

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-4772 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-4772
Certificate of Service
Service List

DRAFT

WATER/RSK/JB5/TKM/jlj

AGENDA ITEM #8655

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4772
July 30, 2009

R E S O L U T I O N

(RES. W-4772), DEL ORO WATER COMPANY, (DOWC). ORDER AUTHORIZING A SURCHARGE TO RECOVER AN INCREASE IN WATER QUALITY EXPENSES PRODUCING AN INCREASE IN ANNUAL REVENUE \$728.00 IN FERNDALE DISTRICT, \$936.00 IN LIME SADDLE DISTRICT, \$364.70 IN PINE FLAT DISTRICT, \$156.50 IN PINE MOUNTAIN DISTRICT, \$415.00 IN RIVER ISLAND DISTRICT, \$521.00 IN STRAWBERRY DISTRICT, AND \$415.00 IN WALNUT RANCH DISTRICT.

SUMMARY

By Advice Letter (AL) 225, filed on May 11, 2009 and supplemented on June 4, 2009 (AL 225-A), DOW C requests a one-time surcharge be instituted to each customer's bill as outlined below to its Schedules 1, General Metered Service, and 2, Flat Rate Service.

Ferndale (DOWCFD)	\$0.96
Lime Saddle (DOWCLS)	\$2.64
Pine Flat (DOWCPF)	\$1.88
Pine Mountain (DOWCPM)	\$1.68
River Island (DOWCRI)	\$1.17
Strawberry (DOWCST)	\$1.38
Walnut Ranch (DOWCWR)	\$2.70

The increase requested is to recover water compliance costs incurred in 2008 and 2009 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 the California Department of Public Health (CDPH) fees by adding a one-time 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), 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 CDPH fees through a one-time surcharge. The surcharge will recover water quality costs including testing, sampling, and compliance for the years 2008 and 2009. 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) of the California Health and Safety Code, directs the CDPH to charge the utilities within its jurisdiction for all operating costs. Section 116590(c) of the Health and Safety Code 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 the CDPH fees that were being billed under Section 116565(a) of the California Health and Safety Code and 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 account better reflects the similarity to purchased water, purchased power, and pump tax balancing accounts approved for recovery without an earnings test by D.06-04-037, April 13, 2006.

DOWC established the UFMA as authorized in Res. W-4327, and elected to record therein the water compliance costs with CDPH incurred in 2008 and 2009 and paid to CDPH. These charges are split into several invoices covering the various districts. The invoices covered the period from July 1, 2008 through June 30, 2009 and paid November 25, 2008. A utility is able to seek recovery CDPH fees once it incurs the CDPH charges, i.e., receives an invoice from CDPH authorized by Res. W-4698, effective July 31, 2008.

The issue of recovery of CDPH charges is not a general rate-making matter. Rather, it deals with recovery of a discrete 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 CDPH charges in rates as authorized in Sections 11656(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 its customers the operating costs from CDPH, as authorized by Section 116590(c) of 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 one-time surcharge for all the districts except for Walnut Ranch which will be over two 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 No. 225-A requesting a surcharge in various districts to recover California Department of Public Health fees incurred during 2008 and 2009 pursuant to Section 116565(a) of the Health and Safety Code.
2. The undercollections in California Department of Public Health fees represent less than 1% of gross revenues for Del Oro Water Company.
3. The surcharge herein would allow Del Oro Water Company to recover in rates the California Department of Public Health fees based on Commission approved Resolution W-4327 dated March 6, 2002 which authorized the establishment of a User Fee Memorandum Account for the fees that were being billed under Section 116565(a) of the California Health and Safety Code.
4. It is proper for Del Oro Water Company to assess a one-time surcharge per customer to recover the California Department of Public Health fees incurred during 2008-2009 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 Schedule 1, General Metered Service and Schedule 2, Flat Rate Service, attached to Advice Letter No. 225-A in its Ferndale District, Lime Saddle District, Pine Flat District, Pine Mountain District, River Island District, Strawberry District, 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 User Fee 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

SERVICE LIST
DRAFT RESOLUTION W-4772

See attached.

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Tuolumne Utilities District
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Mr. Mike McMasters
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BAKERSFIELD CA 93304

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McFarland Mutual Water Co.
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