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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4895
January 12, 2012

R E S O L U T I O N

(RES. W-4895), DEL ORO WATER COMPANY (DOWC), LIME SADDLE DISTRICT (LSD). ORDER AUTHORIZING A GENERAL RATE INCREASE (GRC), PRODUCING ADDITIONAL ANNUAL REVENUE OF \$40,544 OR 13.67% FOR TEST YEAR (TY) 2011.

SUMMARY

By Advice Letter (AL) 310, filed on August 22, 2011, DOWC seeks to increase its rates for water service in its Lime Saddle District due to a reduction in water consumption from that adopted in the last GRC and earn an adequate return on its plant investment. For TY 2011, this Resolution grants an increase in gross annual revenues of \$40,544 or 13.67% over current rates. The rate schedules to implement the 2011 increase are set forth in Appendix B. This increase is estimated to provide a rate of return of 10.80%.

BACKGROUND

DOWC, a Class B water utility, has requested authority under Rule 7.6.2 of General Order (GO) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by \$40,544 or 13.67% for TY 2011, over the current rates. The purpose of the rate increase is to adjust the adopted quantities for water sold to customers to properly reflect a more accurate quantity and provide an adequate rate of return. DOWC's request was based on a rate of return of 10.80%.

The present rates became effective on August 22, 2011, by approval of AL 309, which authorized an interim rate increase of \$5,139 or 1.5%, subject to refund or increase to the rates established in this GRC. The last GRC for DOWC was granted on March 18, 2009, pursuant to Res. W-4746, which granted an increase in revenues of \$33,293 or 10.86%.

DOWC-LSD provides metered rate service to 358 customers in Lime Saddle, a community located south of the Town of Paradise and north of Highway 70 in Butte County.

The water system is currently divided between the lower west and northern areas of LSD. DOWC serves approximately 60 service connections in the lower west area of LSD known as Mount Oak Subdivision. Water from the Lake Oroville intake is pumped approximately $\frac{3}{4}$ of a mile to DOWC's treatment plant, located in the southern end of Lime Saddle. Once the water is treated it is pumped to DOWC's storage tank which has a storage capacity of approximately 1.5 million gallons. The northern part of LSD is served from water taken from the country club and Conway wells, and purchased water from Stirling Bluffs District which is currently wheeled by Paradise Irrigation District (PID.)

NOTICE AND PROTEST

AL 310 was served on August 22, 2011, in accordance with GO 96-B, including on adjacent utilities and persons on the general service list. On August 24, 2011, a notice of the proposed rate increase was mailed to each customer's permanent address and to the general service list. One protest was received by the Division of Water and Audits (Division), questioning the rate increase and the utility replied.

An informal public meeting was held on Wednesday, September 21, 2011, at 6:30 PM at the Paradise High School Multi-Purpose Room located at 5911 Maxwell Drive, Paradise, CA. Two customers attended the meeting.

DISCUSSION

The request for an increase in rates is due to a reduction in water consumption from 84,400,000 gallons that was adopted in the last General Rate Case via Res. W. 4746 to the most current annual consumption of 68,900,000 gallons. The Division made an independent analysis of DOWC's operations. Appendix A shows DOWC's and the Division's estimated summary of earnings at present, proposed and recommended rates for TY 2011. DOWC is in agreement with the Division's recommended revenue requirement, shown in Appendix A, and the Division's recommended rates, shown in Appendix B. The Division recommends that the Commission approve the rate increases and resulting rates shown in Appendix B.

The Division's estimate of DOWC's operating expenses, excluding purchased water, purchased power, and other volume related expenses remains the same as the data from the last GRC for DOWC which was granted on March 18, 2009, via Res. W-4746.

The purchased water estimate was based on twelve months usage ending in December 2010. Actual invoices from PID were used to arrive at the estimate. For estimating purchased power costs, DOWC used the twelve months of usage ending in December 2010, and applied the average cost per kilowatt-hour of Pacific Gas and Electric Company's rates for 2010, and the Division agrees. Other Volume Related Expenses represent chemicals used in water treatment. For estimating all other expense categories, Division used the same expenses approved in the last GRC. The Division's recommendations are shown in Appendix A.

DOWC requested a 10.80% rate of return, which was the last approved rate of return. Division accepted DOWC's requested rate of return and calculates a revenue requirement of \$337,225.

DOWC -SD's rate structure affects one schedule: LS-1A, Annual General Metered Service. At the Division's recommended rates the increase in revenue will be \$40,544 or 13.67% for TY 2011. At the recommended rates for 2011, shown in Appendix B, annual rates for an average consumption of 20,000 gallons per month¹ will increase from \$928.03 to \$1046.84, a difference of \$118.81 or 12.8% in TY 2011. A comparison of customer bills at present and recommended rates, are shown in Appendix C. The projections, adopted quantities, and tax calculations are shown in Appendix D.

COMPLIANCE

The utility has been filing annual reports as required. A review of DOWC's 2010 California Department of Public Health's (CDPH) Consumer Confidence Report shows that its water meets the required quality standards set by the CDPH. DOWC provides customers with an annual Consumer Confidence Report, regarding testing and water quality issues and customers have expressed confidence in the water quality.

G. O. 103-A requires the submission of any updated plans for operation & maintenance. DOWC is currently in compliance with G.O. 103-A. In consultation with their engineers, Luhdorff & Scalmanini Consulting Engineers, they are updating their operation & maintenance plan for the Lime Saddle District. The Division recommends that DOWC should conform to General Order 103-A requirements by submitting its updated operation and maintenance plans, electronically or in hard copy, to the Division within six months from the effective date of this resolution. Six months is a reasonable time to generate this information.

¹ The high average consumption of 20,000 gallons results from high consumption of commercial connections on the water system.

COMMENTS

Public Utilities Code Section 311(g) (1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft resolution was mailed to the utility, all protestants (whether or not they filed timely protests), and those requesting service at the public meeting, and made available for public comment on November 15, 2011. No comments were received.

FINDINGS

1. DOWC has requested authority to increase its water rates by \$40,544 or 13.67% for TY 2011.
2. The increase in rates is due to a reduction in water consumption from that adopted in the last General Rate Case.
3. AL 310 was served in accordance with General Order 96-B on August 22, 2011. On August 24, 2011, a notice of the proposed rate increase was mailed to each customer and to the general service list.
4. In reviewing DOWC's request, the Division made an independent analysis of DOWC's operations.
5. The Division used 12 months of actual power usage to estimate purchased power costs.
6. The Division used actual invoices from the Paradise Irrigation District to estimate other purchased water costs.
7. The Division developed estimates for expenses from purchased water, purchased power and other volume related expenses; the Division relied on DOWC's last GRC data for the estimates of all other expenses.
8. DOWC is in compliance with General Order No. 103-A.
9. DOWC agrees with the Division's recommended revenue requirement.
10. The Division's recommended summary of earnings (Appendix A) are reasonable and should be adopted.
11. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
12. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.

13. For TY 2011, it is appropriate to grant DOWC an increase in gross annual revenues of \$40,544 or 13.67% over current rates.
14. At the recommended rates for 2011, shown in Appendix B, annual rates for an average consumption of 20,000 gallons per month will increase from \$928.03 to \$1046.84, a difference of \$118.81 or 12.8% in TY 2011.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company, Lime Saddle District to file a supplemental advice letter with the revised rate schedule attached to this Resolution as Appendix B and concurrently cancel its presently effective rate Schedule No. LS-1A, General Metered Service. The effective date of the revised schedule shall be five days after the date of filing.
2. The quantities (Appendix D) used to develop the Division of Water and Audits' recommendations are adopted.
3. DOWC shall submit its updated operation and maintenance plans, electronically or in hard copy, to the Division within six months from the effective date of this resolution.

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 January 12, 2012; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERING J. K. SANDOVAL
MARK J. FERRON
Commissioners

| Appendix A | | | | | | |
|-----------------------------------------------------|-------------------------------------------|--------------------------|-------------------|-------------------------|-------------------|--------------------|
| Del Oro Water Company-- Lime Saddle District | | | | | | |
| SUMMARY OF EARNINGS | | | | | | |
| Test Year 2011 | | | | | | |
| | | Utility Estimated | | Branch Estimated | | Recommended |
| | | Present | Requested | Present | Requested | |
| | | Rates | Rates | Rates | Rates | |
| | Operating Revenue | | | | | |
| | General Metered Sales | \$ 296,681 | \$ 337,225 | \$ 296,681 | \$ 337,225 | \$ 337,225 |
| | Total | \$ 296,681 | \$ 337,225 | \$ 296,681 | \$ 337,225 | \$ 337,225 |
| | Operating Expenses | | | | | |
| 610 | Purchased Water | \$ 131,818 | \$ 131,818 | \$ 131,818 | \$ 131,818 | \$ 131,818 |
| 615 | Purchased Power | \$ 24,730 | \$ 24,730 | \$ 24,730 | \$ 24,730 | \$ 24,730 |
| 618 | Other Volume Related Expenses | \$ 2,967 | \$ 2,967 | \$ 2,967 | \$ 2,967 | \$ 2,967 |
| 630 | Employee Labor | \$ 19,720 | \$ 19,720 | \$ 19,720 | \$ 19,720 | \$ 19,720 |
| 640 | Materials | \$ 1,276 | \$ 1,276 | \$ 1,276 | \$ 1,276 | \$ 1,276 |
| 650 | Contract Work | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 |
| 660 | Transportation Expenses | \$ 3,321 | \$ 3,321 | \$ 3,321 | \$ 3,321 | \$ 3,321 |
| 670 | Office Salaries | \$ 32,140 | \$ 32,140 | \$ 32,140 | \$ 32,140 | \$ 32,140 |
| 671 | Management Salaries | \$ 8,227 | \$ 8,227 | \$ 8,227 | \$ 8,227 | \$ 8,227 |
| 674 | Employee Benefits | \$ 13,144 | \$ 13,144 | \$ 13,144 | \$ 13,144 | \$ 13,144 |
| 676 | Uncollectibles Expense | \$ 466 | \$ 466 | \$ 466 | \$ 466 | \$ 466 |
| 678 | Office Services & Rentals | \$ 4,426 | \$ 4,426 | \$ 4,426 | \$ 4,426 | \$ 4,426 |
| 681 | Office Supplies & Expenses | \$ 8,686 | \$ 8,686 | \$ 8,686 | \$ 8,686 | \$ 8,686 |
| 682 | Professional Services | \$ 2,277 | \$ 2,277 | \$ 2,277 | \$ 2,277 | \$ 2,277 |
| 684 | Insurance | \$ 4,361 | \$ 4,361 | \$ 4,361 | \$ 4,361 | \$ 4,361 |
| 688 | Regulatory Commission Expense | \$ 1,450 | \$ 1,450 | \$ 1,450 | \$ 1,450 | \$ 1,450 |
| 689 | General Expenses | \$ 4,957 | \$ 4,957 | \$ 4,957 | \$ 4,957 | \$ 4,957 |
| | Subtotal | \$ 265,073 | \$ 265,073 | \$ 265,073 | \$ 265,073 | \$ 265,073 |
| | Depreciation | \$ 29,420 | \$ 29,420 | \$ 29,420 | \$ 29,420 | \$ 29,420 |
| | Taxes other than Income | \$ 12,728 | \$ 12,728 | \$ 12,728 | \$ 12,728 | \$ 12,728 |
| | Income Taxes | \$ 1,490 | \$ 6,751 | \$ 1,490 | \$ 6,751 | \$ 6,751 |
| | Total Deductions | \$308,711 | \$313,972 | \$308,711 | \$313,972 | \$313,972 |
| | Net Revenue | -\$12,030 | \$23,253 | -\$12,030 | \$23,253 | \$23,253 |
| | Rate Base | | | | | |
| | Average Plant | \$ 1,451,989 | \$ 1,451,989 | \$ 1,451,989 | \$ 1,451,989 | \$ 1,451,989 |
| | Avg. Accumulated Depreciation | \$ 728,383 | \$ 728,383 | \$ 728,383 | \$ 728,383 | \$ 728,383 |
| | Net Plant | \$ 723,606 | \$ 723,606 | \$ 723,606 | \$ 723,606 | \$ 723,606 |
| Less | Advances | \$ 18,540 | \$ 18,540 | \$ 18,540 | \$ 18,540 | \$ 18,540 |
| | Avg. Contributions In Aid of Construction | \$ 397,245 | \$ 397,245 | \$ 397,245 | \$ 397,245 | \$ 397,245 |
| | Acquisition Adjustment | \$ 166,249 | \$ 166,249 | \$ 166,249 | \$ 166,249 | \$ 166,249 |
| Plus | Working Cash | \$ 22,089 | \$ 22,089 | \$ 22,089 | \$ 22,089 | \$ 22,089 |
| | Materials & Supplies | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 |
| | Construction Work in Progress | \$ 50,641 | \$ 50,641 | \$ 50,641 | \$ 50,641 | \$ 50,641 |
| | Rate Base: | \$ 215,302 | \$ 215,302 | \$ 215,302 | \$ 215,302 | \$ 215,302 |
| | Rate of Return | -5.59% | 10.80% | -5.59% | 10.80% | 10.80% |

(END OF APPENDIX A)

APPENDIX B
Del Oro Water Company
Schedule No. LS-1A
ANNUAL GENERAL METERED SERVICE
Test Year 2011

APPLICABILITY

Applicable to all metered water service furnished on an annual basis to the Lime Saddle District.

TERRITORY

All territory served by Del Oro Water Company, Inc. in the area known as Lime Saddle Community Services District, Located south of the Town of Paradise and north of Highway 70, Butte County.

RATES

Quantity Charge:
For all water, per 1000 gallons. \$ 3.65 (I)

² 2008 Purchased Water Surcharge, per 1,000 gallons

| Service Charge: | Per Meter Per Year | |
|--------------------------|-----------------------|-----|
| For 5/8 x 3/4-inch meter | \$ 170.84 | (I) |
| For 3/4-inch meter | \$ 256.20 | |
| For 1-inch meter | \$ 427.08 | |
| For 1-1/2-inch meter | \$ 854.16 | |
| For 2-inch meter | \$1366.68 | |
| For 3-inch meter | \$2562.48 | |
| For 4-inch meter | \$4270.92 | |
| For 6-inch meter | \$8541.84 | (I) |

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

² 2008 Purchased Water Surcharge of \$0.306 to be collected over a thirty-six (36) month period of time effective with approval of Advice Letter No. 223-A.

(END OF APPENDIX B)

APPENDIX C
Sheet 1
Del Oro Water Company
COMPARISON OF RATES

Test Year 2011

| | | Per Service Connection Per Year | | |
|--------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------|-----------------|-----------------|
| | | Present | Recommended | Percent |
| | | <u>Rates</u> | <u>Rates</u> | <u>Increase</u> |
| Service Charge: | | | | |
| | For 5/8 x 3/4-inch meters | \$ 164.83 | \$ 170.84 | 3.6% |
| | For 3/4-inch meters | \$ 247.24 | \$ 256.20 | 3.6% |
| | For 1-inch meters | \$ 412.07 | \$ 427.08 | 3.6% |
| | For 1-1/2-inch meters | \$ 824.13 | \$ 854.16 | 3.6% |
| | For 2-inch meters | \$ 1,318.61 | \$ 1,366.68 | 3.6% |
| | | \$ 2,472.29 | \$ 2,562.48 | 3.6% |
| | | \$ 4,120.65 | \$ 4,270.92 | 3.6% |
| | | \$ 8,241.28 | \$ 8,541.84 | 3.6% |
| Quantity Charge: | | | | |
| | Potable Water For all water, per 1,000 gallon | 3.18 | 3.65 | 14.8% |
| An annual bill comparison for a customer with a 5/8 x 3/4-inch meter is shown below: | | | | |
| Usage | Present | Recommended | Amount | Percent |
| <u>1000 gallons</u> | <u>Rates</u> | <u>Rates</u> | <u>Increase</u> | <u>Increase</u> |
| 0 | 164.83 | 170.84 | 6.01 | 3.6% |
| 5 | 355.63 | 389.84 | 34.21 | 9.6% |
| 10 | 546.43 | 608.84 | 62.41 | 11.4% |
| 17 | 813.55 | 915.44 | 101.89 | 12.5% |
| 20 | 928.03 | 1,046.84 | 118.81 | 12.8% |
| 30 | 1,309.63 | 1,484.84 | 175.21 | 13.4% |
| 40 | 1,691.23 | 1,922.84 | 231.61 | 13.7% |

(END OF APPENDIX C)

APPENDIX D
Del Oro Water Company
ADOPTED QUANTITIES
TEST YEAR 2011

| | | |
|-----------------------------|--------------------------------|------------------------------|
| Expenses: | | |
| 1. Purchased Power | | |
| | Vendor | Pacific Gas and Electric |
| | Total Cost | \$24,730 |
| 2. Purchased Water | | |
| | Vendor | Paradise Irrigation District |
| | Total cost | \$131,818 |
| 3. Water Sales in (000gals) | | |
| | Adopted 2009 GRC | Test Year 2011 |
| | 84,400 | 68,900 |
| 4. Service Connections | | |
| | Meter Size | |
| | 5/8 x3/4" | 325 |
| | 3/4" | 11 |
| | 1" | 14 |
| | 1-1/2" | 0 |
| | 2" | 6 |
| | 3" | 0 |
| | 4" | 1 |
| | 6" | 1 |
| | Total Metered | 358 |
| 5. Depreciation Rate | | |
| | | 3.00% |
| 6. Tax Calculation: | | |
| | | Test Year |
| | Line No. Item | 2011 |
| | 1 Operating Revenue | \$337,225 |
| | 2 O & M Expenses | \$265,073 |
| | 3 Taxes Other Than Income | \$12,728 |
| | 4 Depreciation | \$29,420 |
| | 5 Interest Expense | \$0 |
| | 6 Taxable Income for State Tax | \$29,985 |
| | 7 State Tax | \$2,651 |
| | 8 Taxable Income for Fed Tax | \$27,334 |
| | 9 Federal Income Tax | \$4,100 |
| | 10 Total Income Tax | \$6,751 |

(END OF APPENDIX D)