

WATER/RSK/JB5/AJT/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4797
October 29, 2009

R E S O L U T I O N

(RES. W-4797), DEL ORO WATER COMPANY - MAGALIA DISTRICT (DEL ORO). ORDER AUTHORIZING A GENERAL RATE INCREASE, PRODUCING AN INCREASE OF \$16,640 OR 10.33% IN TEST YEAR 2009.

SUMMARY

By Draft Advice Letter filed on June 5, 2009, Del Oro seeks to increase its rates for water service to recover increased operating expenses and earn an adequate return on its plant investment. The Division of Water and Audits (Division) accepted this draft advice letter as complete for filing on July 20, 2009.

This resolution grants an increase of \$16,640 or 10.33%, for total 2009 test year (TY) revenue of \$177,680 with a resulting rate of return of 10.80%.

BACKGROUND

Del Oro, a Class B water utility, 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 water rates by \$18,066 or 11.22% in test year 2009. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. Del Oro's request shows 2008 gross revenues of \$161,040 at present rates, increasing to \$179,106 at proposed rates. Del Oro is requesting a rate of return of 11.11%.

The present rates were established on July 1, 2009, pursuant to Advice Letter No. 230, which authorized a Consumer Price Index increase of 0.10%, or \$163. The last general rate increase was granted on December 4, 2003 pursuant to Res. W-4442, which authorized a rate increase of \$29,668, or 21.2%, resulting in a rate of return on rate base of 8.53%.

Magalia is a district of Del Oro Water Company located in Butte County which serves 273 residential and commercial customers. The Branch made an independent analysis

of Del Oro's operating expenses, taxes, depreciation, and rate base. Appendix A shows Del Oro's and the Division's estimates of the summary of earnings at present, requested, and recommended rates for 2009. Appendix A also shows the difference between Del Oro's and the Division's estimates of revenue, operating expenses, and rate base.

Del Oro imports water from its Paradise Pines District in off-peak months (November through May) to serve its Magalia District. Del Oro purchases water for its Magalia District in the peak months (June through October) from its subsidiary, Stirling Bluffs, located in the unincorporated community of Stirling City. The Stirling Bluffs purchased water also is delivered from the Paradise Pines District as the water is first gravity fed from Stirling Bluffs through the Paradise Pines Irrigation District (PID) system to the Paradise Pines District. The water is then delivered to the Magalia system via a booster pump.

Some of Del Oro's operating expenses for the Magalia District are common expenses that are allocated across Del Oro's fourteen districts, totaling 7,955 service connections, and its subsidiary based on a formula adopted in the 1991 general rate case of Del Oro's Paradise Pines District. The formula allocates expenses to the Magalia District based on a percentage of the total expenses. The percentage is based on the number of Magalia's connections compared with the total number of connections in the Del Oro system including its subsidiary.

Transportation and labor expenses covering four employees (including payroll and benefits) are allocated across Del Oro's four northern-region districts (Paradise Pines, Stirling Bluffs, Magalia, and Lime Saddle), totaling 5,513 service connections.

NOTICE AND PROTEST

A notice of the proposed rate increase was mailed to each customer on July 24, 2009. The Division and Del Oro received two letters opposed to the rate increase.

An informal public meeting was held Thursday, August 20, 2009 at the Magalia Community Church located at 13700 Skyway, Magalia, CA. The meeting started at 6:35 PM with two customers in attendance. The Division representative, Adam Thaler, explained Commission procedures, as well as the purpose of the meeting. Then Susan Howard, Director Community Relations, made a presentation to explain the need for the rate increase. The rest of the meeting consisted of comments and questions by the customers. Most of the questions and comments were general in nature and dealt with Del Oro's revenues and expenses, and requested increase. The meeting adjourned at 7:30 PM.

DISCUSSION

The Division made an independent analysis of Del Oro's operations. Appendix A shows Del Oro's and the Division's estimated summary of earnings at present, proposed, and recommended rates for test year 2009.

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

Del Oro's current rate structure consists of standard metered service. The rates proposed by the Division are shown in Appendix B.

At the Division's recommended rates shown in Appendix B, the bill for a 5/8-inch metered customer using 11,000 gallons would increase from \$67.75 to \$73.31, which is \$5.56, or 8.2% in Test Year 2009. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

EXPENSES

Volume related expenses include purchased water, purchased power, and other volume related expenses. Del Oro requested \$43,921 for volume related expenses. Most of the volume related expenses are related to purchased water and purchased power summarized below.

Purchased Water – Account No. 610

Del Oro purchases water from its Paradise Pines District and its Stirling Bluffs subsidiary. In 2008, the recorded purchased water account was \$30,734 for 68.09 Acre-Feet (AF). For test year 2009, Del Oro estimates it will again purchase 68.09 AF at \$451.37/AF equating to \$30,734.

This estimate of \$30,734 for purchased water is reasonable and should be adopted.

Purchased Power – Account No. 615

Del Oro's recorded purchased power expenses are as follows:

2006:	\$13,757
2007:	\$16,147
2008:	\$12,162

Del Oro provided a detailed worksheet in its application estimating power expense for test year 2009 to be \$12,631. Division has reviewed these power estimates and concurs with Del Oro's estimate.

This estimate of \$12,631 for purchased power is reasonable and should be adopted.

Administrative and General

Del Oro conducts an annual cost allocation study spreading administrative and general expenses across all of its 14 districts totaling 7,955 customers. Administrative and general expenses include office salaries, management salaries, employee pensions and benefits, uncollectible accounts expense, office services and rentals, office supplies and expenses, professional services, insurance, regulatory commission expense, and general expenses. Since there are 272 customers in the Magalia District, the allocated administrative and general expenses is 3.42%.

Local Magalia District Expenses

Del Oro applied a three-year average, plus 3% inflation, to estimate its local Magalia District expenses including other volume related expenses, materials, contract work, transportation, and other plant maintenance.

Division applied the estimates of non-labor and wage escalation rates based on the Division of Ratepayer Advocates, Energy Cost Service Branch's estimates of non-labor and wage escalation rates dated August 31, 2009.

Division applied slightly higher non-labor inflation rates of 5.5% for 2006, 3.0% for 2007, 6.2% for 2008, along with an estimate of -5.3% for 2009. This resulted in Division recommending slightly higher total operating expenses requested by Del Oro (see Appendix A, Summary of Earnings).

Regulatory Commission Expense – Account No. 688

Although it has been approximately six years since Del Oro's last General Rate Case (GRC) for its Magalia District, Del Oro assumes that a GRC will be filed every three years on a going-forward basis. Regulatory expenses consist solely of cost preparation of the GRC, including attendance at a public meeting as well as correspondence with Commission staff. Del Oro estimates five hours at \$200 per hour equating to \$1,000 of rate case expenses. Amortizing this over three years equates to \$333 for Test Year 2009. Del Oro has recorded annual amounts ranging from \$375 to \$540 annually for regulatory commission expenses.

The estimate of \$333 is reasonable and should be adopted.

RATEBASE AND PLANT INVESTMENT

Del Oro did not request any new ratebase or plant investment for its Magalia District in this advice letter.

RATE DESIGN

In the last GRC, Res. W-4442 stated:

Magalia is a district of DOWC, a Class B water company. The current rate design service charge allocation is not in compliance with the Division rate design policy established by Decision 86-05-064, dated May 21, 1986, which established service charge allocation ratios based on meter size. The proposed rates in Appendix B incorporate graduated service charge rates based on meter size. In order that no customer receives an increase greater than twice the system average increase authorized, the service charge ratios in Appendix B deviate from the ratios established by the prevailing rate design policy.

The Division recommends that this deviation be corrected in future general rate cases for Magalia.

For many years Del Oro's Magalia District deviated from the rate design specified in Standard Practice U-7-W, Rate Design for Water and Sewer System Utilities Including Master Metered Facilities (Standard Practice U-7) established by Decision (D.) 85-06-064. Residential customers have been subsidizing the larger-sized metered customers. This general rate case restores the appropriate service charges based on the ratio of meter size.

In this general rate case, Division recommends that rate design be corrected in the following manner:

Two-inch Service Connections

A two-inch customer's service charge should reflect the rate based on the meter size ratio. A two-inch meter service charge should be eight times that of a 5/8 x 3/4-inch meter based on hydraulic flow capacities. This change will increase the monthly service charge from \$44 per month currently to \$179.95 at proposed rates.

There are currently two customers that fall into this category. The first is a mobile home park (master meter), and the second is a school (public institution). Neither of these customers attended the public meeting nor commented on the Del Oro's rate increase. At the request of staff engineer assigned to this case, Del Oro sent letters to each of these customers explaining the rate adjustment proposed in this proceeding. Neither the Commission nor Del Oro received a response to these letters.

Three-inch Service Connection

The Kimsheew Cemetery District (Kimsheew) is the only three-inch service connection in the Magalia District. A representative for Kimsheew attended the public meeting and provided extensive comments regarding the proposed rate design and its rate impact. Kimsheew is a small Butte County Special District, operating and maintaining four public cemeteries governed by a five-member board of trustees, appointed by the Butte County Board of Supervisors.

The District is partially funded by property taxes paid by the residents of the District, and the monies generated by the services it provides. As a public district, Kimsheew is prohibited from earning a profit and is responsible to serve the public interest. Under Del Oro's proposed rate design, Kimsheew's three-inch meter would be subject to an increase from its long-time subsidized rate of \$50.00 per month to a subsidy-free rate of \$345.85 per month, an increase of 692%. The increase is based on the fact that a three-inch meter has a hydraulic flow capacity of 15 times that of a 5/8 x 3/4 - inch meter.

Kimsheew uses water for irrigation purposes with two-thirds of its water source provided by Del Oro and the remaining one-third by a well on its premises. The Kimsheew well is not sufficient to irrigate the entire cemetery.

In order to alleviate rate shock and ensure reasonable rate design, Kimsheew will be treated as a two-inch service connection in the Magalia District, thereby increasing the service charge rate from \$50 per month to \$179.95 per month. Furthermore, Kimsheew shall be treated as a 2-inch customer in the future.

Determination of Fixed Costs

Under the rate design criteria established by D.85-06-064, Del Oro calculated the service charge by determining the amount of revenue requirement that is a result of fixed costs. For Class A and B water companies, the percentage of fixed costs to be recovered in the service charge is generally 50%, for Class C, 65%, and for Class D, it is 100%.

Even though Del Oro is a Class B water company, each district's general rate case is examined individually. Because the size of the Magalia District, 273 customers, Del Oro proposed 66% of fixed costs to be recovered in the service charge. Division accepted the 66% of fixed costs to be recovered in the service charge to be reasonable.

In the determination of fixed costs calculation, Del Oro took the gross revenues at proposed rates and subtracted purchased power, purchased water, other volume related expenses, uncollectibles, franchise fees, and federal income taxes. However, Del Oro erred by not including the state income taxes in the total income taxes. This error, in turn, overstated the variable costs to be recovered through the service charge, hence, lowering the quantity rate. Division corrected this error which resulted in a higher quantity rate than initially proposed.

RATE OF RETURN

Del Oro is a Class B water utility (less than 10,000 customers but more than 2,000). Del Oro's financing decisions are handled at the corporate level as opposed to the district level. The Division's Utility, Audit Finance & Compliance Branch (UAFCB) has conducted an analysis of the financial market changes within the last year and risk faced by Class B utilities, and has determined that the appropriate Rate of Return (ROR) on rate base is 10.80%. For Class B water utilities, the cost of capital is determined based on an imputed capital structure. The UAFCB then determines the return on equity by averaging the recently authorized Class A and C returns on equity (ROE). Recently authorized Class B RORs confirm a 10.80% ROR as reasonable.

The recommended ROR is based on an imputed capital structure of 87% equity and 13% debt, embedded cost of debt, and a determination of a reasonable return on equity for Del Oro. Del Oro's advice letter requested rates that it estimated would produce a rate of return on rate base at 11.11%. Del Oro used its actual 98% equity figure thereby increasing the rate of return.

The UAFCB has reviewed Del Oro's modification and has determined that the rate of return should be 10.80%.

COMPLIANCE

Del Oro has no outstanding compliance orders. The utility has been filing annual reports as required. The California Department of Public Health (DPH) findings were that the system has no major deficiencies. DPH confirmed that Del Oro has not had any major compliance issues. As such, DPH considers Del Oro to be in compliance with all applicable water quality regulations and standards.

Also, no complaints due to water service or rates have been filed with the Commission's Consumer Affairs Branch. Del Oro keeps up-to-date records with the Commission by providing completed annual reports as requested along with up-to-date tariff sheets for record keeping purposes. Also, during the rate case evaluation process, Del Oro was responsive to queries made by the Division.

COMMENTS

Public Utilities Code §311(g)(1) provides that this resolution be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Public Utilities 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 resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from the date of mailing of this resolution to the parties. One comment was received from the Kimsheew Cemetery District.

Kimsheew indicated it appreciated the concession to be treated as a 2-inch meter customer. However, Kimsheew requested a delay in the effective date of the rate increase to February 1, 2010 due to financial hardship. Del Oro also received a copy of Kimsheew's comments and has suggested that the utility is willing to set up a payment plan for the cemetery to work within their budget as an alternative to delaying the effective date of the rate increase. We believe Del Oro's suggestion is the appropriate response to Kimsheew's request.

FINDINGS AND CONCLUSIONS

1. The Division of Water and Audits made an independent analysis of Del Oro Water Company's Magalia District operations.

2. Appendix A shows Del Oro Water Company's and the Division of Water and Audits' estimated summary of earnings at present, proposed, and recommended rates for test year 2009.
3. The Division of Water and Audits staff reviewed operating revenues and expenses including purchased water, purchased power, other volume related expenses, employee labor, materials, contract work, transportation expenses, other plant maintenance, office salaries, management salaries, employee benefits, uncollectibles expense, office services and rentals, office supplies and expenses, professional services, insurance, regulatory commission expenses, general expenses, depreciation, and taxes other than income.
4. Staff verified the operating expenses by reviewing supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.
5. The recorded purchased water account in 2008 was \$30,734 for 68.09 Acre-Feet at \$451.37 per AF.
6. Del Oro Water Company estimates that it will purchase 68.09 Acre-Feet for its Magalia District in 2009.
7. The estimate expense of \$30,734 for purchased water for test year 2009 is reasonable and should be adopted.
8. The Division of Water and Audits reviewed the recorded purchased power account expenses for 2006, 2007, and 2008.
9. The Division of Water and Audits concurs with Del Oro Water Company's recorded purchased power account expenses for 2006, 2007, and 2008.
10. The estimate of \$12,631 for purchased power for test year 2009 is reasonable and should be adopted.
11. Del Oro Water Company conducts an annual cost allocation study spreading administrative and general expenses across all of its 14 districts totaling 7,955 customers.
12. The Magalia district has 272 customers, or a 3.42% allocation of administrative and general expenses.
13. The Division of Water and Audits applied the estimates of non-labor and wage escalation rates based on the Division of Ratepayer Advocates, Energy Cost Service Branch's estimates of non-labor and wage escalation rates dated August 31, 2009.
14. The Regulatory Commission Expense account of \$333 is reasonable and should be adopted.
15. The Division of Water and Audits recommended summary of earnings (Appendix A) is reasonable and should be adopted.

16. Del Oro Water Company did not request any new ratebase or plant investment for its Magalia District in this proceeding.
17. In Del Oro Water Company's last general rate case, the Commission deviated from the rate design meter ratios specified in Standard Practice U-7-W, established by Decision 85-06-064.
18. Two- and Three-inch meter customers have had their monthly service charge connections subsidized by residential customers for years.
19. The Division of Water and Audits' proposed rate design is based on meter ratios specified in Standard Practice U-7-W.
20. The two customers who have two-inch service connections did not appear at the Public Meeting.
21. The two customers who have two-inch service connections were notified by letter explaining the rate adjustment in this proceeding.
22. Neither the Division of Water and Audits nor Del Oro Water Company received a response to the letters noted above.
23. The Division of Water and Audits conducted rate design in accordance with its Standard Practice U-7-W to calculate the General Service Metered Rates in Appendix B.
24. The Kimsheew Cemetery District was represented at the Public Meeting and protested the proposed monthly rate increase for its three-inch service connection of 692%.
25. In order to alleviate rate shock and ensure reasonable rates for all other customers, the Kimsheew Cemetery District should be treated as a two-inch service connection for rate-making purposes in the Magalia District.
26. Del Oro Water Company proposed that 66% of fixed costs be recovered in the service charge for the Magalia District.
27. The Division of Water and Audits concurs with applying 66% of fixed costs to be recovered in the service charge for a district the size of Magalia.
28. Del Oro proposed a Rate of Return of 11.11%.
29. The Division's Utility, Audit Finance & Compliance Branch conducted an analysis of the financial market changes within the past year and risk faced by Class B utilities.
30. The Utility, Audit Finance & Compliance Branch authorized Class B water utilities a rate of return of 10.80% as reasonable.
31. The Division of Water and Audits' recommendation of a 10.80% rate of return is reasonable and should be adopted.

32. The rates recommended by the Division of Water and Audits (Appendix B) are reasonable and should be adopted.
33. The Division of Water and Audits has analyzed the historical power consumption, water delivered, and number of service connections in determining the Adopted Quantities in Appendix D.
34. The quantities (Appendix D) used to develop the Division of Water and Audits' 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 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 MD-1A, General Metered Service. The effective date of the revised rate schedule shall be five days after the date of its filing.
2. 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 October 29, 2009; 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

Summary of Earnings

Test Year 2009

<u>Item</u>	<u>Utility Estimated</u>		<u>Branch Estimated</u>		<u>Recommended</u>
	<u>Present</u>	<u>Requested</u>	<u>Present</u>	<u>Requested</u>	
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
<u>Operating Revenue</u>					
General Metered Sales	\$ 161,040	\$ 179,106	\$ 161,040	\$ 177,680	\$ 177,680
Reclaimed Water Sales	\$ -	\$ -	\$ -	\$ -	\$ -
Private Fire	\$ -	\$ -	\$ -	\$ -	\$ -
Other Water Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other Unmetered Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 161,040	\$ 179,106	\$ 161,040	\$ 177,680	\$ 177,680
<u>Operating Expenses</u>					
610 Purchased Water	\$30,734	\$30,734	\$ 30,734	\$ 30,734	\$ 30,734
615 Purchased Power	\$12,631	\$12,631	\$ 12,631	\$ 12,631	\$ 12,631
618 Other Volume Related Expenses	\$556	\$556	\$ 559	\$ 559	\$ 559
Ground Water Assessment	\$ -	\$ -	\$ -	\$ -	\$ -
630 Employee Labor	\$10,706	\$10,706	\$ 10,706	\$ 10,706	\$ 10,706
640 Materials	\$1,531	\$1,531	\$ 1,536	\$ 1,536	\$ 1,536
650 Contract Work	\$1,381	\$1,381	\$ 1,411	\$ 1,411	\$ 1,411
Water Testing	\$ -	\$ -	\$ -	\$ -	\$ -
660 Transportation Expenses	\$2,557	\$2,557	\$ 2,557	\$ 2,557	\$ 2,557
664 Other Plant Maintenance	\$1,844	\$1,844	\$ 1,870	\$ 1,870	\$ 1,870
670 Office Salaries	\$17,219	\$17,219	\$ 17,219	\$ 17,219	\$ 17,219
671 Management Salaries	\$4,376	\$4,376	\$ 4,376	\$ 4,376	\$ 4,376
674 Employee Benefits	\$7,165	\$7,165	\$ 7,165	\$ 7,165	\$ 7,165
676 Uncollectibles Expense	\$679	\$679	\$ 677	\$ 677	\$ 677
678 Office Services & Rentals	\$3,336	\$3,336	\$ 3,336	\$ 3,336	\$ 3,336
681 Office Supplies & Expenses	\$4,916	\$4,916	\$ 4,916	\$ 4,916	\$ 4,916
682 Professional Services	\$734	\$734	\$ 734	\$ 734	\$ 734
684 Insurance	\$2,191	\$2,191	\$ 2,191	\$ 2,191	\$ 2,191
688 Regulatory Commission Expense	\$333	\$333	\$ 333	\$ 333	\$ 333
689 General Expenses	\$1,722	\$1,722	\$ 1,734	\$ 1,734	\$ 1,734
Subtotal	\$ 104,611	\$ 104,611	\$ 104,685	\$ 104,685	\$ 104,685
Depreciation	\$ 19,169	\$ 19,169	\$ 19,169	\$ 19,169	\$ 19,169
Taxes other than Income	\$ 2,619	\$ 2,619	\$ 2,619	\$ 2,619	\$ 2,619
Income Taxes	\$ 7,934	\$ 12,072	\$ 7,934	\$ 11,708	\$ 11,708
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Total Deductions	\$134,333	\$138,471	\$134,407	\$138,181	\$138,181
Net Revenue	\$26,707	\$40,635	\$26,633	\$39,499	\$39,499
<u>Rate Base</u>					
Utility Plant	\$ 870,848	\$ 870,848	\$ 870,848	\$ 870,848	\$ 870,848
Ave. Accumulated Depreciation	\$ 339,755	\$ 339,755	\$ 339,755	\$ 339,755	\$ 339,755
Net Plant	\$ 531,093	\$ 531,093	\$ 531,093	\$ 531,093	\$ 531,093
Less Advances	\$ 18,730	\$ 18,730	\$ 18,730	\$ 18,730	\$ 18,730
Contributions	\$ 105,724	\$ 105,724	\$ 105,724	\$ 105,724	\$ 105,724
Acquisition Cost	\$ (49,428)	\$ (49,248)	\$ (49,248)	\$ (49,248)	\$ (49,248)
Acquisition Adjustment	\$ 100,055	\$ 100,055	\$ 100,055	\$ 100,055	\$ 100,055
Plus Working Cash	\$ 8,718	\$ 8,718	\$ 8,718	\$ 8,718	\$ 8,718
Materials & Supplies	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Rate Base:	\$ 365,730	\$ 365,730	\$ 365,730	\$ 365,730	\$ 365,730
Rate of Return	7.30%	11.11%	7.28%	10.80%	10.80%

APPENDIX B
Del Oro Water Company
Magalia District
Schedule No. MD-1A
GENERAL METERED SERVICE
Test Year 2009

APPLICABILITY

Applicable to all metered water service furnished on an annual basis to the Magalia service area.

TERRITORY

All territory served by Del Oro Water Company, Inc. in the area known as the Magalia County Water District, located north of the town of Paradise and south of the Paradise Pines District of Del Oro Water Company.

RATES

Quantity Charge: For all water, per 100 cu. ft.	\$ 3.388	(I)
Annual Service Charge:	Per Meter	
	<u>Per Year</u>	
For 5/8 x 3/4-inch meter	\$ 270.00	(I)
For 3/4-inch meter	\$ 405.00	
For 1-inch meter	\$ 675.00	
For 2-inch meter	\$ 2,160.00	(I)
SRF Surcharge:	Per Meter	
	<u>Per Month</u>	
For 5/8 x 3/4-inch meter	\$ 3.87	
For 3/4-inch meter	\$ 5.80	
For 1-inch meter	\$ 9.67	
For 1-1/2-inch meter	\$ 19.34	
For 2-inch meter	\$ 30.94	
CEQA Surcharge:	Per Meter	
	<u>Per Month</u>	
For 5/8 x 3/4-inch meter	\$ 1.45	
For 3/4-inch meter	\$ 1.80	
For 1-inch meter	\$ 2.18	
For 2-inch meter	\$ 2.90	

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

The monthly SRF surcharge is specifically for the repayment of the State Revolving Fund for the regional Intertie Project as authorized by Decision 08-05-032. The monthly Surcharge rates are subject to adjustment.

The monthly CEQA surcharge is specifically for the repayment of the Environmental Clearance loan authorized by Decision No. 03-01-076. The monthly surcharge rates are subject to adjustment.

APPENDIX C
Del Oro Water Company
Magalia District

COMPARISON OF RATES

Test Year 2009

		Per Service Connection Per Month		
		Present	Recommended	Percent
		<u>Rates</u>	<u>Rates</u>	<u>Increase</u>
Service Charge:				
	For 5/8 x 3/4-inch meters	\$ 22.00	\$ 22.49	2.2%
	For 3/4-inch meters	\$ 27.50	\$ 33.74	22.7%
	For 1-inch meters	\$ 33.00	\$ 56.24	70.4%
	For 2-inch meters	\$ 44.00	\$ 179.95	309.0%
Quantity Charge:				
	Metered All use, per 1000 gallons . . .	\$ 3.050	\$ 3.388	11.1%

A monthly 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	22.00	22.49	0.49	2.2%
4	34.20	36.04	1.84	5.4%
8	46.40	49.59	3.19	6.9%
11 (avg)	67.75	73.31	5.56	8.2%
15	92.15	100.41	8.26	9.0%
25	98.25	107.19	8.94	9.1%
30	113.50	124.13	10.63	9.4%

APPENDIX D
Del Oro Water Company
Magalia District

ADOPTED QUANTITIES
Test Year 2009

1. Purchased Power	
Total Cost	\$288,949
2. Water Sales in Gallons	28,800,000
3. Payroll	
Employee Labor	\$10,706
Office Salaries	\$17,219
Management Salaries	\$4,376

Service Connections – Meter Size

5/8 x 3/4"	267.5
3/4"	1.0
1"	1.5
2"	3.0
3"	0.0
Total Metered	273

Adopted Tax Calculation Test Year 2009

1. Operating Revenues	\$177,680
2. Expenses	\$104,685
3. Depreciation	\$ 19,169
4. Taxable Income for State Tax	\$ 51,207
5. State Tax (min 800)	\$ 4,762
6. Taxable Income for FIT	\$ 46,305
7. Federal Tax	\$ 6,946