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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS **RESOLUTION NO. W-4887**
Water and Sewer Advisory Branch **December 1, 2011**

R E S O L U T I O N

(RES. W-4887), MECCHI WATER COMPANY (MECCHI). ORDER AUTHORIZING A GENERAL RATE INCREASE (GRC), PRODUCING ADDITIONAL ANNUAL REVENUE OF $14,434 OR 90.00% FOR TEST YEAR (TY) 2011, AND $2,952 OR 9.69% AND $2,953 OR 8.83% FOR ESCALATION YEARS 2012 AND 2013, RESPECTIVELY.

SUMMARY

By Advice Letter (AL) 18, filed on March 14, 2011, as supplemented with AL 18-A on April 25, 2011, Mecchi seeks to increase its rates for water service to recover increased operating expenses and earn an adequate return on its plant investment. For TY 2011, this Resolution grants an increase in gross annual revenues of $14,434 or 90.00% over current rates, and additional revenue of $2,952 or 9.69% and $2,953 or 8.83% for escalation years 2012 and 2013, respectively. This increase in revenue is estimated to provide a return on margin of 24.89% by 2013. The rate schedules to implement the 2011 increase and the escalation increases for years 2012 and 2013 are set forth in Appendix B.

BACKGROUND

Mecchi, a Class D water utility, has requested authority under Rule 7.6.2 of General Order (G. O.) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by $30,915 or 198.4%[1] over the current rates for TY 2011. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. Mecchi's request was based on a return on margin of 24.87%. To mitigate the impact of the large increase Mecchi proposed that the full

[1] Due to a calculation error Mecchi submitted revised workpapers on June 20, 2011, revising its original revenue increase request of 232% down to a stated increase of 207%. However, the requested revenue increase amount of $30,915, as indicated in the revised workpapers, actually yields an increase of 198.4% over Mecchi's own calculated present revenue.

increase go in effect one year after the implementation of the interim rates described below.

The present rates became effective on April 25, 2011, by approval of AL 19, which authorized an interim rate increase of $5,400 or 35%, subject to refund or increase to the rates established in this GRC. The last GRC for Mecchi was granted on March 16, 1994, pursuant to Res. W-3837, which granted an increase in revenues of $9,319 or 202%.

Mecchi attributes the magnitude of its increase request not only to the absence of any increases in over 17 years, but also to the steep increase in groundwater pumping fees due to the Santa Clara Valley Water District.

Mecchi serves approximately 27 flat-rate customers[2] in its service area located approximately ¾ mile north of San Martin in Santa Clara County. All but two of the connections are single-family residences, nine of them serving properties that contain a second dwelling unit billed at an additional flat rate. The customer base can be characterized as low-income and has not significantly increased since 1994, when the last GRC was approved. Mecchi's system is supplied from one well, known as Well 2, and uses six 80-gallon pressure tanks.

Per Res. W-3837, Mr. Jess Ledesma took over the system when his sister, Ms. Ruth Mary Ordanz, passed away in 1992. Messieurs Gary and Jack Ledesma, the current owners, inherited Mecchi in 1999, following the death of their father Mr. Jess Ledesma. Current ownership is reflected in Mecchi's tariffs by approval of AL 20 filed with the Commission on August 8, 2011 pursuant to Public Utilities Code (PU Code) 853(c).

Since its last GRC, Mecchi has consistently failed to comply with Department of Public Health's (DPH's) water quality monitoring requirements, resulting in numerous DPH citations. Mecchi's failure to comply with DPH directives led the Environmental Protection Agency (EPA) to issue an Administrative Order[3] (Order) on March 30, 2009. In late 2009 Mecchi contracted the operation and maintenance of the system out to Bracewell Engineering, a full service firm staffed with certified operators. The contractor has since been working with DPH to meet compliance.

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[2] According to billing records as of February 1, 2011.

[3] Case No. PWS-AO-2009-6009. Order requires Mecchi to file either a standard monitoring plan or a system specific study to address the Stage 2 Disinfectants and Disinfection Byproducts Rule.

NOTICE AND PROTEST

AL 18 was served on March 22, 2011, in accordance with G. O. 96-B, including on adjacent utilities and persons on the general service list. On June 3, 2011, a notice of the proposed rate increase was hand-delivered to each customer's service address. Division staff granted an extension of the protest period during which five customer letters questioning the rate increase were timely received and responded to by the utility. The Division of Water and Audits (Division) has reviewed and considered all letters received.

An informal public meeting was held on Thursday, June 23, 2011, at 6:00 PM at a local restaurant in Morgan Hill. Approximately ten customers attended the meeting. Division staff (Staff) explained the Commission's rate-setting procedures, while Mecchi's representative cited justification for the proposed rate increase. Staff and Mecchi's representative answered questions until approximately 8:30 PM.

Much of the customer feedback, in both the letters received and at the public meeting, appeared to be inspired by the magnitude of the requested increase with many customers concerned about affordability of the proposed rates when coupled with other recent increases. Shortly before filing this GRC, Mecchi requested and received authority, by approval of AL 17 on January 4, 2011, to implement a monthly surcharge of $18.97 for a period of 36 months to recover offsetable expenses authorized by the Commission. Additional customer concerns include water pressure and quality, as well as communication between the company and the customers. A review of Mecchi's 2010 DPH Consumer Confidence Report shows that its water meets the required quality standards set by the DPH, while the GRC field investigation showed that water pressure is within the guidelines set in G. O. 103-A. At the public meeting, Staff learned that Mecchi has not provided emergency telephone access for customers as required by G. O. 103-A. At the Division's direction Mecchi revised its customer's monthly bill to include emergency contact information that provides customers with telephone access, including after-hours access, to the contractor operating and maintaining the system.

In setting rates in this resolution, we have balanced the financial requirements of Mecchi with the rate concerns of its customers.

DISCUSSION

The surcharge authorized by AL 17 and implemented shortly before this GRC request represents an increase of 46.84% on the average customer bill. Interim rates, approved effective April 25, 2011, closely followed with a 35% rate increase. The magnitude of

Mecchi's current request to increase revenues by 198.4% stems largely from the absence of any increases for over 17 years.

The magnitude and timing of Mecchi's GRC request and interim rate increase, and its recently approved surcharge, justify a more gradual revenue increase than that proposed by Mecchi. To mitigate the impact that this large increase may have on its customers, most of which are financially disadvantaged, Mecchi agreed to phase-in its revenues over a period of three years, from 2011 through 2013, instead of one year, as it originally proposed. To lessen customer rate shock and fulfill the intent of a gradual increase Mecchi should be barred from recovery of uncollected revenue for the period between April 25, 2011 – effective date of interim rates - and the effective date of the rate increase. Mecchi should also be barred from deferred revenue collection for all 2011, 2012, and 2013. Mecchi should not request recovery of the Consumer Price Index for years 2011 and 2012.

The Division made an independent analysis of Mecchi's operations. Appendix A shows Mecchi's and the Division's estimated summary of earnings at present, proposed, and recommended rates for TY 2011, to be phased in during years 2011, 2012, and 2013. Appendix B includes the Division's tariff rates for TY 2011, and escalation years 2012 and 2013. The Division informed Mecchi of how the methodologies it used differed from those used in Mecchi's request. Mecchi is now in agreement with the Division's recommended revenue requirement, shown in Appendix A, and the Division's recommended rates, shown in Appendix B. The Division recommends that the Commission approve the rate increases and resulting rates shown in Appendix B.

Staff reviewed operating expenses including purchased power, other volume related, contract work, other plant maintenance, management salaries, professional services, office services and rentals, regulatory commission expense, and depreciation. 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.

The Division's estimate of Mecchi's purchased power costs used Pacific Gas & Electric's rates effective March 1, 2011, applied to 12 months of electric usage ending on March 2011. The quantities used to calculate purchased power and the groundwater pumping fee component of other volume related expenses[4] is the three-year average (2008-2010)

[4] The volume related expenses category includes chemical costs for water treatment and fees due to the Santa Clara Valley Water District for groundwater pumping at $275 per acre-foot for pumping January through June of the TY, increasing to $285 per acre-foot July through December of the TY.

of water production data, found in Appendix D. The Division's estimate for contract work is based on actual costs incurred in 2010, including a fixed fee for monthly system operation and costs for as-needed plant maintenance services, both performed by a contractor. Unlike Mecchi's request, water testing costs were estimated and broken out separately to general contract costs. The Division's estimate of regulatory commission expenses is inclusive of DPH's system fee.

Mecchi requested a rate of margin of 24.89%[5]. Two methods are available for the Division to utilize in the rate-making process for class D water utilities: (1) Rate of Return, and (2) Rate of Margin. Per Decision (D.) 92-03-093, dated March 31, 1992, the Division must recommend the method that produces the higher revenues for a utility Mecchi's size. The Division's Utility Audit, Finance & Compliance Branch has recommended a rate of margin of 24.89% for TY 2011 for Class D water utilities. The Division determined that the rate of margin method produces the higher revenues of $36,377 compared with the rate of return revenues of $29,828 at a rate of 12.5%, and therefore recommends adopting a rate of margin of 24.89%.

Mecchi considers its customers to be high water users and proposed a tiered rate structure intended to curb water consumption, and thus reduce pumping costs that are passed through to customers in rates. Assuming that all water pumped is delivered to customers, Staff estimates that Mecchi's average costumer consumption is almost twice that of neighboring communities that have implemented tiered rates. However, Mecchi is unable to determine how much, if any, of this higher use is due to leakage. Mecchi should pursue grant funding for meter installation so that customers can move from the current flat rate to tiered rates as soon as possible. This will not only encourage water conservation but will also enable the Company and customers to identify system wide water loss. Mecchi should be required to submit a cost estimate and report the results of its efforts to the Division of Water and Audits within 9 months of the issuance of this resolution.

Mecchi's filed tariffs currently contain two schedules: 1, General Metered Service; and 2, Residential Flat Rate Service. Although Mecchi does not currently have any metered services, it has in the past requested to retain that Schedule in the event it does install meters in the future. Part of Mecchi's current request includes metering the system and implementing an increasing tiered rate structure that will encourage water conservation. Mecchi has not, to date, obtained cost estimates to meter the system. Conservation rates are intended to send customers a price signal on water usage and also designed based on the service area's specific water usage patterns. It would be

[5] This is Mecchi's stated rate of margin; however, its revenue increase request actually yielded 24.86%.

premature to implement tiered rates without actual customer water usage data, which in turn can only be obtained from metered service connections. Mecchi should be allowed to retain a general metered service rate schedule, which recovers 100% of the fixed costs through the service charge, and a single block quantity rate, as stated in D.92-03-093. When Mecchi installs meters it should apply the single block quantity rate structure and track customer water use data, for at least one year thereafter, prior to seeking authorization to implement an increasing tier rate structure. Until then, Mecchi's request to establish tiered rates should be denied. As Mecchi serves two commercial customers, it should also delete "residential" from Schedule No. 2's title, as shown in Appendix B.

At the Division's recommended rates the increase in revenue will be $20,339 or 90.00% for TY 2011, $2,952 or 9.69% and $2,953 or 8.83%, for escalation years 2012 and 2013, respectively. At the recommended rates for 2011, shown in Appendix B, monthly flat rates will increase from $40.50 to $76.95, a difference of $36.45 or 90.00% in TY 2011; from $76.95 to $84.40, a difference of $7.45 or 9.69% in escalation year 2012; and from $84.40 to $91.86, a difference of $7.46 or 8.83% for escalation year 2013. A comparison of customer bills at present, recommended, and escalation rates are shown in Appendix C. The projections, adopted quantities, and tax calculations are shown in Appendix D. Mecchi should be required to file Tier 2 advice letters on or before November 20 of 2011 and 2012, for the escalation rates of 2012 and 2013, respectively, and the escalation rates will be made effective on January 1, 2012 and 2013, respectively.

COMPLIANCE

The utility has not consistently filed Annual Reports as required. However, it did file 2008, 2009, and 2010 Annual Reports in 2011. Mecchi must file Annual Reports and do so in a timely manner while reporting all required data.

With the operation and maintenance contractor on board, Mecchi has been working with DPH to bring the system into compliance. Mecchi's water quality monitoring has essentially been brought up to date and most other required system improvements completed, including disconnection of Well 1 from the system. Mecchi continues to work towards compliance of the outstanding items. As required by the EPA Order, Mecchi has submitted a Standard Monitoring Plan to EPA and DPH for review and approval. DPH is coordinating with the EPA regarding the system's eventual return to compliance with respect to the EPA Order.

Mecchi needs to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current commission standards: Title Page; Rules 3, Application for Service; 5, Special

Information Required on Forms; 7, Deposits; 8, Notices; and 10, Disputed Bills; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.

COMMENTS

PU Code 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft resolution was mailed to the utility, all protestants (whether or not they filed timely protests), and those requesting service at the public meeting, and made available for public comment on September 20, 2011. No comments were received.

FINDINGS

1. Mecchi has requested authority to increase its water rates by $30,915 or 198.4% for TY 2011.
2. AL 18 was served on March 22, 2011, in accordance with GO 96-B, including on adjacent utilities and persons on the general service list. On June 3, 2011, a notice of the proposed rate increase was hand delivered to each customer's service address.
3. Mecchi agreed to phase-in its revenues over a period of three years, from 2011 through 2013.
4. Mecchi should be barred from recovery of uncollected revenue for the period between April 25, 2011 – the effective date of interim rates - and the effective date of the rate increase.
5. Mecchi should be barred from deferred revenue collection for all 2011, 2012, and 2013.
6. Mecchi should not request recovery of the Consumer Price Index for years 2011 and 2012.
7. Mecchi does not currently have any metered services, but should be allowed to retain a general metered service rate schedule.
8. In reviewing Mecchi's request, the Division made an independent analysis of Mecchi's operations.
9. 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.

10. The Division used 12 months of actual power usage to estimate purchased power costs.
11. The quantities used to calculate purchased power and the groundwater pumping fee component of other volume related expenses is the three year average (2008-2010) of water production data.
12. The Division's estimate for contract work is based on actual costs incurred in 2010, including a fixed fee for monthly system operation and costs for as-needed plant maintenance services, both performed by a contractor.
13. The Division's estimate of regulatory commission expenses is inclusive of DPH's system fee.
14. The Division informed Mecchi of how the methodologies it used differed from those used in Mecchi's request. Mecchi is now in agreement with the Division's recommended revenue requirement, shown in Appendix A, and the Division's recommended rates, shown in Appendix B.
15. The Division's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
16. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
17. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
18. For TY 2011, it is appropriate to grant Mecchi an increase in gross annual revenues of $20,339 or 90.00%, $2,952 or 9.69% and $2,953 or 8.83%, for escalation years 2012 and 2013, respectively, which is estimated to provide a return on margin of 24.89% by 2013.
19. At the recommended rates for 2011, shown in Appendix B, monthly flat rates will increase from $40.50 to $76.95, a difference of $36.45 or 90.00% in TY 2011; from $76.95 to $84.40, a difference of $7.45 or 9.69% in escalation year 2012; and from $84.40 to $91.86, a difference of $7.46 or 8.84% in escalation year 2013.
20. Mecchi should be required to file Tier 2 advice letters on or before November 20 of 2011 and 2012 for the escalation rates of 2012 and 2013, and the escalation rates will be made effective on January 1, 2012 and 2013, respectively.
21. When Mecchi installs meters it should apply the single block quantity rate structure and track customer water use data, for at least one year thereafter, prior to seeking authorization to implement an increasing tier rate structure.

22. The interim increase, subject to refund or increase to the rates set herein, was requested by AL 19 and became effective on April 25, 2011, with a rate increase of $5,400 or 35%.
23. Mecchi should be ordered to file Annual Reports and do so in a timely manner while reporting all required data.
24. Mecchi should be ordered to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current commission standards: Title Page; Rules 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 8, Notices; and10, Disputed Bills; and Forms 2, Customer's Deposit Receipt and 3, Bill for Service.
25. Mecchi should delete "residential" from Schedule No. 2's title, as shown in Appendix B.
26. Mecchi should investigate and pursue opportunities for grant funding of water meters and meter installation from the California Department of Public Health and other public and private agencies. Mecchi should submit a cost estimate and report the results of its efforts to the Division of Water and Audits within 9 months of the issuance of this resolution.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Mecchi Water Company, to file a supplemental advice letter with the revised rate schedules attached to this Resolution as Appendix B and concurrently cancel its presently effective rate Schedule No. 1, General Metered Service; and Schedule No. 2, Flat Rate Service. The effective date of the revised schedules shall be five days after the date of filing.
2. The quantities (Appendix D) used to develop the Division of Water and Audits' recommendations are adopted.
3. Mecchi Water Company shall investigate and pursue opportunities for grant funding of water meters and meter installation from the California Department of Public Health and other public and private agencies. Mecchi shall submit a cost estimate and report the results of its efforts to the Division of Water and Audits within 9 months of the issuance of this resolution.
4. Mecchi Water Company shall file tier 2 advice letters on or before November 20 of 2011 and 2012 for the escalation rates of 2012 and 2013, respectively, and the escalation rates will be made effective on January 1, 2012 and 2013, respectively.

5. Mecchi shall be barred from recovery of uncollected revenue for the period between April 25, 2011 – the effective date of interim rates - and the effective date of this rate increase.
6. Mecchi Water Company shall be barred from deferred revenue collection for all 2011, 2012, and 2013.
7. Mecchi Water Company shall not request recovery of the Consumer Price Index for years 2011 and 2012.
8. Mecchi Water Company is ordered to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current commission standards: Title Page; Rules 3, Application for Service; 5, Special Information required on Forms; 7, Deposits; 8, Notices; and 10, Disputed Bills; and Forms 2, Customer's Deposit Receipt and 3, Bill for Service.
9. 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 December 1, 2011; the following Commissioners voting favorably thereon:

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PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J. K. SANDOVAL
MARK J. FERRON
Commissioners

APPENDIX A

Mecchi Water Company
Summary of Earnings – Test Year 2011

Item	Utility Estimated Present Rates	Utility Estimated Requested Rates	Branch Estimated Present Rates	Branch Estimated Requested Rates	Recommended Rates 2011
Operating Revenue					
Unmetered Water Revenue	$15,250	$46,165	$ 16,038.00	$36,377	$30,472
Other Water Revenue	$330	$330			
Total Operating Revenue	$15,580	$46,495	$16,038	$36,377	$30,472
Operating Expenses					
Purchased Water	$0	$0	$0	$0	$0
Purchased Power	$3,284	$3,284	$2,993	$2,993	$2,993
Other Volume Related Expenses	$10,511	$10,511	$9,268	$9,268	$9,268
Employee Labor	$0	$0	$0	$0	$0
Materials	$0	$0	$0	$0	$0
Contract Work	$11,275	$11,275	$10,227	$10,227	$10,227
Water Testing		$0	$734	$734	$734
Transportation Expenses	$0	$0	$0	$0	$0
Other Plant Maintenance	$68	$68	$68	$68	$68
Office Salaries	$0	$0	$0	$0	$0
Management Salaries	$2,000	$2,000	$1,000	$1,000	$1,000
Employee Benefits	$0	$0	$0	$0	$0
Uncollectibles Expense	$0	$0	$0	$0	$0
Office Services & Rentals	$284	$284	$0	$0	$0
Office Supplies & Expenses	$0	$0	$0	$0	$0
Professional Services	$5,344	$5,344	$1,500	$1,500	$1,500
Insurance	$0	$0	$0	$0	$0
Regulatory Commission Expense	$673	$673	$600	$600	$600
General Expenses	$0	$0	$0	$0	$0
Subtotal	$33,439	$33,439	$26,389	$26,389	$26,389
Depreciation	$1,560	$1,560	$1,128	$1,128	$1,128
Taxes other than Income	$0	$0	$0	$0	$0
Income Taxes	$1,045	$2,794	$800	$2,009	$1,123
Interest	$0	$0	$0	$0	$0
Total Deductions	$36,044	$37,793	$28,318	$29,527	$28,641
Net Revenue/Operating Margin	($20,464)	$8,702	($12,280)	$6,850	$1,831
Rate Base					
Average Plant	$61,815	$61,815	$45,127	$45,127	$45,127
Ave. Accumulated Depreciation	$34,225	$34,225	$34,855	$34,855	$34,855
Net Plant	$27,590	$27,590	$10,272	$10,272	$10,272
Less Advances		$0	$0	$0	$0
Contributions		$0	$0	$0	$0
Plus Working Cash	$0	$0	$0	$0	$0
Materials & Supplies			$0	$0	$0
Rate Base:	$27,590	$27,590	$10,272	$10,272	$10,272
Rate of Margin					**6.65%**

APPENDIX A

Mecchi Water Company
Summary of Earnings – Escalation Year 2012

Item	Utility Estimated Present Rates	Utility Estimated Requested Rates	Branch Estimated Present Rates	Branch Estimated Requested Rates	Recommended Rates 2011	Recommended Rates 2012
Operating Revenue						
Unmetered Water Revenue	$15,250	$46,165	$ 16,038.00	$36,377	$30,472	$33,424
Other Water Revenue	$330	$330				
Total Operating Revenue	$15,580	$46,495	$16,038	$36,377	$30,472	$33,424
Operating Expenses						
Purchased Water	$0	$0	$0	$0	$0	$0
Purchased Power	$3,284	$3,284	$2,993	$2,993	$2,993	$2,993
Other Volume Related Expenses	$10,511	$10,511	$9,268	$9,268	$9,268	$9,268
Employee Labor	$0	$0	$0	$0	$0	$0
Materials	$0	$0	$0	$0	$0	$0
Contract Work	$11,275	$11,275	$10,227	$10,227	$10,227	$10,227
Water Testing		$0	$734	$734	$734	$734
Transportation Expenses	$0	$0	$0	$0	$0	$0
Other Plant Maintenance	$68	$68	$68	$68	$68	$68
Office Salaries	$0	$0	$0	$0	$0	$0
Management Salaries	$2,000	$2,000	$1,000	$1,000	$1,000	$1,000
Employee Benefits	$0	$0	$0	$0	$0	$0
Uncollectibles Expense	$0	$0	$0	$0	$0	$0
Office Services & Rentals	$284	$284	$0	$0	$0	$0
Office Supplies & Expenses	$0	$0	$0	$0	$0	$0
Professional Services	$5,344	$5,344	$1,500	$1,500	$1,500	$1,500
Insurance	$0	$0	$0	$0	$0	$0
Regulatory Commission Expense	$673	$673	$600	$600	$600	$600
General Expenses	$0	$0	$0	$0	$0	$0
Subtotal	$33,439	$33,439	$26,389	$26,389	$26,389	$26,389
Depreciation	$1,560	$1,560	$1,128	$1,128	$1,128	$1,128
Taxes other than Income	$0	$0	$0	$0	$0	$0
Income Taxes	$1,045	$2,794	$800	$2,009	$1,123	$1,566
Interest	$0	$0	$0	$0	$0	$0
Total Deductions	$36,044	$37,793	$28,318	$29,527	$28,641	$29,084
Net Revenue/Operating Margin	($20,464)	$8,702	($12,280)	$6,850	$1,831	$4,340
Rate Base						
Average Plant	$61,815	$61,815	$45,127	$45,127	$45,127	$45,127
Ave. Accumulated Depreciation	$34,225	$34,225	$34,855	$34,855	$34,855	$34,855
Net Plant	$27,590	$27,590	$10,272	$10,272	$10,272	$10,272
Less Advances		$0	$0	$0	$0	$0
Contributions		$0	$0	$0	$0	$0
Plus Working Cash	$0	$0	$0	$0	$0	$0
Materials & Supplies			$0	$0	$0	$0
Rate Base:	$27,590	$27,590	$10,272	$10,272	$10,272	$10,272
Rate of Margin					6.65%	15.77%

APPENDIX A

Mecchi Water Company
Summary of Earnings – Escalation Year 2013

Item	Utility Estimated Present Rates	Utility Estimated Requested Rates	Branch Estimated Present Rates	Branch Estimated Requested Rates	Recommended Rates 2011	Recommended Rates 2012	Recommended Rates 2013
Operating Revenue							
Unmetered Water Revenue	$15,250	$46,165	$ 16,038.00	$36,377	$30,472	$33,424	$36,377
Other Water Revenue	$330	$330					
Total Operating Revenue	$15,580	$46,495	$16,038	$36,377	$30,472	$33,424	$36,377
Operating Expenses							
Purchased Water	$0	$0	$0	$0	$0	$0	$0
Purchased Power	$3,284	$3,284	$2,993	$2,993	$2,993	$2,993	$2,993
Other Volume Related Expenses	$10,511	$10,511	$9,268	$9,268	$9,268	$9,268	$9,268
Employee Labor	$0	$0	$0	$0	$0	$0	$0
Materials	$0	$0	$0	$0	$0	$0	$0
Contract Work	$11,275	$11,275	$10,227	$10,227	$10,227	$10,227	$10,227
Water Testing		$0	$734	$734	$734	$734	$734
Transportation Expenses	$0	$0	$0	$0	$0	$0	$0
Other Plant Maintenance	$68	$68	$68	$68	$68	$68	$68
Office Salaries	$0	$0	$0	$0	$0	$0	$0
Management Salaries	$2,000	$2,000	$1,000	$1,000	$1,000	$1,000	$1,000
Employee Benefits	$0	$0	$0	$0	$0	$0	$0
Uncollectibles Expense	$0	$0	$0	$0	$0	$0	$0
Office Services & Rentals	$284	$284	$0	$0	$0	$0	$0
Office Supplies & Expenses	$0	$0	$0	$0	$0	$0	$0
Professional Services	$5,344	$5,344	$1,500	$1,500	$1,500	$1,500	$1,500
Insurance	$0	$0	$0	$0	$0	$0	$0
Regulatory Commission Expense	$673	$673	$600	$600	$600	$600	$600
General Expenses	$0	$0	$0	$0	$0	$0	$0
Subtotal	$33,439	$33,439	$26,389	$26,389	$26,389	$26,389	$26,389
Depreciation	$1,560	$1,560	$1,128	$1,128	$1,128	$1,128	$1,128
Taxes other than Income	$0	$0	$0	$0	$0	$0	$0
Income Taxes	$1,045	$2,794	$800	$2,009	$1,123	$1,566	$2,009
Interest	$0	$0	$0	$0	$0	$0	$0
Total Deductions	$36,044	$37,793	$28,318	$29,527	$28,641	$29,084	$29,527
Net Revenue/Operating Margin	($20,464)	$8,702	($12,280)	$6,850	$1,831	$4,340	$6,850
Rate Base							
Average Plant	$61,815	$61,815	$45,127	$45,127	$45,127	$45,127	$45,127
Ave. Accumulated Depreciation	$34,225	$34,225	$34,855	$34,855	$34,855	$34,855	$34,855
Net Plant	$27,590	$27,590	$10,272	$10,272	$10,272	$10,272	$10,272
Less Advances		$0	$0	$0	$0	$0	$0
Contributions		$0	$0	$0	$0	$0	$0
Plus Working Cash	$0	$0	$0	$0	$0	$0	$0
Materials & Supplies			$0	$0	$0	$0	$0
Rate Base:	$27,590	$27,590	$10,272	$10,272	$10,272	$10,272	$10,272
Rate of Margin					**6.65%**	**15.77%**	**24.89%**

(END OF APPENDIX A)

APPENDIX B

Mecchi Water Company

SCHEDULE NO. 1

GENERAL METERED SERVICE
Test Year 2011

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Crowner Subdivision Tract No. 224, and vicinity, located ¾ mile of San Martin, Santa Clara County.

RATES

	Per Meter Per Month	
Quantity Rates:		
Per 100 Cubic Feet	$ 1.05	(I)
Service Charge:		
For 5/8 x ¾ - inch meter	$52.74	(I)

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF
2. As authorized by the California Public Utilities Commission all bills are subject to a 36-month surcharge of $18.97 offsetting Groundwater Management for 2007 through 2009, California Department of Public Health Fees for 2007 through 2009, Purchased Power for 2007 through 2009, and Document Preparation and Filing Fees.

APPENDIX B

Mecchi Water Company

SCHEDULE NO. 2

FLAT RATE SERVICE (C)
Test Year 2011

APPLICABILITY

Applicable to all water service furnished on a flat rate basis. (C)

TERRITORY

Crowner Subdivision Tract No. 224, and vicinity, located ¾ mile of San Martin, Santa Clara County.

RATES

	Per Month	
For each residence located on a single, lot but irrigation of lawns and gardens restricted to 300 sq ft:	$76.95	(I)
For each additional residence on same lot	$51.30	(I)

SPECIAL CONDITIONS

1. The above flat rate charges apply to service connections not larger than one-inch in diameter.
2. For service covered by the above classifications, if the utility elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service, effective as of the first day of the following month.
3. As authorized by the California Public Utilities Commission all bills are subject to a 36-month surcharge of $18.97 offsetting Groundwater Management for 2007 through 2009, California Department of Public Health Fees for 2007 through 2009, Purchased Power for 2007 through 2009, and Document Preparation and Filing Fees.

APPENDIX B

Mecchi Water Company

SCHEDULE NO. 1

GENERAL METERED SERVICE
Escalation Years 2012 and 2013

APPLICABILITY

Applicable to all metered water service furnished on a flat rate basis.

TERRITORY

Crowner Subdivision Tract No. 224, and vicinity, located ¾ mile of San Martin, Santa Clara County.

RATES

	Escalation Year 2012 Per Month	Escalation Year 2013 Per Month
Quantity Rates:		
Per 100 Cubic Feet:	$1.05	$ 1.12 (I)
Service Charge:		
For 5/8 x ¾ - inch meter	$56.27	$68.23 (I)

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. As authorized in the California Public Utilities Commission all bills are subject to a 36-month surcharge of $18.97 offsetting Groundwater Management for 2007 through 2009, California Department of Public Health Fees for 2007 through 2009, Purchased Power for 2007 through 2009, and Document Preparation and Filing Fees.

APPENDIX B

Mecchi Water Company

SCHEDULE NO. 2

FLAT RATE SERVICE
Escalation Years 2012 and 2013

APPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

Crowner Subdivision Tract No. 224, and vicinity, located ¾ mile of San Martin, Santa Clara County.

RATES

	Escalation Year 2012 Per Month	Escalation Year 2013 Per Month
For each residence located on a single lot but irrigation of lawns and gardens restricted to 300 sq ft:	$84.40	$91.86 (I)
For each additional residence on same lot :	$56.27	$61.24 (I)

SPECIAL CONDITIONS

1. The above flat rate charges apply to service connections not larger than one-inch in diameter.
2. For service covered by the above classifications, if the utility elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service, effective as of the first day of the following month.
3. As authorized by the California Public Utilities Commission all bills are subject to a 36-month surcharge of $18.97 offsetting Groundwater Management for 2007 through 2009, California Department of Public Health Fees for 2007 through 2009, Purchased Power for 2007, through 2009, and Document Preparation and Filing Fees.

(END OF APPENDIX B)

APPENDIX C

Mecchi Water Company

COMPARISON OF RATES
TEST YEAR 2011

Service	Present Rates	Proposed Rates	Amount Increase	Percent Increase
Monthly Flat Rate	$40.50	$76.95	$36.45	90.0%

COMPARISON OF RATES
ESCALATION YEAR 2012

Service	2011 Rates	Proposed Rates	Amount Increase	Percent Increase
Monthly Flat Rate	$76.95	$84.40	$ 7.45	9.69%

COMPARISON OF RATES
ESCALATION YEAR 2013

Service	2012 Rates	Proposed Rates	Amount Increase	Percent Increase
Monthly Flat Rate	$84.40	$91.86	$7.46	8.84%

(END OF APPENDIX C)

APPENDIX D

Mecchi Water Company
ADOPTED QUANTITIES
TEST YEAR 2011 AND ESCALATION YEARS 2012 AND 2013

Expenses:

1. Purchased power (Electric)

Vendor	Pacific Gas and Electric
Schedule	A-1
Effective Date of Rates	March 1, 2011
Number of Meters	1
kWh - Summer	9,855
kWh – Winter	6,023
Total kWh	15,877
Total Cost	$2,993
Composite Energy Cost ($/kWh)	$0.1878

2. Flat Rate Service Connections	27
Additional Dwelling Units	9
3. Water Production in Ccf	12,711
3. Depreciation Rate	2.5%

4. Tax calculation:

Line No.	Item	Test Year 2011	Escalation 2012	2013
1.	Operating Revenue	$30,472	$33,424	$36,377
2.	O & M Expenses	$26,389	$26,389	$26,389
3.	Taxes Other Than Income	$0	$0	$0
4.	Depreciation	$1,128	$1,128	$1,128
5.	Interest Expense	$0	$0	$0
6.	Taxable Income for State Tax	$2,954	$5,906	$8,859
7.	State Tax	$800	$800	$800
8.	Taxable Income for FIT	$2,154	$5,106	$8,059
9.	Federal Income Tax	$323	$766	$1,209
10.	Total Income Tax	$1,123	$1,566	$2,009

(END OF APPENDIX D)