

WATER/RSK/PTL/jlj

DIVISION OF WATER AND AUDITS
Water & Sewer Advisory Branch

RESOLUTION NO. W-4710
November 6, 2008

R E S O L U T I O N

(RES. W-4710), DEL ORO WATER COMPANY, JOHNSON PARK DISTRICT (Johnson Park). ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING AN INCREASE OF \$85,701 OR 87.90% IN 2008 AND \$36,400 OR 19.87%, \$36,400 OR 16.58% FOR ESCALATION YEARS 2009 AND 2010, RESPECTIVELY.

SUMMARY

By draft advice letter received on October 23, 2007, Johnson Park requested an increase of \$174,289 or 178.76% 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 \$85,701 or 87.90% and additional annual revenue of \$36,400 or 19.87%, \$36,400 or 16.58% for the escalation years 2009 and 2010, respectively. This increase in revenue is estimated to provide a return on the rate base of 9.80%. The rate schedules to implement the 2008 increase and the escalation increases for the years 2009 and 2010 are set forth in Appendix B.

BACKGROUND

Del Oro Water Company is a Class B water utility. Johnson Park has requested authority under General Order 96-B, Rule 7.6.2 and Water Industry Rule 7.3.3 (5), and Section 454 of the Public Utilities Code to increase its rates by \$174,289 or 178.76%. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. Johnson Park's request shows 2008 gross revenues of \$97,499 at present rates increasing to \$271,788 at the proposed rates.

Additionally, Johnson Park requests facilities fees of \$9,173 applicable to each of the new 24-lot customers who applied for water service not previously connected to its distribution mains, for additional service connections to existing premises, and for increases in size of service connections to existing premises.

Johnson Park's present rate became effective on January 1, 2008, by approval of Advice Letter 171, which authorized a 2.5%, Consumer Price Index (CPI) for 2008. The last general rate increase was adopted by W-4330, dated April 22, 2002, which authorized a general rate increase of \$20,799 or 26.17% and a rate of return of 9.12%.

Johnson Park currently serves 319 residential metered rate customers in its service area in Johnson Park and vicinity, Shasta 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 January 10, 2008. Staff received 103 letters in opposition to the size of the proposed increase. A public meeting was held on February 5, 2008, and was attended by 75 customers. Staff explained the process of the rate increase request before the Commission. Johnson Park's representatives reviewed the rate increase request. Staff and Johnson Park's representatives responded to various questions from the attendees.

DISCUSSION

An interim rate increase of \$2,507 or 2.5% was approved effective January 1, 2008, subject to Commission W-4658, which authorizes an informal general rate case cost-of-living rate increase.

To mitigate the impact of the large rate increase, the Division had negotiated and reached a settlement agreement with Johnson Park and made the recommendations which Johnson Park agrees.

Del Oro Water Company is a Class B water utility and the allowed rate of return is 10.8% based on its capital study. During the negotiation, the utility is willing to reduce the rate of return to 9.8% during the phase-in years to lessen the impact of the large rate increase.

The settlement agreement includes:

- a) The increase will be phased-in over three years from 2008 to 2010;
- b) Johnson Park's allowed rate of return of 10.8% is reduced to 9.8% during the phase-in years;
- c) Johnson Park is contributing \$100,000 towards the construction in progress which the total project cost is \$725,851 with interest and after the contribution;

- d) Johnson Park is authorized to collect facilities fees of \$9,173 from each of the new 24-lot customers who applied for water service shown in Schedule JP-F, Facilities Fees, Appendix B;
- e) Johnson Park is barred from deferred revenue collection for all of 2008, 2009, and 2010;
- f) Johnson Park will not request a recovery for uncollected revenue for the period between the first day of the Test Year 2008 and the effective date of the rate increase;
- g) Johnson Park will not request recovery of the CPI offsets for years 2009 and 2010;
- h) Johnson Park will be required to file advice letters on or before November 20 of 2009 and 2010 for the escalation rates of 2009 and 2010, and the escalation rates will be made effective on January 1 of 2010 and 2011, respectively.

The Division made an independent analysis of Johnson Park's operations. Appendix A shows Johnson Park's and the Division's estimated summary of earnings at present, proposed, and recommended rates for Test Year 2008, to be phased in during the years 2008, 2009, and 2010. Appendix B includes the Division's tariff rates for the years 2008, 2009, and 2010.

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 and benefits, uncollectibles, office services and 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.

Johnson Park 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.

Johnson Park's current rate structure consists of one schedule: No. JP-1A, Annual General Metered Service. At the recommended rates the increase in revenue will be \$85,701 or 87.90% for Test Year 2008.

At the Division's recommended rates for 2008 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 \$19.13 to \$35.93 which is \$16.80 or 87.82%. 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

Public Utilities Code §311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Code §311(g)(2) provides that this 30-day period may be waived or reduced upon stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly this draft resolution was mailed to all parties for comments on September 8, 2008.

As of October 8, 2008, no comments have been received.

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.
4. The rate increase should be phased-in over three years from 2008 to 2010.
5. Johnson Park is allowed a rate of return of 10.8% based on its capital study.
6. Johnson Park is willing to reduce its rate of return to 9.8% during the phase-in years.
7. Johnson Park is contributing \$100,000 towards the construction in progress which the total project cost is \$725,851 with interest and after the contribution.
8. Johnson Park should be authorized to collect facilities fees of \$9,173 from each of the new 24-lot customers who applied for water service shown in Schedule JP-F, Facilities Fees, in Appendix B.
9. Johnson Park should be barred from deferred revenue collection for all of 2008, 2009, and 2010.
10. Johnson Park should not request a recovery for uncollected revenue for the period between the first day of the test year 2008 and the effective date of the rate increase.

11. Johnson Park should not request recovery of the Consumer Price Index offsets for years 2009 and 2010.
12. Johnson Park should be required to file advice letters on or before November 20 of 2009 and 2010 for the escalation rates of 2009 and 2010, and the escalation rates should be made effective on January 1 of 2010 and 2011, respectively.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company, Johnson Park 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. JP-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, Johnson Park District, is authorized to increase annual revenues of \$85,701 or 87.90% for Test Year 2008 and additional annual revenue of \$36,400 or 19.87%, and \$36,400 or 16.58% for the escalation years 2009 and 2010, respectively.
3. Del Oro Water Company, Johnson Park District, shall file the escalation rates increases for the years 2009 and 2010 set forth in Appendix B by November 20, 2009, for the year 2009 and by November 20, 2010, for the year 2010 to be effective January 1, 2010, and January 1, 2011, respectively.
4. Del Oro Water Company, Johnson Park District, shall be authorized to collect facilities fees of \$9,173 from each of the new 24-lot customers who applied for water service shown in Schedule JP-F, Facilities Fees, in Appendix B.
5. Del Oro Water Company, Johnson Park District, shall be barred from deferred revenue collection for all of 2008, 2009, and 2010.
6. Del Oro Water Company, Johnson Park District, shall not request a recovery for uncollected revenue for the period between the first day of the test year 2008 and the effective date of the rate increase.
7. Del Oro Water Company, Johnson Park District, shall not request recovery of the Consumer Price Index offsets for years 2009 and 2010.

8. 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 November 6, 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
JOHNSON PARK DISTRICT
Summary of Earnings - Test Year 2008**

	Utility Present Rates	Estimated Proposed Rates	Division Present Rates	Estimated Proposed Rates	2008 Adopted Rates
Operating Revenues					
Metered water revenue	97,499	271,788	97,499	271,788	183,200
Total Revenue	97,499	271,788	97,499	271,788	183,200
Operating Expenses					
Power	23,430	23,430	23,430	23,430	23,430
Other volume related	540	540	540	540	540
Employee labor	13,229	13,229	11,546	11,546	11,546
Materials	2,256	2,256	2,256	2,256	2,256
Contract work	969	969	969	969	969
Transportation expenses	9,438	9,438	9,438	9,438	9,438
Other Plant Maintenance	530	530	530	530	530
Office salaries	18,230	18,230	18,230	18,230	18,230
Management salaries	5,368	5,368	5,368	5,368	5,368
Employee pension & benefits	5,806	5,806	5,806	5,806	5,806
Uncollectibles	560	560	560	560	560
Office Services & Rentals	3,899	3,899	3,899	3,899	3,899
Office supplies & expenses	8,136	8,136	8,136	8,136	8,136
Professional services	1,049	1,049	1,049	1,049	1,049
Insurance	4,210	4,210	4,210	4,210	4,210
Regulatory comm. expense	1,900	1,900	1,900	1,900	1,900
General expenses	540	540	540	540	540
Total operating expenses	100,090	100,090	98,407	98,407	98,407
Depreciation	27,024	27,024	14,352	14,352	14,352
Taxes other than income tax	12,028	12,028	12,028	12,028	12,028
State tax	800	11,726	800	12,995	5,164
Federal income tax	0	30,409	0	35,512	8,312
Total deductions	139,942	181,277	125,587	173,294	138,263
Net Revenue	-42,443	90,511	-28,088	98,494	44,937
Average plant	530,064	530,064	519,290	519,290	519,290
Average accum. dep.	40,948	40,948	34,368	34,368	34,368
Net plant	489,116	489,116	484,922	484,922	484,922
Plus: Working cash	8,341	8,341	8,341	8,341	8,341
Mat'l & supplies	1,000	1,000	1,000	1,000	1,000
Construction in Progress	375,000	375,000	0	0	0
Less: Advances	22,209	22,209	22,209	22,209	22,209
Contributions	13,182	13,182	13,182	13,182	13,182
Rate Base	838,066	838,066	458,872	458,872	458,872
ROR = NetRev/Rate Base	-5.06%	10.80%	-6.12%	21.46%	9.80%

APPENDIX A

DEL ORO WATER COMPANY
JOHNSON PARK DISTRICT
Summary of Earnings - Escalation Year 2009

	Utility Present Rates	Estimated Proposed Rates	Division Present Rates	2008 Adopted Rates	2009 Adopted Rates
Operating Revenues					
Metered water revenue	97,499	271,788	97,499	183,200	219,600
Total Revenue	97,499	271,788	97,499	183,200	219,600
Operating Expenses					
Power	23,430	23,430	23,430	23,430	23,430
Other volume related	540	540	540	540	540
Employee labor	13,229	13,229	11,546	11,546	11,546
Materials	2,256	2,256	2,256	2,256	2,256
Contract work	969	969	969	969	969
Transportation expenses	9,438	9,438	9,438	9,438	9,438
Other Plant Maintenance	530	530	530	530	530
Office salaries	18,230	18,230	18,230	18,230	18,230
Management salaries	5,368	5,368	5,368	5,368	5,368
Employee pension & benefits	5,806	5,806	5,806	5,806	5,806
Uncollectibles	560	560	560	560	560
Office Services & Rentals	3,899	3,899	3,899	3,899	3,899
Office supplies & expenses	8,136	8,136	8,136	8,136	8,136
Professional services	1,049	1,049	1,049	1,049	1,049
Insurance	4,210	4,210	4,210	4,210	4,210
Regulatory comm. expense	1,900	1,900	1,900	1,900	1,900
General expenses	540	540	540	540	540
Total operating expenses	100,090	100,090	98,407	98,407	98,407
Depreciation	27,024	27,024	14,352	14,352	25,973
Taxes other than income tax	12,028	12,028	12,028	12,028	12,028
State tax	800	11,726	800	5,164	7,354
Federal income tax	0	30,409	0	8,312	14,035
Total deductions	139,942	181,277	125,587	138,263	157,797
Net Revenue	-42,443	90,511	-28,088	44,937	61,803
Average plant	530,064	530,064	519,290	519,290	882,215
Average accum. dep.	40,948	40,948	34,368	34,368	55,221
Net plant	489,116	489,116	484,922	484,922	826,994
Plus: Working cash	8,341	8,341	8,341	8,341	8,341
Mat'l & supplies	1,000	1,000	1,000	1,000	1,000
Construction in Progress	375,000	375,000	0	0	0
Less: Advances	22,209	22,209	22,209	22,209	22,209
Contributions	13,182	13,182	13,182	13,182	13,182
Rate Base	838,066	838,066	458,872	458,872	853,044
ROR = NetRev/Rate Base	-5.06%	10.80%	-6.12%	9.80%	7.24%

APPENDIX A

DEL ORO WATER COMPANY
JOHNSON PARK DISTRICT
Summary of Earnings - Escalation Year 2010

	Utility Present Rates	Estimated Proposed Rates	Division Present Rates	2009 Adopted Rates	2010 Adopted Rates
Operating Revenues					
Metered water revenue	97,499	271,788	97,499	219,600	256,000
Total Revenue	97,499	271,788	97,499	219,600	256,000
Operating Expenses					
Power	23,430	23,430	23,430	23,430	23,430
Other volume related	540	540	540	540	540
Employee labor	13,229	13,229	11,546	11,546	11,546
Materials	2,256	2,256	2,256	2,256	2,256
Contract work	969	969	969	969	969
Transportation expenses	9,438	9,438	9,438	9,438	9,438
Other Plant Maintenance	530	530	530	530	530
Office salaries	18,230	18,230	18,230	18,230	18,230
Management salaries	5,368	5,368	5,368	5,368	5,368
Employee pension & benefits	5,806	5,806	5,806	5,806	5,806
Uncollectibles	560	560	560	560	560
Office Services & Rentals	3,899	3,899	3,899	3,899	3,899
Office supplies & expenses	8,136	8,136	8,136	8,136	8,136
Professional services	1,049	1,049	1,049	1,049	1,049
Insurance	4,210	4,210	4,210	4,210	4,210
Regulatory comm. expense	1,900	1,900	1,900	1,900	1,900
General expenses	540	540	540	540	540
Total operating expenses	100,090	100,090	98,407	98,407	98,407
Depreciation	27,024	27,024	14,352	25,973	25,973
Taxes other than income tax	12,028	12,028	12,028	12,028	12,028
State tax	800	11,726	800	7,354	10,572
Federal income tax	0	30,409	0	14,035	25,768
Total deductions	139,942	181,277	125,587	157,797	172,748
Net Revenue	-42,443	90,511	-28,088	61,803	83,252
Average plant	530,064	530,064	519,290	882,215	882,215
Average accum. dep.	40,948	40,948	34,368	55,221	55,221
Net plant	489,116	489,116	484,922	826,994	826,994
Plus: Working cash	8,341	8,341	8,341	8,341	8,341
Mat'l & supplies	1,000	1,000	1,000	1,000	1,000
Construction in Progress	375,000	375,000	0	0	0
Less: Advances	22,209	22,209	22,209	22,209	22,209
Contributions	13,182	13,182	13,182	13,182	13,182
Rate Base	838,066	838,066	458,872	853,044	853,044
ROR = NetRev/Rate Base	-5.06%	10.80%	-6.12%	7.24%	9.80%

(END OF APPENDIX A)

APPENDIX B

**DEL ORO WATER COMPANY
JOHNSON PARK DISTRICT**

**Schedule No. JP-1A
Annual General Metered Service
Test Year 2008**

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Johnson Park and vicinity, Shasta County.

RATES

	<u>Per Meter Per Month</u>	
Quantity Rate:		
For all water delivered per 100 cu. ft.	\$ 1.84	(I)
Service Charge:		
For 5/8 x 3/4 inch meter	\$ 17.53	(I)
For 3/4 inch meter	\$ 26.29	
For 1 inch meter	\$ 43.84	
For 1-1/2 inch meter	\$ 87.66	
For 2 inch meter	\$ 140.25	(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 B

**DEL ORO WATER COMPANY
JOHNSON PARK DISTRICT**

**Schedule No. JP-1A
ANNUAL GENERAL METERED SERVICE**

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Johnson Park and vicinity, Shasta County.

RATES

**2009 2010
Escalation Year**

Per Meter
Per Month

Quantity Rate:

For all water delivered per 100 cu. ft.	\$ 2.21	\$ 2.58	(I)
---	---------	---------	-----

Service Charge:

For 5/8 x 3/4 inch meter	\$ 21.01	\$ 24.49	(I)
For 3/4 inch meter	\$ 31.51	\$ 36.73	
For 1 inch meter	\$ 52.55	\$ 61.26	
For 1-1/2 inch meter	\$ 105.08	\$ 122.50	
For 2 inch meter	\$ 168.12	\$ 195.99	(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 B
DEL ORO WATER COMPANY
JOHNSON PARK DISTRICT

Schedule JP-F
FACILITIES FEES

APPLICABILITY

Applicable to all new 24-lot customers applying for services from the Utility served for premises not previously connected to its distribution mains, for additional service connections to existing premises, and for increases in size of service connections to existing premises.

TERRITORY

Strawberry and vicinity, located approximately 31 miles east of Sonora, Tuolumne County.

RATES

Initial Fee for each Service Connection:

For	1-inch meter	\$ 9,173.00
-----	--------------	-------------

SPECIAL CONDITIONS

1. Facilities Fees are payable in addition to and do not limit any charges for extensions of mains that may be applicable under Rule 15, Main Extensions.
2. These fees **are not** subject to the Public Utility Commission Reimbursement Fee surcharge in Schedule UF.
3. Facilities Fees authorized herein shall be deposited within five days of receipt in a separate bank account paying interest. A direct confirmation from the bank shall be mailed to the Director of the Water Division after making such deposit to verify the amount deposited.
4. Facilities Fees shall be treated as Contributions-in-Aid-of-Construction and follow the requirements as specified in the Internal Revenue Code Section 118 to quality as such.
5. Facilities Fees shall be accounted for as Contributions-in-Aid-of-Construction in accordance with the Commission's prescribed Uniform System of Accounts. In addition to the balances collected, including interest shall be reported in the utility's annual report.
6. The plant constructed with facilities fees shall be removed from rate base for rate-making purposes.

(END OF APPENDIX B)

APPENDIX C

**DEL ORO WATER COMPANY
JOHNSON PARK 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	\$ 9.33	\$17.53	\$ 8.20	87.89%
Quantity Rate:				
All water per 100 cu.ft.	\$0.98	\$1.84	\$ 0.86	87.76%
Usage <u>100 cu.ft.</u>				
5	\$14.23	\$26.73	\$ 12.50	87.84%
10	\$19.13	\$35.93	\$ 16.80	87.82%
15	\$24.03	\$45.13	\$ 21.10	87.81%

ESCALATION YEAR 2009

	<u>2008 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	\$17.53	\$21.01	\$ 3.48	19.85%
Quantity Rate:				
All water per 100 cu.ft.	\$1.84	\$ 2.21	\$ 0.37	20.11%
Usage <u>100 cu.ft.</u>				
5	\$26.73	\$32.06	\$ 5.33	19.94%
10	\$35.93	\$43.11	\$ 7.18	19.98%
15	\$45.13	\$54.16	\$ 9.03	20.01%

APPENDIX C

DEL ORO WATER COMPANY
JOHNSON PARK DISTRICT

COMPARISON OF RATES
ESCALATION YEAR 2010

	<u>2009</u> <u>Rates</u>	<u>Recommended</u> <u>Rates</u>	<u>Amount</u> <u>of Increase</u>	<u>Percent</u> <u>Increase</u>
Service Charge:				
For 5/8 x 3/4-inch meter	\$21.01	\$24.49	\$ 3.48	16.56%
Quantity Rate:				
All water per 100 cu.ft.	\$ 2.21	\$ 2.58	\$ 0.37	16.74%
Usage				
<u>100 cu.ft.</u>				
5	\$32.06	\$37.39	\$ 5.33	16.63%
10	\$43.11	\$50.29	\$ 7.18	16.66%
15	\$54.16	\$63.19	\$ 9.03	16.67%

(END OF APPENDIX C)

APPENDIX D

**DEL ORO WATER COMPANY
JOHNSON PARK DISTRICT**

ADOPTED QUANTITIES
TEST YEAR 2008

1. Purchased Power	
Total Cost	\$23,430
Total kWh	132,508
2. Water Sales in Ccf	63,000
3. Payroll	
Employee Labor	\$11,546
Office Salaries	\$18,230
Management Salaries	\$ 5,368
4. Payroll Taxes	\$ 3,128
5. Property Taxes	\$ 8,846
Service Connections - Meter Size	
5/8 x 3/4"	308
3/4"	4
1"	4
1-1/2"	<u>3</u>
Total Metered	319

Adopted Tax Calculation

1. Operating Revenues	\$183,200
2. Expenses	98,407
3. Depreciation	14,352
4. Payroll Taxes	3,182
5. Property Taxes	8,846
6. Taxable Income for State Tax	58,413
7. State Tax (8.84%)	5,164
8. Taxable Income for FIT	53,249
9. Federal Tax	8,312

(END OF APPENDIX D)