

WATER/ABJ/RKN:jrb

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

WATER DIVISION

**RESOLUTION NO. W-4341  
July 17, 2002**

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

**(RES. W-4341), DEL ORO WATER COMPANY, PARADISE PINES DISTRICT (PPD). ORDER CANCELLING THE EXISTING PURCHASED WATER SURCHARGE OF \$0.169 PER CCF AS AUTHORIZED IN RESOLUTION W-4286 AND AUTHORIZING A NEW MEMORANDUM ACCOUNT TO TRACK THE COST OF PURCHASED WATER REQUIRED TO MEET THE 2002 SUMMER DEMAND .**

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**SUMMARY**

By Advice Letter No. 107, filed on May 1<sup>st</sup>, 2002, PPD seeks to continue its existing purchased water quantity surcharge of \$ 0.169 per Ccf (one Ccf is equal to one hundred cubic feet) for the summer of 2002. This resolution denies PPD'S request for the authority to continue collecting the surcharge of \$0.169 per Ccf as authorized in Res. W-4286 through August 31, 2002, for the purpose of purchasing water in the summer of 2002. Instead this resolution authorizes a new memorandum account to track the cost of purchased water that may be required to meet the 2002 summer water demand.

**BACKGROUND**

The Paradise Pines District of the Del Oro Water Company (PPD) filed Advice Letter No. 107 with the Water Division (Division) on May 1<sup>st</sup>, 2002. PPD requested authority under General Order 96-A and Section 454 of the Public Utilities (PU) Code to continue the surcharge for purchased water authorized by Res. W-4286 for the purpose of purchasing water during the high demand summer months of June through August, 2002.

PPD is a corporation owned by Robert Fortino, providing water service to an area known as Fir Haven Subdivision, Sierra Del Oro Subdivision, Paradise Pines Subdivision, and vicinity, located approximately 6 miles north of Paradise, Butte County. PPD serves approximately 4,483 metered-rate connections serving approximately 11,000 customers in and around the community of Paradise Pines, Butte County.

PPD'S main source of water comes from three existing wells and a new Well #6, which pump water from two distinct aquifers. Prior to the last drought in California, the three wells produced sufficient water to meet the customers' water needs without having to

augment them with purchased water. The water demand has increased because the utility now has more large water usage customers, including two schools. The community is gradually changing from a retirement area to a more traditional community. The residents in the service area now include a larger number of families with children; those families tend to use more water. In August 2001, Well #6 was added to the system in order to eliminate the need for purchased water. In order to establish a base production rate, it has to complete 12 months of service. This will determine if Well #6 can meet the customers' demand in all seasons. Well #6 was expected to produce 1000 GPM, but it is only producing at a rate of 750 GPM. Also, this new well is taking the water from the same aquifer as two of the existing wells. In order to avoid the risk of water shortage, staff recommends allowing PPD to start a new memorandum account for purchased water to meet its needs for this summer. By the end of August 2002, Well #6 will have completed one year of operation and will have established a base reference for water production.

## **DISCUSSION**

The current surcharge rate was established on August 23, 2001, pursuant to Res. W-4286 that authorized a 12-month surcharge of \$0.169 per Ccf from September 1, 2001 through August 31, 2002, to collect \$94,885 used to purchase water during the summer 2001. Because it sold more water than expected PPD was able to amortize the \$94,885 approximately by April of 2002. PPD is requesting that the W-4286 authorization be modified to allow it to collect revenues in anticipation of a need to purchase water this summer.

PPD estimates that it may have to purchase 100 acre-feet (AF) of water to meet its customer demand over the period of three months starting from June 2002 through August 2002. A water loss of 18 to 20%, primarily due to evaporation, is estimated to take place between Stirling Bluffs and Paradise Irrigation District, which wheels the water to PPD. Therefore, only 80 AF (0.8 x 100) is expected to be wheeled by Paradise Irrigation District to PPD.

Collecting revenues in advance of expenditures is not consistent with past regulatory practice. When the utility has to expend funds, even if those expenditures are protected by memorandum account tracking, the utility will be more likely to expend only what is necessary. Also, the utility is more likely to consider alternatives, such as requesting its customers to conserve. PPD is a Class B water company and does not need these revenues to assure cash flow. Consequently, PPD should cancel the existing purchase water memorandum account authorized by resolution number W-4286. If the account has been over collected, the utility should refund the amount by crediting the service charge.

Because PPD may need to purchase water to meet peak demand, it is reasonable to allow it to track the expenses in a purchased water balancing account. In the event PPD purchases any water this summer, then PPD should file an advice letter within 60

days after August 31, 2002, requesting recovery of its expenses and justifying purchasing the water. If sufficient justification is not provided, PPD should not be allowed to charge the customers for the cost of the purchase water in the memorandum account. As an example, the Commission recommended in its Res. W-4333 dated June 6, 2002 that PPD should make a sincere attempt to improve the system efficiency and reduce losses. This may eliminate the need for purchased water in the future.

The utility's current rate structure consists of one schedule: No. PP-1A, Annual General Metered Service.

At the existing rates, the monthly bill for a 5.8 x  $\frac{3}{4}$ -inch metered customer using 10 Ccf of water will be reduced from \$15.11 to \$13.42.

### **NOTICE AND PROTESTS**

As this resolution is for the elimination of surcharge, public notice is not required. Public notice for recovery of the new memorandum account balances will be provided when the utility requests recovery.

### **COMPLIANCE**

There are no outstanding compliance issues. Service is satisfactory. There are no significant service problems requiring corrective action.

### **FINDINGS**

1. There is no justification for extending the existing purchased water surcharge.
2. PPD should cancel the existing purchase water memorandum account as the amount of \$95,885 has been already collected.
3. PPD should be authorized to start a new purchased water memorandum account to track the purchased water costs in the event that the rate of water production and storage measures pursued by PPD fail to meet the water demand for the customers.
4. PPD should purchase the water only after pursuing all the available options to meet the water demand for the customers.
5. PPD should record the actual purchased water costs into its new Purchased Water Memorandum Account, beginning with the effective date of this resolution.
6. PPD should file to refund any purchased water quantity surcharge revenues in its existing memorandum account.

**THEREFORE IT IS ORDERED THAT:**

1. Del Oro Water Company's Paradise Pines Advice Letter No. 107 is rejected.
2. Del Oro Water Company's Paradise Pines District is authorized to establish a new purchased water memorandum account.
3. The Del Oro Water Company, Paradise Pines District, shall record the actual purchased water costs into the new account.
4. The Del Oro Water Company, Paradise Pines District shall stop charging its purchased water quantity surcharge rate immediately.
5. Del Oro Water Company, Paradise Pines District, shall file an advice letter, per General Order 96-A, to refund any overcollections in its existing purchased water balancing account within the next 30 days.
6. 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 17, 2002; the following Commissioners voting favorably thereon:

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WESLEY M. FRANKLIN  
Executive Director

LORETTA M. LYNCH  
President

HENRY M. DUQUE  
CARL W. WOOD

GEOFFREY F. BROWN

MICHAEL R. PEEVEY  
Commissioners