A

ANNUAL GENERAL METERED SERVICE  
PINE FLAT DISTRICT

APPLICABILITY

Applicable to all metered water service furnished to the Pine Flat District service area.

TERRITORY

The unincorporated community known as Pine Flat, and vicinity, located approximately two Miles southeast of California Hot Springs, Tulare County.

RATES

Quantity Rate:	<u>Per Meter Per Month</u>	
For all water, per 100 cu. Ft.	\$ 2.175	(I)

Annual Service Charge:	<u>Per Meter Per Month</u>	
For 5/8 x 3/4 inch meter	\$ 28.77	(I)
For 3/4 inch meter	43.15	
For 1 inch meter	71.92	
For 1-1/2 inch meter	143.83	
For 2 inch meter	230.13	
For 3 inch meter	431.49	
For 4 inch meter	719.15	
For 6 inch meter	1,438.31	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge for water computed at the Quantity Rate.

SPECIAL 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 residents 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 meter 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)

Schedule No. PF-2A

ANNUAL GENERAL FLAT RATE SERVICE  
PINE FLAT DISTRICT

APPLICABILITY

Applicable to all flat water service furnished to the Pine Flat District service area.

TERRITORY

The unincorporated community known as Pine Flat, and vicinity, located approximately two miles southeast of California Hot Springs, Tulare County.

RATES

		<u>Per Service Connection</u>	
		<u>Per Year</u>	
For	3/4-inch service connection	\$ 468.96	(1)
For	1 - inch service connection	703.40	
For	1-1/2-inch service connection	937.81	
For	2 - inch service connection	1,406.62	(1)

SPECIAL CONDITIONS

4. All service not covered by the above classifications shall be furnished only on a metered basis.
5. The annual flat rate 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 residents 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.
6. The established billing cycle for water used is monthly.
7. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is 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 charges 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 customer.
8. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.
9. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
10. A late charge will be imposed per Schedule No. LC.

DRAFT

Resolution W-4638  
Del Oro/AL NO. 152/JPT/MXK/EYC/jlj

April 12, 2007

Schedule No. PM-1A  
ANNUAL GENERAL METERED SERVICE  
PINE MOUNTAIN DISTRICT

APPLICABILITY

Applicable to all metered water service furnished to the Pine Mountain District service area.

TERRITORY

Tract Nos. 416 and 455 in Rainbow Ranch and Tract Nos. 438 and 455, and vicinity, located approximately one mile east of Pine Flat, Tulare County.

RATES

Quantity Rate:		<u>Per Meter Per Month</u>	
For all water, per 100 cu. Ft.		\$ 1.129	(I)
Annual Service Charge:		<u>Per Meter Per Month</u>	
For 5/8 x 3/4 inch meter		\$ 13.41	(I)
For 3/4 inch meter		20.12	
For 1 inch meter		33.55	
For 1-1/2 inch meter		67.10	
For 2 inch meter		107.35	
For 3 inch meter		201.27	
For 4 inch meter		335.45	
For 6 inch meter		670.91	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the monthly charge for water computed at the Quantity Rate.

SPECIAL 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 residents 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 meter 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.

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Schedule No. PM-2A

ANNUAL GENERAL FLAT RATE SERVICE

PINE MOUNTAIN DISTRICT

APPLICABILITY

Applicable to all flat water service furnished to the Pine Mountain District service area.

TERRITORY

Tract Nos. 416 and 455 in Rainbow Ranch and Tract Nos. 438 and 455, and vicinity, located approximately one mile east of Pine Flat, Tulare County.

RATES

	<u>Per Service Connection</u>	
	<u>Per Year</u>	
For a single-family residential unit, including premises	\$445.20	(I)
For each additional single-family residential unit on the same premises and served from the same service connection	\$318.24	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one-inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. 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 residents 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.
4. The established billing cycle for water used is monthly.
5. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is 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 charges 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 customer.
6. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.
7. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
8. A late charge will be imposed per Schedule No. LC.