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AUG 8 1991

Decision 91-08-012 August 7, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Del Oro Water Company for)
general rate increase for water)
service of \$822,184 for 1991 in)
Butte County.)

ORIGINAL
Application 91-08-035
(Filed March 19, 1991)

OPINION

Del Oro Water Company (Del Oro) seeks authority to increase rates by approximately 15.6% for water service in its Paradise Pines District (PPD). The proposed increased rates would produce increased annual revenue of approximately \$111,145 representing an increase from \$711,039 at present rates to \$822,184 at the proposed rates. The present rates have been in effect since September 1988.

The Commission's Water Utility Branch (Water Branch) has reviewed the application and has prepared a report which is received in evidence as Exhibit 1.

Exhibit 1 discloses that the application was accepted by the Water Branch as an advice letter filing on November 20, 1990, even though Del Oro's projected revenue exceeded the \$750,000 limitation for advice letter filings (General Order 96-A Section VI). Subsequent to the acceptance of the advice letter filing, the Water Branch conducted an investigation which indicated a need for an annual gross revenue requirement in excess of \$750,000. The matter was converted to a formal application on March 19, 1991. Exhibit 1 indicates that Del Oro concurred with the above-described procedure.

Exhibit 1 sets forth a description of Del Oro's PPD as follows:

PPD is a division of Del Oro, a California corporation. Its president is Robert S. Fortino. PPD serves the subdivisions

which make up most of the town of Magalia. Magalia is located about five miles north of Paradise, about 25 miles east of Chico in Butte County. Del Oro also provides water service through its Lime Saddle District and the Stirling Bluffs Corporation. Del Oro serves a total of 4,500 customers in the water systems it operates. The service areas, however, are not contiguous and have separate water supplies. Income levels in PPD's service area are moderate, as the area is in transition from a retirement community to a middle-income commuter community. Homes are generally occupied year-round. At this time Del Oro is serving about 4,100 customers in its PPD. Additionally, there is a high rate of growth in the service area. PPD averaged around 190 new residential connections each year since the last rate case. In total, the number of connections has grown by 25% since the last rate case. Del Oro believes that the PPD will continue growing at comparable rates until all lots in the service territory are improved. At the current rate, the system will be built out in five or six years.

PPD produces water from five wells which feed one 840,000-gallon steel tank and one 400,000-gallon steel tank in the service area. The system is served primarily with 6- and 8-inch steel and plastic mains. Over half of the physical plant has been added in the last ten years. Water quality and supply are adequate and meet Department of Health standards and all provisions of General Order 103.

Table 1 (Appendix A of Exhibit 1) sets forth a comparison of Summary of Earnings calculated by applicant and Water Branch.

TABLE 1
Del Oro Water Company

SUMMARY OF EARNINGS
Test Year 1991

Item	Utility Estimated		Branch Estimated		Recommended
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Metered Rate	\$711,039	\$822,184	\$702,491	\$810,602	\$772,210
Total Revenue	\$711,039	\$822,184	\$702,491	\$810,602	\$772,210
<u>Operating Expenses</u>					
Purchased Power	\$187,320	\$187,320	\$191,310	\$191,310	\$191,310
Purchased Water	\$0	\$0	\$0	\$0	\$0
Other Volume Related	\$0	\$0	\$0	\$0	\$0
Materials	\$11,715	\$11,715	\$13,130	\$13,130	\$13,130
Contract Work	\$12,210	\$12,210	\$13,665	\$13,665	\$13,665
Transportation	\$17,855	\$17,855	\$16,405	\$16,405	\$16,405
Other Plant Maint.	\$10,000	\$10,000	\$0	\$0	\$0
Employee Labor	\$88,420	\$88,420	\$77,800	\$77,800	\$77,800
Office Salaries	\$107,635	\$107,635	\$98,895	\$98,895	\$98,895
Management Salaries	\$46,445	\$46,445	\$42,675	\$42,675	\$42,675
Office Svcs. and Rent	\$71,610	\$71,610	\$71,255	\$71,255	\$71,255
Employee Benefits	\$25,060	\$25,060	\$22,480	\$22,480	\$22,480
Office Supplies	\$23,440	\$23,440	\$22,170	\$22,170	\$22,170
Professional Services	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Insurance	\$8,040	\$8,040	\$7,295	\$7,295	\$7,295
General	\$0	\$0	\$0	\$0	\$0
Uncollectibles	\$1,500	\$1,500	\$1,655	\$1,655	\$1,655
Regulatory	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300
Subtotal	\$618,550	\$618,550	\$586,035	\$586,035	\$586,035
Depreciation	\$68,540	\$68,540	\$66,695	\$66,695	\$66,695
Property Taxes	\$9,460	\$9,460	\$9,380	\$9,380	\$9,380
Payroll Taxes	\$19,940	\$19,940	\$18,040	\$18,040	\$18,040
Income Taxes	\$1,000	\$16,910	\$ 800	\$23,130	\$10,170
Total Deductions	\$717,490	\$733,405	\$680,950	\$703,280	\$691,260
Net Revenue	(\$6,455)	\$88,780	\$21,541	\$107,322	\$80,950
<u>Rate Base</u>					
Average Plant	\$3,382,724	3,383,724	3,330,010	3,330,010	\$3,330,010
Average Dep. Reserve	1,633,187	1,633,187	1,639,050	1,639,050	\$1,639,050
Net Plant	1,749,537	1,749,537	1,690,960	1,690,960	\$1,690,960
Less Advances	\$217,666	\$217,666	\$208,690	\$208,690	\$208,690
Contributions	\$784,535	\$784,535	\$815,930	\$815,930	\$815,930
Plus Working Cash	\$34,158	\$34,158	\$32,390	\$32,390	\$32,390
Mat'l. & Supplies	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Rate Base	\$788,494	\$788,494	\$705,730	\$705,730	\$705,730
Rate of Return	loss	11.26%	3.05%	15.21%	11.47%

By letter, dated May 16, 1991, Del Oro advised that it concurred with the findings set forth in Exhibit 1. The letter is received in evidence as Exhibit 2.

In view of the concurrence of Del Oro regarding the findings set forth in Exhibit 1, it is not necessary to set forth herein the differences between Del Oro and Water Branch which are succinctly set forth in Exhibit 1.

Exhibit 1 also states that:

A notice of the proposed rate increase was mailed to each customer on November 20, 1990. Two letters protesting the increase were received by the Water Branch. Both customers complained that while Del Oro was asking for a 15% increase, rates appeared to increase 35%. Both complainants did not include the service charge, which did not increase, into their calculations. The Water Branch has explained this calculation oversight by letter to each respondent. There have been two service complaints since the last rate case. Both were telephone inquiries and each was resolved without further action. No written service complaints have been received.

Exhibit 1 advises that two major improvements will have to be made within the next few years namely: (1) the addition of a diesel generator and a pump house so that service would not be interrupted during a electrical power outage and (2) replacement of a section of main under Masterson Way. The Water Branch recommends that when these improvements are made, Del Oro be authorized to file an advice letter to recover reasonable costs associated with these improvements.

Findings of Fact

1. Water Branch's recommended estimates set forth in Table 1 are reasonable.

2. The increases authorized in Appendix A are just and reasonable.

3. A notice of the proposed rate increase was sent to customers.

4. Two protests concerning the proposed increase were received by Water Branch which have been resolved by Water Branch.

5. A public hearing is not necessary.

Conclusions of Law

1. The application should be granted to the extent set forth in the following order.

2. Del Oro should be authorized to file an advice letter to recover reasonable costs associated with the addition of a generator and pump house, replacement of a large section of main under Masterson Way, and the purchase of additional water supplies after these items have been placed in service.

3. The effective date of this order should be the date hereof because there is an immediate need for additional revenues.

ORDER

IT IS ORDERED that:

1. After the effective date of this order, Del Oro Water Company is authorized to file the revised rate schedules attached to this order as Appendix A and to concurrently withdraw and cancel its present schedules for such service. Such filing shall comply with General Order Series 96.

2. The effective date of the revised schedules authorized by Ordering Paragraph 1 shall be no earlier than 5 days after the date of filing. The revised schedules shall apply only to service rendered on and after their effective date.

10/20/91 10:00 AM

3. Del Oro Water Company is authorized to file an advice letter rate increase request to recover all reasonable costs associated with the addition of a generator and pump house, replacement of a large section of main under Masterson Way, and the purchase of additional water supply after these items are placed in service.

4. This decision closes this proceeding.
This order is effective today.

Dated August 7, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President

G. MITCHELL WILK

JOHN B. OHANIAN

NORMAN D. SHUMWAY

Commissioners

Commissioner Daniel Wm. Fessler,
being necessarily absent, did
not participate.

I CERTIFY THAT THIS DECISION

WAS APPROVED BY THE ABOVE

COMMISSIONERS TODAY


NEAL J. SHULMAN, Executive Director

APPENDIX A
Page 1

Schedule No. PP-1A

(T)

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

All territory served by Del Oro Water Company, Inc. in the area known as Fir Haven Subdivision, Sierra Del Oro Subdivisions, Paradise Pines Subdivisions, and vicinity, located approximately 6 miles north of Paradise, Butte County.

RATES

Quantity Rates	<u>Per Meter Per Month</u>	
For all water, per 100 cu. ft.....	\$ 0.725	(I)
Service Charge	<u>Per Meter Per Year</u>	
For 5/8x3/4-inch meter.....	\$ 96.00	
For 3/4-inch meter.....	105.60	
For 1-inch meter.....	144.00	
For 1-1/2-inch meter.....	192.00	
For 2-inch meter.....	259.00	
For 3-inch meter.....	480.00	
For 4-inch meter.....	652.80	

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

(continued)

APPENDIX A
page 2

Schedule No. FP-1A
(continued)

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utility's established billing periods. (T)
(T)
2. The established billing cycle for water used is monthly. (L)
3. The opening bill for metered service, except upon conversion from flat rate service, shall be established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customers.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX A
Page 3

Schedule No. PF-3M

(T)

METERED IRRIGATION SERVICE

APPLICABILITY

Applicable to all metered irrigation service furnished on an annual basis to the Paradise Pines service area.

TERRITORY

All territory served by Del Oro Water Company, Inc. in the area known as Fir Haven Subdivision, Sierra Del Oro Subdivisions, Paradise Pines Subdivisions, and vicinity, located approximately 6 miles north of Paradise, Butte County.

RATES

Quantity Rates	<u>Per Meter Per Month</u>	
For all water, per 100 cu. ft.....	\$ 0.66	(I)

Service Charge	<u>Per Meter Per Year</u>	
For 1-inch meter.....	\$ 144.00	
For 1-1/2-inch meter.....	192.00	
For 2-inch meter.....	259.00	
For 3-inch meter.....	480.00	
For 4-inch meter.....	652.80	

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

SPECIAL CONDITIONS

1. An application for service under this schedule shall be filed by the customer with the utility. Such application shall set forth the conditions of service requested and the proposed use of water.
2. The size of meter for the above service shall not be greater than reasonably necessary to furnish service to the area to be irrigated.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(END OF APPENDIX A)

APPENDIX B
Page 1

COMPARISON OF RATES

A comparison of the present and adopted rates is shown below:

ANNUAL GENERAL METERED SERVICE

	<u>Per Meter Per Year</u>		<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>	
For 5/8x3/4-inch meter	\$ 96.00	\$ 96.00	0.00%
For 3/4-inch meter	105.60	105.60	0.00%
For 1-inch meter	144.00	144.00	0.00%
For 1-1/2-inch meter	192.00	192.00	0.00%
For 2-inch meter	259.20	259.20	0.00%
For 3-inch meter	480.00	480.00	0.00%
For 4-inch meter	652.00	652.00	0.00%

Quantity Rates:

Per 100 cu. ft.....		\$ 0.725	—
First 800 cu. ft. per month per 100 cu. ft.....	\$ 0.49		
Over 800 cu. ft. per month per 100 cu. ft.....	\$ 0.73		

Monthly bill comparison for a typical residential customer on a 5/8" meter:

<u>Usage</u> <u>100 cu. ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 8.00	\$ 8.00	\$ 0.00	0.0%
5	\$ 10.45	\$ 11.63	\$ 1.18	11.3%
8	\$ 11.92	\$ 13.80	\$ 1.88	15.8%
12	\$ 14.84	\$ 16.70	\$ 1.86	12.5%
15	\$ 17.03	\$ 18.88	\$ 1.85	10.9%

Monthly bill comparison for a typical commercial customer on a 1" meter:

<u>Usage</u> <u>100 cu. ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 12.00	\$ 12.00	\$ 0.00	0.0%
12	\$ 18.84	\$ 20.70	\$ 1.86	9.9%
25	\$ 28.33	\$ 30.13	\$ 1.80	6.3%
50	\$ 46.58	\$ 48.25	\$ 1.67	3.6%
75	\$ 64.83	\$ 66.37	\$ 1.54	2.3%

(continued)

APPENDIX B
Page 2

COMPARISON OF RATES

METERED IRRIGATION SERVICE

		<u>Per Meter Per Year</u>		<u>Percent</u>
		<u>Present</u>	<u>Recommended</u>	<u>Increase</u>
		<u>Rates</u>	<u>Rates</u>	
For	1-inch meter	144.00	144.00	0.00%
For	1-1/2-inch meter	192.00	192.00	0.00%
For	2-inch meter	259.20	259.20	0.00%
For	3-inch meter	480.00	480.00	0.00%
For	4-inch meter	652.00	652.00	0.00%

Quantity Rates:

Per 100 cu. ft.....	\$0.53	\$ 0.66	24.53%
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Annual bill comparison for a typical irrigation customer on a 4" meter:

<u>Usage</u>	<u>Present</u>	<u>Recommended</u>	<u>Amount</u>	<u>Percent</u>
<u>100 cu. ft.</u>	<u>Bills</u>	<u>Bills</u>	<u>Increase</u>	<u>Increase</u>
0	\$ 652.80	\$ 652.80	\$ 0.00	0.0%
1000	\$ 1182.80	\$ 1312.80	\$ 130.00	11.0%
5000	\$ 3302.80	\$ 3952.80	\$ 650.00	19.7%
12000 (avg)	\$ 7012.80	\$ 8572.80	\$ 1560.00	22.3%
15000	\$ 8602.80	\$ 10552.00	\$ 1950.00	22.7%

(END OF APPENDIX B)

APPENDIX C

Page 1

Del Oro Water Company
Paradise Pines District

ADOPTED QUANTITIES

Test Year 1991

Net-to-Gross Multiplier:	1.299
Federal Tax Rate:	15.0%
State Tax Rate:	9.3%
Uncollectable Rate:	0.2%

Offset Items

1. Purchased Power (Electric)

Pacific Gas and Electric Company

Rate Schedule A-1	
Effective Date of Schedule	1/1/91
kWh used - Summer	5976
kWh used - Winter	9436
Summer Energy Charge(\$/kWh)	0.13984
Winter Energy Charge(\$/kWh)	0.11493
Meter Charge	\$7.50

Rate Schedule A-1P	
Effective Date of Schedule	1/1/91
kWh used - Summer	100768
kWh used - Winter	45573
Summer Energy Charge(\$/kWh)	0.13984
Winter Energy Charge(\$/kWh)	0.11493
Meter Charge	\$8.75

Rate Schedule A-10	
Effective Date of Schedule	1/1/91
kW Demand - Summer	1652
kWh used - " "	430,050
kW Demand - Winter	1501
kWh used - " "	267,040
Demand Charge(\$/kW)	3.30
Summer Energy Charge(\$/kWh)	0.09407
Winter Energy Charge(\$/kWh)	0.07290
Meter Charge	\$63

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Del Oro Water Company
Paradise Pines District

ADOPTED QUANTITIES
Test Year 1991

Rate Schedule A-11	
Effective Date of Schedule	1/1/91
kW Demand - Summer	1181
kWh used - Summer	
Peak	130,938
Partial Peak	152,760
Off Peak	240,052
kW Demand - Winter	1198
kWh used - Winter	
Partial Peak	168,030
Off Peak	142,180
Summer Peak Demand Charge (\$/kW)	10
Winter Demand Charge (\$/kW)	3.30
Summer Energy Charge	
\$/kWh - Peak	0.10959
\$/kWh - Partial Peak	0.08374
\$/kWh - Off Peak	0.05621
Winter Energy Charge	
\$/kWh - Partial Peak	0.06294
\$/kWh - Off Peak	0.05451
Meter Charge	\$5.10
Customer Charge	\$63
Total Cost	\$191,310
2. Payroll	
Employee Labor	\$77,800
Office Salaries	\$98,895
Adm. & Mgt. Sal.	\$42,765
Total	\$219,460
3. Payroll Taxes:	
4. Ad Valorem Taxes	\$18,040
Tax Rate	\$9,380
Assessed Value	1.045%
5. Testing Expenses (in Contract Work)	\$897,743
	\$1,400

APPENDIX C
Page 3

Del Oro Water Company
Paradise Pines District

ADOPTED QUANTITIES
Test Year 1991

Service Connections

1. Meter Size		
5/8 x 3/4"	.....	4,176
1"	.....	14
1-1/2"	.....	9
2"	.....	6
3"	.....	2
4"	.....	2
Total		4,209

Metered Water Sales Used to Design Rates:

	<u>Usage - Ccf/yr.</u>
General Metered	469,200
Irrigation, Metered	<u>36,000</u>
Total	505,200

APPENDIX C
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Del Oro Water Company
Paradise Pines District

ADOPTED INCOME TAX CALCULATIONS
Test Year 1991

<u>Line No.</u>	<u>Item</u>	<u>Adopted Rates</u>	
		<u>CCFT</u>	<u>FIT</u>
1.	Operating Revenues	\$772,210	\$772,210
2.	Operating Expenses	586,035	586,035
3.	Taxes Other Than Income	27,420	27,420
4.	Depreciation	66,695	66,695
5.	Interest Expense	43,540	43,540
6.	CCFT (Line No. 9)	<u>—</u>	<u>4,572</u>
7.	Total Deductions	723,690	728,202
8.	State Taxable Income	48,520	—
9.	CCFT	4,512	—
10.	Federal Taxable Income	—	44,008
11.	FIT	—	6,601
12.	ETC	—	0
13.	Net FIT	<u>—</u>	<u>6,601</u>
14.	Total Income Taxes	\$11,114	

(END OF APPENDIX C)