

WATER/RSK/PTL/jlj

DIVISION OF WATER AND AUDITS
Water & Sewer Advisory Branch

RESOLUTION NO. W-4697
June 26, 2008

R E S O L U T I O N

(RES. W-4697), DEL ORO WATER COMPANY (Del Oro), FERNDALE DISTRICT (Ferndale). ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUE OF \$79,734 OR 19.56% IN 2008.

SUMMARY

By draft advice letter received on October 23, 2007, Ferndale requested an increase of \$80,233 or 19.68% in annual gross revenue for test year 2008 to recover operating expenses and earn an adequate return on its plant improvement. The Division of Water and Audits (Division) accepted this draft advice letter as complete for filing on December, 18, 2007.

For Test Year 2008, this Resolution grants an increase in gross revenues of \$79,734 or 19.56% which is estimated to provide a rate of return of 10.80%.

BACKGROUND

Del Oro is a Class B water utility. Ferndale has requested authority under Rule 7.6.2 of General Order 96-B and Water Industry Rule 7.3.3 (5), and Section 454 of the Public Utilities Code to increase its rates by \$80,233 or 19.68%. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. Ferndale's request shows 2008 gross revenues of \$407,606 at present rates increasing to \$487,839 at the proposed rates.

Ferndale's present rate became effective on January 1, 2008, by approval of Advice Letter 172, which authorized a 2.5%, Consumer Price Index for 2006. The last general rate increase was adopted by Res. W-4360, dated November 21, 2002, which authorized a general rate increase of \$1,095.00 or 0.28% and a rate of return of 9.84%.

Ferndale currently serves 761 residential metered rate customers in its service area in the City of Ferndale and adjacent unincorporated territory, Humboldt County. The majority of customers are full-time residents, being a mixture of retired or working individuals.

NOTICE, PROTESTS, AND PUBLIC MEETING

A notice regarding the general rate increase was mailed to each customer on February 4, 2008. A public meeting was held on February 26, 2008, and was attended by one customer. Staff explained the process of the rate increase request before the Commission. Ferndale representatives reviewed the rate increase request. Staff and Ferndale representatives responded to various questions from the attendees. Staff received one protest for the rate increase.

DISCUSSION

The Division made an independent analysis of Ferndale's operations. Appendix A shows Ferndale's and the Division's estimated summary of earnings at present, proposed, and recommended rates for Test Year 2008. Ferndale is in agreement with the summary of earnings and the Division's recommended rates in Appendices A and B. The Division recommends the rate increases and resulting rates shown in Appendix B be approved.

The Division staff reviewed operating expenses including purchased power, other volume related, employee labor, materials, contract work, transportation expenses, other plant maintenance, office salaries, management salaries, employee pension & benefits, uncollectibles, office services & rentals, office supplies and expenses, professional services, insurance, regulatory commission expense, general expenses, depreciation, and taxes other than income. Staff verified operating expenses and the rate base by reviewing supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

Ferndale's current rate structure consists of one schedule: No. FD-1A, Annual General Metered Service. At the recommended rates the increase in revenue will be \$79,734 or 19.56% for Test Year 2008.

At the Division's recommended rates shown in Appendix B, the monthly bill for a residential customer using 10 Ccf (One Ccf equals 100 cubic feet) of water with a 5/8 x 3/4- inch meter will increase from \$51.90 to \$55.22 which is \$3.32 or 6.40%. A comparison of customer bills for adopted and recommended rates is shown in Appendix C. The projections and tax calculations are shown in Appendix D.

COMPLIANCE

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

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g) (2), the otherwise 30-day period for public review and comment is being waived.

FINDINGS

1. The Division's recommended earnings (Appendix A) are reasonable and should be adopted.
2. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop Division's recommendations are reasonable and should be adopted.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company, Ferndale District, to file an advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective Schedule No. FD-1A, Annual General Metered Service. The effective date of the revised rate schedules shall be five days after the date of its filing.
2. Del Oro Water Company, Ferndale District is authorized to increase its annual revenues by \$79,734 or 19.56%, for test year 2008.

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 June 26, 2008; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners

APPENDIX A

**DEL ORO WATER COMPANY
FERNDALE DISTRICT
Summary of Earnings - Test Year 2008**

	Utility Present Rates	Estimated Proposed Rates	Branch Present Rates	Estimated Proposed Rates	Adopted Rates
Operating Revenues					
Metered water revenue	407,606	487,839	407,606	487,340	487,340
Total Revenue	407,606	487,839	407,606	487,340	487,340
Operating Expenses					
Power	10,210	10,210	10,210	10,210	10,210
Other volume related	5,560	5,560	5,560	5,560	5,560
Employee labor	95,623	95,623	95,623	95,623	95,623
Materials	5,912	5,912	5,912	5,912	5,912
Contract work	3,836	3,836	3,836	3,836	3,836
Transportation expenses	13,114	13,114	13,114	13,114	13,114
Other Plant Maintenance	520	520	520	520	520
Office salaries	43,204	43,204	43,204	43,204	43,204
Management salaries	12,723	12,723	12,723	12,723	12,723
Employee pension & benefits	33,245	33,245	33,245	33,245	33,245
Uncollectibles	936	936	606	606	606
Office Services & Rentals	9,301	9,301	9,301	9,301	9,301
Office supplies & expenses	20,447	20,447	20,447	20,447	20,447
Professional services	2,486	2,486	2,486	2,486	2,486
Insurance	12,921	12,921	12,921	12,921	12,921
Regulatory comm. expense	2,075	2,075	1,875	1,875	1,875
General expenses	1,727	1,727	1,727	1,727	1,727
Total operating expenses	273,840	273,840	273,310	273,310	273,310
Depreciation	45,631	45,631	45,631	45,631	45,631
Taxes other than income tax	28,713	28,713	28,713	28,713	28,713
State tax	3,234	10,327	3,281	10,333	10,333
Federal income tax	5,003	24,783	5,076	24,793	24,793
Total deductions	356,421	383,294	356,011	382,780	382,780
Net Revenue	51,185	104,545	51,595	104,560	104,560
Average plant	1,524,204	1,524,204	1,524,204	1,524,204	1,524,204
Average accum. dep.	502,374	502,374	502,374	502,374	502,374
Net plant	1,021,830	1,021,830	1,021,830	1,021,830	1,021,830
Plus: Working cash	22,820	22,820	22,820	22,820	22,820
Mat'l & supplies	7,000	7,000	7,000	7,000	7,000
Less: Advances	72,753	72,753	72,753	72,753	72,753
Contributions	10,888	10,888	10,888	10,888	10,888
Rate Base	968,009	968,009	968,009	968,009	968,009
ROR = NetRev/Rate Base	5.29%	10.80%	5.33%	10.80%	10.80%

(END OF APPENDIX A)

APPENDIX B

**DEL ORO WATER COMPANY
FERNDALE DISTRICT**

**Schedule No. FD-1A
ANNUAL GENERAL METERED SERVICE
Test Year 2008**

Applicability

Applicable to all metered water service.

Territory

The City of Ferndale and adjacent unincorporated territory, Humboldt County.

Rates

	<u>Per Meter</u>	
	<u>Per Month</u>	
Quantity Rate:		
For all water delivered per 100 cu. ft.	\$ 3.72	(R)
Service Charge:		
For 5/8 x 3/4 inch meter	\$ 18.02	(I)
For 3/4 inch meter	\$ 27.03	
For 1 inch meter	\$ 45.05	
For 1-1/2 inch meter	\$ 90.10	
For 2 inch meter	\$ 144.16	
For 3 inch meter	\$ 270.30	
For 4 inch meter	\$ 450.50	
For 6 inch meter	\$ 901.00	
For 8 inch meter	\$1,441.60	(I)

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

APPENDIX C

**DEL ORO WATER COMPANY
FERNDALE DISTRICT**

COMPARISON OF RATES
TEST YEAR 2008

	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount of Increase</u>	<u>Percent Increase</u>
Service Charge:				
For 5/8 x 3/4-inch meter	\$14.20	\$18.02	\$ 3.82	26.90%
Quantity Rate:				
All water per 100 cu.ft.	\$3.77	\$3.72	-\$0.05	-1.33%
Usage <u>100 cu.ft.</u>				
5	\$33.05	\$36.62	\$ 3.57	10.80%
10	\$51.90	\$55.22	\$ 3.32	6.40%
15	\$70.75	\$73.82	\$ 3.07	4.34%

(END OF APPENDIX C)

APPENDIX D

**DEL ORO WATER COMPANY
FERNDALE DISTRICT**

ADOPTED QUANTITIES

TEST YEAR 2008

1. Purchased Power	
Total Cost	\$10,210
Total kWh	59,743
2. Water Sales in Ccf	72,500
3. Payroll	
Employee Labor	\$96,623
Office Salaries	\$43,204
Management Salaries	\$12,723
4. Payroll Taxes	\$12,621
5. Property Taxes	\$16,092
6. Service Connections - Meter Size	
5/8 x 3/4"	735
3/4"	4
1"	11
1-1/2"	3
2"	3
4"	3
6"	1
8"	<u>1</u>
Total Metered	761

Adopted tax calculation

1. Operating Revenues	\$487,340
2. Expenses	273,310
3. Depreciation	45,631
4. Payroll Taxes	12,621
5. Property Taxes	16,092
6. Interest Expense	22,833
7. Taxable Income for State Tax	116,853
8. State Tax (8.84%)	10,333
9. Taxable Income for FIT	106,520
10. Federal Tax	24,793

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(END OF APPENDIX D)