

WATER/JPT/EYC/KKE:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4643

May 3, 2007

R E S O L U T I O N

(RES. W-4643), INTERIM CONSUMER PRICE INDEX-URBAN TEST YEAR RATE RELIEF IN THE MATTER OF THE GENERAL RATE CASE APPLICATION OF DEL ORO WATER COMPANY (DEL ORO), WALNUT RANCH DISTRICT (WALNUT RANCH) FOR AN ORDER AUTHORIZING IT TO INCREASE RATES FOR WATER SERVICE BY \$771 OR 2.4% IN 2007.

SUMMARY

Pursuant to Res. W-4540, this resolution grants interim CPI-Urban rate relief for Del Oro's Walnut Ranch, in the Test Year (TY) 2007, while its General Rate Case (GRC) is being processed. The TY interim rate increase is based upon the most recent 12-month ending rate of inflation (February 2007) as compared to existing rates for Del Oro's Walnut Ranch.

The interim increase will be subject to refund and may be adjusted upward or downward, back to February 1, 2007, consistent with the final rates adopted by the Commission in the pending GRC.

The interim rates will result in a system-wide annual increase of \$771 or 2.4%.

BACKGROUND

By Draft Advice Letter filed on February 1, 2007, on behalf of Walnut Ranch, Del Oro requested a GRC increase of \$20,548 or 64.00% in annual gross revenue for TY 2007.

According to Res. W-4540, dated June 16, 2005, Del Oro may also file, as a parallel request with a GRC application, for interim relief based on the most recent 12 months ending CPI - U rate for the Test Year (TY) pending the

processing of the utility's GRC. The increase is applied to all accounts except balancing accounts and no earnings test is required.

The utility's Advice Letter (AL) No. 156, dated February 26, 2007 and supplemented by AL 156-A on April 13, 2007, requests the TY CPI-U rate adjustment based on the December 2006 CPI-U rate increase of 2.5% or a system-wide increase of \$805. The system consists of 78 flat rate customers at one rate. According to the company's calculation, rates will increase eighty-six cents from \$34.30 to \$35.16 per month.

DISCUSSION

Res. W-4540 allows water and sewer companies with less than 10,000 service connections to make rates effective at the beginning of its test year, even when the General Rate Case (GRC) is not complete until later and treats the Class B, C, and D water and sewer system utilities the same way with regard to GRCs that Public Utilities Code §455.2 treats the Class A water companies. Recovery of uncollected revenues or the return of over-collected revenues based on the Commission approved final rates are identical to those provided for Class A water utilities.

Normally, if the GRC filing occurs during the first six months of the calendar year, the utility asks for that calendar year to be its test year, in the hope rates can be effective upon approval of the GRC resolution during that year. This is the case with the Del Oro's Walnut Ranch: its pending GRC's TY is also the calendar year in which it filed.

By the requirements of Res. W-4540, the utility filed AL No. 156 for a CPI-U increase along with its GRC. The Water Division can prepare a resolution approving the request, *or alternately* a resolution approving the cash flow increase, if the utility needs one, that also makes the interim rates subject to adjustment to the final rates.¹

¹ When the Water Division finds the utility needs a cash flow increase per the Service Guarantee Plan, it prepares a resolution that makes the increase subject to refund or increase depending on the Commission-approved final rates.

According to the Water Division's Audit and Enforcement Branch, the utility does not qualify for a cash flow increase.

The calculation of the CPI-U surcharge or surcredit for the recoverable revenues is in accordance with Decision (D.) 04-06-019. The rate of inflation should be the most recent 12-month ending change in the U.S. Cities CPI-U published by the U.S. Bureau of Labor Statistics. This percentage should be applied to all revenue requirement components except those items included in balancing accounts.

The utility's request based on the December 2006 CPI-U rate increase of 2.5% is incorrect since the proper calculation is the inflation increase for the *most recent* 12-month ending CPI-U change. For the 12-month period ending February, 2007, the CPI was 2.4% higher than at the end of February, 2006.²

The revenue adjustment at 2.4% correlates to a system wide annual increase of \$771 which will raise rates eighty-two cents from \$34.30 to \$35.12 per month.

COMMENTS

This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g) (3).

FINDINGS

1. Pursuant to Res. W- 4540, the Del Oro Water Company filed Advice Letter No. 156, dated February 26, 2007, for a CPI-U increase for the 2007 Test Year of its Walnut Ranch District's General Rate Case application of January 17, 2007.
2. The increase is subject to refund or increase to the rates found reasonable in the general rate case resolution or decision, for the requested Test Year of 2007.
3. No earnings test is required.

² The link to the CPI data is www.bls.gov/cpi/

4. When the Water Division finds the utility needs a cash flow increase per the Service Guarantee Plan, it can prepare, *in the alternative* to a CPI-U rate increase, a resolution that makes the increase subject to refund or increase depending on the Commission-approved final rates.
5. The calculation of the surcharge or surcredit for CPI-U increase for the recoverable revenues should be in accordance with D. 04-06-019.
6. Del Oro Water Company's calculations for TY CPI-U used the wrong inflation factor -- December 2006 at 2.5% instead of the most recent 12-month ending inflation factor of 2.4% at February 2007.
7. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g) (3).
8. This advice letter shall be made effective by Commission resolution.

THEREFORE IT IS ORDERED THAT:

1. The Del Oro Water Company Walnut Ranch District's Advice Letter No. 156 filing for a Consumer Price Index - Urban rate increase for the 2007 Test Year of its pending General Rate Case application is approved as modified in the attached Appendix A, by the Water Division. The effective date of the revised rate schedule is five days after the date of this resolution.
2. The Del Oro Water Company, Walnut Ranch District, is authorized to increase its annual revenues by \$770 or 2.4%

3. 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 May 3, 2007; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

APPENDIX A

Schedule No. WR-2R

RESIDENTIAL FLAT RATE SERVICE
WALNUT RANCH DISTRICT

APPLICABILITY

Applicable to all flat residential water service.

TERRITORY

The subdivision known as Walnut Ranch Unit 1 and vicinity, approximately one mile south of Colusa, Colusa County, California.

RATES

For a single-family residential unit..... \$35.12 (I)

For each additional single-family residential unit
on the same premises and served from the same
service connection..... \$17.56 (I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than 1-inch in diameter.
2. 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.
3. The established billing cycle for water used is monthly.
4. 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 a least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

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