

WATER/RSK/JB5/TS2/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4721
November 6, 2008

R E S O L U T I O N

(RES. W-4721), WEST SAN MARTIN WATER WORKS, INC. (West San Martin). ORDER AUTHORIZING A SURCHARGE TO RECOVER AN INCREASE IN WATER QUALITY EXPENSES PRODUCING AN INCREASE IN ANNUAL REVENUE OF \$4,090.30 OR 1.39%.

SUMMARY

By Advice Letter No. 42, filed on September 19, 2008, West San Martin Water Works, Inc. (West San Martin) seeks to establish a Water Quality Memorandum Account (WQMA). West San Martin further requests a surcharge be instituted of \$3.54 per month for four months to its Schedule No. 1, General Metered Service. The increase requested is to recover water compliance costs incurred in 2006 and 2007 over and above the amount allowed in West San Martin's last general rate case. This increase will not result in a rate of return greater than that last authorized for West San Martin.

This resolution hereby grants West San Martin the authority to recover \$4,090.30 in its WQMA through a surcharge over four months.

BACKGROUND

West San Martin, a Class D utility, provides water service to 289 customers in San Martin located in Santa Clara County. West San Martin requests authority under General Order 96-B, Rule 7.6.2 and Water Industry Rule 7.3.3(7) and Section 454 of the Public Utilities Code to recover \$4,090.30 or 1.39% of gross annual revenues from its WQMA through a four-month surcharge. The surcharge will recover water quality costs including testing, sampling, and compliance for the years 2006 and 2007. West San Martin's present rates became effective on April 3, 2008, per Decision 92-03-093 which authorized a Consumer Price Index (CPI) increase through Advice Letter 40.

West San Martin's last general rate increase was granted pursuant to Res. W-2595 dated March 21, 1980.

NOTICE AND PROTESTS

Notice of the proposed rate increase was mailed to all customers of West San Martin in reference to Advice Letter 42 on October 1, 2008 as evidenced by the signed affidavit provided to the Division of Water and Audits (Division) by the utility. There were no protests concerning the proposed offset increase.

DISCUSSION

On March 6, 2002, the Commission approved Res. W-4327, (superseding Res. W-4013) which authorized the establishment of a memorandum account for the Department of Public Health's (DPH) Drinking Water Program's fees that were being billed under Section 4019.10 of the California Health and Safety Code and water testing costs mandated by the DPH for Water Quality. The resolution authorized Class B, C, and D Water Utilities to establish two memo accounts to track water quality expenses, the first – a WQMA, and the second – a user fee memorandum account (UFMA) to track DPH's fees not presently included in their rates. The memorandum accounts remained open until January 1, 2008.

West San Martin established the WQMA as authorized in Res. W-4327 and records therein \$4,090.30 representing water-testing costs incurred in 2006 and 2007 and paid to Sequoia Analytical, a certified testing laboratory. Staff reviewed the invoices and determined that the charges are reasonable. West San Martin proposes to recover the undercollection by assessing a monthly surcharge of \$3.54 per customer for four consecutive months for a total of \$14.15 per customer. For an average customer who uses 5,700 cubic feet (57 Ccf) of water per month with a 5/8-inch meter, the surcharge will result in a monthly bill increase from \$105.66 to \$109.20 or 3.4%. The Division has reviewed the utility's request and finds it to be reasonable and recommends that it be authorized.

West San Martin's recorded earnings for the year 2007 show that the utility operated at a loss. Its authorized rate of return was 9.40%, therefore, West San Martin is not over-earning its authorized rate of return based on its 2007 annual report. The Division recommends that West San Martin be authorized to assess a surcharge of \$3.54 per customer per month for a period of four months.

COMPLIANCE

West San Martin has no outstanding compliance orders. There are no Commission orders requiring system improvements. The utility has been filing annual reports as required.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. This proceeding is subject to the public review and notice comment exclusion pursuant to Public Utilities Code 311(g) (3).

FINDINGS

1. Res. W-4327 authorized all Class B, C, and D water utilities to establish WQMA 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. West San Martin Water Works, Inc. filed Advice Letter 42 requesting a surcharge to recover WQMA costs incurred during 2006 and 2007.
4. The under collections in the WQMA represent 1.39% of gross revenues for West San Martin Water Works, Inc.
5. The surcharge herein would allow West San Martin Water Works, Inc. to recover the WQMA balance, which totals \$4,090.30.
6. It is proper for West San Martin Water Works, Inc. to assess a surcharge for \$3.54 per customer per month over a period of four months to recover the WQMA costs.
7. The Commission finds, after investigation by the Division of Water and Audits that the request is justified, and the resulting rate is just and reasonable.
8. This is an uncontested matter subject to the public notice comment exclusion provided in the PU Code Section 311 (g) (3).

THEREFORE IT IS ORDERED THAT:

1. West San Martin Water Works, Inc. is authorized five days after the effective date herein, to make effective revised Schedule 1, General Metered Service, attached to Advice Letter 42, and to cancel the corresponding presently effective rate schedule.
2. West San Martin Water Works, Inc. is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.

3. 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 November 6, 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