

WATER/ABJ/HJL: jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4465
April 1, 2004**

RESOLUTION

(RES. W-4465), ALISAL WATER CORPORATION (ALCO) - NORMCO DISTRICT (NORMCO) AND MOSS LANDING DISTRICT (MLD). ORDER AUTHORIZING A SURCHARGE TO RECOVER AN INCREASE IN WATER TESTING COSTS PRODUCING AN INCREASE IN ANNUAL REVENUE FOR NORMCO OF \$22,794 OR 9.65% AND \$6,947 OR 5.84% FOR MLD.

SUMMARY

By Advice Letter No. 96, filed on January 8, 2004, ALCO seeks to add a surcharge of \$10.35 per month for six months for NORMCO, and \$9.98 per month for six months for MLD to their Schedule No. 1-ND, Metered Service, and Schedule No. 1-ML, Metered Service, respectively. The increase requested is to recover water testing costs incurred in 2002 over and above the amount allowed in Normco and Moss Landing Districts' last general rate cases. This increase will not result in a rate of return greater than that last authorized for Normco and Moss Landing Districts.

BACKGROUND

ALCO, a Class B utility, provides water service to 367 customers in its NORMCO District and 116 customers in MLD located in Monterey County. ALCO requests authority under Section VI of General Order (G. O.) 96-A and Section 454 of the Public Utilities Code to recover \$22,794 and \$6,947 for NORMCO and MLD, respectively, via surcharge over six months for water testing costs including water sampling, testing, reporting and treatment costs incurred in year 2002. ALCO's Normco and Moss Landing Districts present rates became effective on May 19, 2003, pursuant to Res. No. W-4391, which granted rate surcharges to offset water testing costs. ALCO's last general rate increase were granted

pursuant to Res. No. W-3978 dated March 13, 1996, for NORMCO, and Res. No. W-4046 dated June 25, 1997, for MLD.

DISCUSSION

Res. No. W-4013, dated December 20, 1996, renewed by Res. No. W-4327, dated March 6, 2002, authorized all Class B, C, and D water utilities to establish water quality memorandum accounts (WQMA) for recording expenses resulting from drinking water regulations, including water sampling, testing, reporting and treatment costs not presently included in rates. Class B, C, and D water utilities were also authorized to request recovery of these account balances by advice letter filings in accordance with General Order No. 96-A. WQMA recovery requires a resolution.

The surcharge requested herein would allow ALCO to recover WQMA balances for the year 2002. The Water Division conducted an earnings test on an actual basis for recorded year 2002. NORMCO reported a net operating revenue of \$38,019 or 2.86% rate of return for 2002. MLD reported a net operating revenue of \$23,003 or 6.11% rate of return for 2002. None of the systems are earning over their authorized rates of return of 12% and 13.72%, respectively. The Water Division recommends that ALCO be authorized to assess a surcharge of \$10.35 per customer per month for a period of six months for NORMCO and \$9.98 per customer per month for six months for MLD.

NOTICE AND PROTESTS

Notice of the proposed rate increases was published in The Salinas Californian, a newspaper of general circulation, on January 13, 2004, as evidenced by proof of publication provided to the Water Division by the utility. There were no protests concerning the proposed offset increase.

FINDINGS

1. Res. No. W-4327 authorized all Class B, C, and D water utilities to establish WQMAs for recording expenses resulting from drinking water regulations not presently included in rates.
2. Class B, C, and D water utilities were authorized to request recovery of the WQMA account balances by advice letter filings.

3. ALCO filed Advice Letter No. 96 to seek surcharges for its NORMCO and MLD districts to recover water-testing costs incurred during 2002.
4. The Commission finds, after investigation by the Water Division, that the requests are justified, and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED that:

1. Alisal Water Corporation, NORMCO, and Moss Landing Districts are authorized, five days after the effective date herein, to make effective revised rate Schedule No. 1-ND, Metered Service, and Schedule No.1-ML, General Metered Service, attached to Advice Letter No. 96, and to cancel the corresponding presently effective rate schedules.
2. This resolution is effective today.

I hereby 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 April 1, 2004; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners