

WATER/ABJ/PTL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
WATER ADVISORY BRANCH**

**RESOLUTION NO. W-4147
MAY 13, 1999**

RESOLUTION

(RES. W-4147), DEL ORO WATER COMPANY, PARADISE PINES DISTRICT (DOWCPP). ORDER AUTHORIZING A 12-MONTH SURCHARGE PRODUCING AN INCREASE IN REVENUE OF \$116,403 OR 10.43% TO OFFSET COSTS OF PURCHASED WATER.

SUMMARY

By Advice Letter No. 83, filed December 28, 1998, DOWCPP seeks to establish a surcharge for purchased water. This resolution grants DOWCPP's request for authority to collect a surcharge of \$0.238 per Ccf (One Ccf is equal to one hundred cubic feet) for 12 months producing an increase in revenue of \$116,403 or 10.43% from June 1, 1999 through May 31, 2000, for the cost of purchased water.

BACKGROUND

The Paradise Pines District of the Del Oro Water Company (DOWCPP), filed an advice letter with the Water Advisory Branch (Branch) on December 28, 1998. DOWCPP requested authority under General Order 96-A and Section 454 of the Public Utilities (PU) Code to adjust rates to cover the cost to purchased water which is needed to supply its customers in the traditional periods of peak demand of June through October. The total requested increase is \$96,150 for the cost of purchased water, plus \$34,018 to cover the existing shortfall in the purchased water memorandum account.

DOWCPP is a corporation, owned by Robert Fortino, providing water service to an area known as Fir Haven Subdivision, Sierra Del Oro Subdivisions, Paradise Pines Subdivisions, and vicinity, located approximately 6 miles north of Paradise, Butte County. DOWCPP serves approximately 4,434 metered rate connections serving approximately 11,000 customers in the service area in and around the community of Paradise Pines in Butte County.

The current rates were established on July 1, 1997, pursuant to Res. W-4049 that authorized a general rate increase of \$74,283 or 7.18%.

DOWCPP's main source of supply comes from three wells which pump water from two distinct aquifers. Prior to the last serious drought in California, these sources of supply were sufficient to meet the needs of the service area without having to augment them with outside purchased water. The water demand has increased because the utility now has more large water users, two new schools for example. The community is gradually changing from a retirement area to a more traditional community. The mix of families in the service area has also changed so that now there are more families with children, and those families tend to use more water.

Water demand has increased, but the source of supply has dwindled, particularly in the aquifer pumped by two wells. The aquifer has not recharged to its previous pre-drought levels and DOWCPP has been forced to closely monitor the water level in the aquifer, particularly during peak demand time, so as not to pump the aquifer dry.

In DOWCPP's last General Rate Case, the utility's water supply problem was addressed. The staff in its investigation determined that a major reason for DOWCPP having to purchase water during the year was due to significantly high water losses due to leaks (26%). Pursuant to Res. W-4049, the Commission gave DOWCPP one year to bring the alleged leak problem under control. The Commission, in its order, authorized the one-year surcharge beginning July 1997 through June 1998, as a means of providing the utility with funds to both purchase water to cover short-term needs and initiate a leak detection program to find and repair significant leaks in the system. DOWCPP engaged Utility Service Associates (USA) to conduct the water line leak location investigation for the entire system. The USA report documented several areas where leaks were detected and DOWCPP has repaired 90% to 95% of the leaks found. DOWCPP claims that it still needs to purchase water, even though many leaks have been fixed, in order to meet peaking demands on its system.

On June 25, 1998, DOWCPP filed an advice letter requesting the surcharge authorized in Res. W-4049 remain in place for an additional six months. The Commission agreed that DOWCPP might have a valid need to purchase additional water but there was still the same question as to how much and there was inadequate justification to continue the surcharge. The Commission rejected DOWCPP's request for authority to continue its surcharge for six months, but allowed the utility to track actual purchased water costs in its Purchased Water Memorandum Account (Res. W-4116).

DISCUSSION

A review of DOWCPP's records indicates that DOWCPP has repaired all of the known leaks detected by USA. The average water loss for 1998 was 11%. As a result of this program, there was a significant decrease in the water loss percentage, but DOWCPP was still forced to buy purchased water during the peak season even after all of the detected leaks had been repaired.

DOWCPP purchases most of its water from Stirling Bluffs (SB), a related entity of DOWCPP. SB charges, since 1990, \$150 per acre-foot for the water. Water purchased by DOWCPP from SB is delivered by gravity to the Paradise Irrigation District (PID) treatment plant. There is an evaporation percentage that must be factored into the cost of purchased water actually used by DOWCPP. PID established that factor at 10%, therefore, the cost of water is \$165 ($\150×1.1) per acre-foot. DOWCPP relies on PID to process and transport water. PID charges \$323 per acre-foot for this service plus \$5 per acre-foot paid to a landowner through whose property the water flows in order to get to the PID treatment plant. The cost of purchased water is \$493 ($\$165 + \$323 + \5) per acre-foot.

The Branch analyzed DOWCPP's request, supporting workpapers, and supplementary data, and made a field investigation before formulating its own independent estimates. The Branch has determined a purchased water quantity of no more than 200 acre-feet or \$98,600 ($\493×200) would be sufficient to meet the summer demand. Pursuant to Res. W-4049, the Commission has included a purchased water allowance of \$16,215 in the base rate for quantity charge. A review of DOWCPP's records indicates that there is a \$34,018 shortfall in its Purchased Water Memorandum Account. Therefore, the total purchased water cost is \$116,403 ($\$98,600 + \$34,018 - \$16,215$) or \$0.238 per Ccf. DOWCPP was informed of the Branch's estimates and stated that it accepts the Branch's estimates.

DOWCPP and staff also agree that there is some uncertainty as to actual water consumption. Consequently, the Branch recommends that \$116,403, the cost of the 200 acre-feet of purchased water and Purchased Water Memorandum Account shortfall, be recovered as a \$0.238 per Ccf surcharge in the rates over a 12-month period from June 1, 1999 through May 31, 2000. The surcharge should end on May 31, 2000. The Branch also recommends that DOWCPP record the actual purchased water costs in its existing Purchased Water Memorandum Account authorized in Res. W-4116. After May 31, 2000, DOWCPP shall determine the difference between the actual cost of purchased water in the Purchased Water Memorandum Account and the money collected from the surcharge. DOWCPP should be required to file an advice letter requesting an appropriate surcharge or surcredit to offset the difference in the actual cost of purchased water and the revenue collected from the surcharge.

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

At the Branch's recommended rates shown in Appendix A, the monthly bill for a 5/8 x 3/4-inch metered customer using 7 Ccf of water will increase by \$1.66 from \$16.37 to \$18.03.

SERVICE, FIELD VISIT, NOTICE AND PUBLIC RESPONSE

Peter Liu, Project Manager, conducted a field investigation of DOWCPP's system and service area on February 4 and 5, 1999. The system operator, Mr. O'Farrell, directed a tour of the service area and explained the operation of the water system. Mr. Fortino made the company's records available for inspection and provided other assistance.

A notice of the proposed rate increase was published in the April 8, 1999 edition of the Paradise Post in Paradise. No protests have been received. Service is satisfactory. There are no significant service problems requiring corrective action.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements.

The utility has been filing annual reports and its Year 2000 questionnaires as required.

FINDINGS AND CONCLUSIONS

1. The rates recommended by the Branch (Appendix A) are reasonable and should be authorized.
2. DOWCPP should record the actual purchased water costs into its Purchased Water Memorandum Account, beginning June 1, 1999.
3. The purchased water quantity surcharge should be eliminated by May 31, 2000.
4. After May 31, 2000, DOWCPP shall be required to file an advice letter requesting an appropriate surcharge or surcredit to offset the difference in the actual cost of purchased water and the revenue collected from the surcharge.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Del Oro Water Company Paradise Pines District to file a supplemental advice letter incorporating the revised rate schedule attached to this resolution as Appendix A, and concurrently to cancel its presently effective rate schedule, PP-1A, Annual General Metered Service. Its filing shall comply with General Order 96-A. The effective date of the new schedule shall be the date of filing.

May 13, 1999

2. The Del Oro Water Company, Paradise Pines District, shall record the actual purchased water costs into its Purchased Water Memorandum Account beginning June 1, 1999.
3. The Del Oro Water Company, Paradise Pines District's purchased water quantity surcharge rate will be eliminated by May 31, 2000.
4. After May 31, 2000, DOWCCPP shall be required to file an advice letter requesting an appropriate surcharge or surcredit to offset the difference in the actual cost of purchased water and the revenue collected from the surcharge.
5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 13, 1999. The following commissioners approved it:



Wesley M. Franklin
Executive Director

RICHARD A. BILAS
President

HENRY M. DUQUE
JOSIAH L. NEEPER

Commissioners

APPENDIX A

Schedule No. PP-1A

**ANNUAL GENERAL METERED SERVICE
PARADISE PINES DISTRICT**

APPLICABILITY

Applicable to all metered water service furnished on an annual basis to the Paradise Pines District 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 Charge:	All Water, per 100 cu. ft.	
Base Rate	\$0.895	
Quantity Surcharge Rate*	<u>\$0.238</u>	(C)
Total, per 100 cu. ft.	\$1.133	(I)

*The quantity surcharge rate is to be collected for 12 months beginning June 1, 1999 through May 31, 2000 only and shown as a separate item on all bills.

Annual Service Charge:	Per Meter Per Year
For 5/8 x 3/4-inch meter.....	\$ 121.20
For 3/4-inch meter.....	182.40
For 1-inch meter.....	306.00
For 1.5-inch meter.....	427.80
For 2-inch meter.....	587.40
For 3-inch meter.....	1,011.00
For 4-inch meter.....	1,337.40

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 Rate.