

WATER/RSK/PTL/LEP/jlj

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

DIVISION OF WATER AND AUDITS  
Water & Sewer Advisory Branch

RESOLUTION NO. W-4685  
April 24, 2008

**R E S O L U T I O N**

**(RES. W-4685), MOUNTAIN MESA WATER COMPANY (MMWC).  
ORDER AUTHORIZING A RATE BASE OFFSET REVENUE  
INCREASE PRODUCING AN INCREASE IN GROSS ANNUAL  
REVENUES OF \$113,300 OR 88.5%.**

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**SUMMARY**

MMWC requested a rate base offset rate increase of \$109,691 or 89.18% by Advice Letter 21-W accepted by the Division of Water and Audits (Division) on July 23, 2007. However, MMWC's request show projected 2008 gross revenues of \$128,000 at present rates increasing to \$241,964 at proposed rates which indicates a numerical error; the correct rate increase MMWC is requesting is in effect \$113,964 or 89%; to produce a rate of return on rate base of 12.9%. The construction of the plant was delayed and subsequently the plant was not completed until the end of December 2007; an amended application by MMWC was received by the Commission on January 7, 2008. The Division staff is recommending an increase producing additional annual revenue of \$113,300, or 88.5%. The increase will not result in a rate of return greater than last authorized for MMWC.

**BACKGROUND**

MMWC requests approval of a rate base offset for a Nitrate/Arsenic Removal Plant per the Department of Public Health (DPH) letter dated January 31, 2007. MMWC is also requesting rate base approval for the addition of a new well in 2005 and other system improvements made to the system since the last general rate case. MMWC serves approximately 380 metered customers. In addition, MMWC maintains 24 fire protection hydrants in its service area.

MMWC serves the unincorporated area located adjacent to State Highway 178 and approximately three miles east of the community of Lake Isabella, Kern County. The present rates were established on September 1, 2003 by Res. No. W-4413, which authorized a general rate increase producing additional annual revenue of \$13,279 or 12.9% in test year 2003.

## **NOTICE AND PROTESTS**

Notice of the proposed rate increase was mailed to customers on July 23, 2007. Ten letters protesting the increase were received by the Commission.

## **DISCUSSION**

MMWC in 2007 completed a mandated Arsenic/Nitrate removal plant required by the DPH. In addition, MMWC added a new gate valve replacement in 2003, a new well in 2005, and a new chlorine pump and water line installation in 2006.

The utility also requested to increase expense in purchased power, employee labor, materials, contract work, other volume related expenses and regulatory expenses. The staff disallowed the additional \$2,964 contract work requested in the January 7, 2008 amended application because no explanation was given for this increase and disallowed \$1,000 regulatory expense because it is not an offset expense. The total cost of the additions including the Arsenic/Nitrate plant plus the other system improvements were \$442,467. The staff also made adjustments on the income taxes and the revised rate base for 2008 is \$538,496.

On September 17, 2007, the Water & Sewer Advisory Branch's (Branch) representative verified the plant improvements during a field site visit. The Branch also investigated the costs through follow-up data requests and found that they were appropriate. The total revenue requirement for this project is \$113,300 or 88.5% increase.

The revenue increase is reflected in the revised Schedule No. 1, General Metered Service. The monthly bill for an average residential customer using 17 Ccf (One Ccf equals 100 cubic feet) of water with a 5/8 x 3/4-inch meter will increase from \$21.80 to \$40.94 which is \$19.20 or 87.8%. The Division recommends the rate base offset increases and resulting rates shown in Appendix A be approved.

## **COMPLIANCE**

Service by MMWC is satisfactory. There are no Commission orders requiring system improvements, nor are there any service problems requiring corrective actions. The utility has been filing annual reports as required.

## **COMMENTS**

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

**FINDINGS**

1. The requested interim ratebase offset increase and resulting rates are reasonable and should be adopted.
2. The revised rate base for 2008 is \$538,496.
3. The revenue requirement for the Arsenic/Nitrate removal plant, the new water well and other system improvements is \$113,300, or an 88.5% increase.
4. The Commission finds, after investigation by the Division of Water and Audits, that the rate increase hereby authorized is justified, and the resulting rate increase is just and reasonable.
5. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g) (3).

**THEREFORE IT IS ORDERED THAT:**

1. Mountain Mesa Water Company is authorized to file a supplement to Advice Letter No. 21-W to make effective the revised Schedule No. 1, General Metered Service, attached to this resolution, and to concurrently cancel its presently effective rate schedule. The effective date of the revised rate schedule shall be five days after receipt of the supplement to Advice Letter No. 21-W.
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 April 24, 2008; 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

SUMMARY OF EARNINGS

	Res. W-4413 8/21/2003	Revenues Projected 2008	Rate Base Offset Adjustments	Proposed Rates
<b>Operating Revenues</b>	\$120,860	\$128,000	\$113,300	\$241,300
<b>Operating expenses:</b>				
Power	34,580		6,844	41,424
Materials	4,198		1,500	5,698
Contract Work	22,213		10,800	33,013
Water Testing	5,000		1,400	6,400
Transportation	3,200			3,200
Other Volume Related	3,179		14,100	17,279
DHS Fees	521			521
Management Salaries	6,750			6,750
Office Supplies	3,101			3,101
Professional Services	1,102			1,102
Insurance	1,200			1,200
Depreciation	9,063		9,928	18,991
Taxes Other than Income	2,600		4,425	7,025
Income Taxes	5,438		21,011	26,330
<b>Total Deductions</b>	102,145		69,889	172,034
<b>Net Revenue</b>	18,715			69,266
<b>Rate Base:</b>				
Average Plant	403,358		442,467	845,825
Accumulated Depreciation	231,288		53,368	284,656
Net Plant	172,070		389,099	561,169
Plus working cash	8,600			8,600
Less Adv. & Cont.	35,539		(4,266)	31,273
<b>Rate Base</b>	145,131			538,496
<b>Rate of Return</b>	12.9%			12.9%

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In the unincorporated area located adjacent to State Highway 178 and approximately three miles east of the community of Lake Isabella, Kern County.

RATES

Quantity Rate:			
All water used per 100 cu. ft.		\$ 1.10	(I)
Service Charge:		<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter		\$ 22.24	(I)
For 3/4-inch meter		\$ 33.36	
For 1-inch meter		\$ 55.60	
For 1-1/2 inch meter		\$ 111.20	
For 2-inch meter		\$ 177.92	
For 3-inch meter		\$ 333.60	
For 4-inch meter		\$ 556.00	
For 6-inch meter		\$1,112.00	(I)

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.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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Mountain Mesa/AL 21-W/RSK/PTL/LEP/jlj

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