

PUBLIC UTILITIES COMMISSION505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

June 30, 2009

File No.: 602-19

TO: ALL INTERESTED PARTIES

Enclosed is draft Resolution W-4773 of the Division of Water and Audits. It will be on the Commission's July 30, 2009 agenda. The Commission may then act on this Resolution or it may postpone action until later.

When the Commission acts on the draft resolution, it may adopt all or part of it as written, amend, or modify it, or set it aside and prepare a different resolution. Only when the Commission acts does the resolution become binding on the parties.

Parties to this matter may file comments on this draft resolution. An original and 2 copies of the comments, with a certificate of service, should be submitted to:

Division of Water and Audits, Third Floor
Attention: Tayeb Mogri
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Parties may submit comments on or before July 20, 2009. The date of submission is the date the comments are received by the Division of Water and Audits. Parties must serve a copy of their comments on Del Oro Water Company, on the same date that the comments are submitted to the Division of Water and Audits.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft resolution, a table of authorities, and appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal, or technical errors in the draft resolution, and shall make specific reference to the record or applicable law. Comments which fail to do so will be accorded no weight and are not to be submitted.

Persons interested in comments of parties may write to Tayeb Mogri or telephone him at (415) 703-2146.

/s/ RAMI KAHLON
Rami Kahlon, Director
Division of Water and Audits

Enclosures: Draft Resolution W-4773
Certificate of Service
Service List

WATER/RSK/JB5/TKM/jj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4773
July 30, 2009

R E S O L U T I O N

(RES. W-4773), DEL ORO WATER COMPANY, (DOWC). ORDER AUTHORIZING A SURCHARGE TO RECOVER AN INCREASE IN WATER QUALITY EXPENSES PRODUCING AN INCREASE IN ANNUAL REVENUE OF \$2,062 IN FERNDALE DISTRICT, \$3,891 IN LIME SADDLE DISTRICT, \$3,390 IN PINE FLAT DISTRICT, \$2,182 IN PINE MOUNTAIN DISTRICT, \$6,398 IN RIVER ISLAND DISTRICT, \$4,009 IN STRAWBERRY DISTRICT, AND \$1,359 IN WALNUT RANCH DISTRICT.

SUMMARY

By Advice Letter (AL) 226, filed on May 11, 2009 and supplemented on June 4, 2009 (AL 226-A), DOWC requests a surcharge be instituted to each customer's bill as outlined below to its Schedules 1, General Metered Service, and 2, Flat Rate Service:

Billed over three billing cycles	
Ferndale (DOWCFD)	\$0.91
Billed over six billing cycles	
Lime Saddle (DOWCLS)	\$1.83
Strawberry (DOWCST)	\$1.77
Billed over nine billing cycles	
Pine Flat (DOWCPF)	\$1.88
Pine Mountain (DOWCPM)	\$1.68
River Island (DOWCRI)	\$1.17
Walnut Ranch (DOWCWR)	\$2.70

The increase requested is to recover expenses resulting from the Environmental Protection Agency's adopted National Primary Drinking Water Regulations, as administered by the California Department of Public Health (CDPH). The expenses include water sampling, testing, reporting, and treatment costs incurred in 2008 and paid by various districts of DOWC over and above the amount allowed in DOWC's last general rate cases. This increase will not result in a rate of return greater than that last authorized for DOWC's various districts.

This resolution hereby grants DOWC the authority to recover in rates by adding a surcharge to each customer's bill.

BACKGROUND

DOWC, a Class B utility, provides water service to customers in the various districts known as Ferndale (DOWCFD), Lime Saddle (DOWCLS), Pine Flat (DOWCPF), Pine Mountain (DOWCPM), River Island (DOWCRI), Strawberry (DOWCST), and Walnut Ranch (DOWCWR). DOWC requests authority under General Order 96-B, Rule 7.6.2 and Water Industry Rule 7.3.3(7) and Section 454 of the Public Utilities Code to recover the expenses related to water quality. The surcharge will recover water quality costs including testing, sampling, and compliance for the year 2008. The present rates for DOWCFD became effective on November 13, 2008, pursuant to AL 205; for DOWCLS on May 27, 2008, pursuant to AL 182; for DOWCPF and DOWCPM on October 3, 2008, pursuant to AL 203; for DOWCRI on November 2, 2008, pursuant to AL 206; for DOWCST on May 27, 2008, pursuant to AL 184; and for DOWCWR on May 7, 2009, pursuant to Res. W- 4681.

NOTICE AND PROTESTS

Notice of the proposed rate increase was mailed to the customers. There were four customer contacts complaining that the proposed offset increase should not be allowed because the filings were not readily accessible for customer's review.

DISCUSSION

Section 116565(a) to the California Health and Safety Code, directs the CDPH to charge the utilities within its jurisdiction for all operating costs. Section 116596(a) authorizes these costs to be passed on to those utilities' customers. On March 6, 2002, the Commission approved Res. W-4327, (superseding Res. W-4013) which authorized the establishment of a memorandum account for water testing costs mandated by the CDPH for Water Quality. The resolution authorized Class B, C, and D Water Utilities to establish two memorandum accounts to track water quality expenses, the first - a Water

Quality Memorandum Account (WQMA) and the second - a User Fee Memorandum Account (UFMA) to track CDPH fees not presently included in their rates. The memorandum accounts remained open until January 1, 2008, when they were terminated by provision of Res. W-4327. On July 31, 2008, the Commission approved Res. W-4698 (superseding Res. W-4327) which authorized the establishing of Water Quality and User Fee Balancing Accounts. The change from memorandum accounts to balancing accounts better reflects the similarity to purchased water, purchased power, and pump tax balancing accounts approved for recovery without an earnings test by Decision 06-04-037, April 13, 2006.

DOWC established the WQMA as authorized in Res. W-4327, and elected to record therein expenses for water quality costs incurred in 2008. These charges are split into several invoices covering the various districts. The invoices cover the period from January 1, 2008 through December 31, 2008 and were paid at various times during the year 2008. The charges in the invoices are authorized to be recovered in rates.

The issue of recovery of water quality charges is not a general rate-making matter. Rather, it deals with recovery of an expense item independent of the Commission's general rate-making responsibilities. The Commission's policy has been, and continues to be, to allow utilities to recover water quality charges in rates as authorized in Sections 116565(a) and 116590(c) of the California Health and Safety Code.

Staff of the Division of Water and Audits (DWA) reviewed the invoices and determined that the charges were reasonable. DOWC proposes to pass on to their customers the operating costs for water quality, as authorized in Section 116590 to the California Health and Safety Code. DWA has reviewed the utility's request and finds it to be reasonable and recommends that it be authorized.

DOWC's recorded earnings for the year 2008 show that utility is not over-earning its authorized rate of return. DWA recommends that DOWC be authorized to assess a surcharge for all the districts which will be in effect over three, six, or nine billing cycles.

COMPLIANCE

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

COMMENTS

This is a contested matter in which the decision grants the relief requested. This proceeding is subject to the public review and comment pursuant to Public Utilities

Code 311(g) (1). The draft resolution was mailed on June 30, 2009. Comments were received on _____.

FINDINGS

1. Del Oro Water Company filed Advice Letter 226-A requesting surcharge in various districts to recover water quality expenses incurred during 2008 as authorized by Section 116565(a) of the California Health and Safety Code.
2. The undercollections in water quality expenses represent less than 4% of gross revenues for Del Oro Water Company.
3. The surcharge herein would allow Del Oro Water Company to recover in rates the water quality related costs including testing, sampling, and compliance for the year 2008 in Water Quality Memorandum Account approved by the Commission in Resolution W-4327 dated March 6, 2002.
4. It is proper for Del Oro Water Company to assess a surcharge per customer to recover the water quality expenses in rates pursuant to Section 116590(c) of the California Health and Safety Code.
5. The Commission finds, after investigation by the Division of Water and Audits that the request is justified, and the resulting rate is just and reasonable.
6. This is a contested matter subject to the public notice and comment provided in the Public Utilities Code Section 311 (g) (1)).

THEREFORE IT IS ORDERED THAT:

1. Del Oro Water Company is authorized five days after the effective date herein, to make effective revised Schedules 1, General Metered Service, and 2, Flat Rate Service, attached to Advice Letter 226-A in its Ferndale District, Lime Saddle District, Pine Flat District, Pine Mountain District, River Island District, Strawberry District, and Walnut Ranch District and to cancel the corresponding presently effective rate schedules.
2. Del Oro Water Company is directed in the future to maintain a Water Quality Balancing Account as required by Public Utilities Code Section 792.5.

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 July 30, 2009; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of draft Resolution W-4773 on all parties in these filings or their attorneys as shown on the attached list.

Dated June 30, 2009, at San Francisco, California.

/s/Josie L. Jones

JOSIE L. JONES

Parties should notify the Division of Water and Audits, Public Utilities Commission, 505 Van Ness Avenue, Room 3106, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number of the service list on which your name appears.

SERVICE LIST
DRAFT RESOLUTION W-4773

See attached.

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