

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3632  
FEBRUARY 20, 1992

RESOLUTION

(RESOLUTION W-3632) MOUNTAIN MESA WATER COMPANY (MMWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
ADDITIONAL ANNUAL REVENUE OF \$22,366 OR 33.26% IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$22,366 or 33.26% for test year 1992. This increase will provide an 11.00% rate of return on rate base in test year 1992.

BACKGROUND

MMWC by letter dated March 29, 1991 to the Water Utilities Branch (Branch) requests authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$30,114 or 41.59% in 1992. MMWC's request shows 1992 gross revenue of \$72,406 at present rates increasing to \$102,520 at proposed rates to produce a rate of return on rate base of 11.00%. MMWC presently serves about 365 metered customers in an unincorporated area located approximately three miles east of the community of Lake Isabella in Kern County.

The present rates became effective on July 22, 1985 pursuant to Resolution No. W-3263 dated July 10, 1985, which authorized a general rate increase producing \$18,900 or 59.7% additional annual revenue.

DISCUSSION

MMWC is a small water utility that the Branch assisted in preparing its request for rate relief. The Branch did this under its outreach program whereby the Branch offers its assistance to small water utilities that do not have staff experienced in regulatory matters.

Appendix A shows the estimated summary of earnings at present, requested, and adopted rates for test year 1992.

In the course of field inspection, the Branch found that MMWC invested in storage facilities during 1990 in excess of its needs. G.O. 103, Rules Governing Water Service Including Minimum Standards for Design and Construction, calls for 290,000 gallons of storage for water utility for the size of MMWC. Apparently

the reason MMWC installed 432,000 gallons of storage is that MMWC's management is also developing a tract of land which will require water service for 100 new homes. It is unreasonable for the existing ratepayers to support the cost of this excess capacity. An adjustment in rate base of \$29,000, therefore, is appropriate for the excess capacity based on the ratio of excess capacity to total capacity. Such amount should be treated as a contribution at this time rather than plant in service. MMWC should be, however, permitted to restore any unamortized amount of this contribution in its next general rate case if customer growth so warrants.

The field inspection also showed that MMWC failed to have installed production meters on two of its three wells. G.O. 103 requires a measuring device at each source of supply in order that a record may be maintained of the quantity of water produced.

A review of MMWC's filed tariff schedules shows that the preliminary statement, service area map, Rule 12- Information Available to the Public, Rule 14- Continuity of Service, and Rule 18- Meter Tests, which are outdated and require revisions.

At the Branch's recommended rates shown in Appendix B, the bill for general metered service using 1,700 cubic feet of water per month would increase from \$15.04 to \$19.36.

The Branch has discussed these differences with MMWC, and the utility agrees with the Branch's changes.

#### NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on August 22, 1991. The Branch received no letters of protest from customers. The Commission's Consumer Affairs Branch has received no informal complaints involving MMWC in the last two years.

A public meeting was held on September 10, 1991 in Mountain Mesa to explain MMWC's proposed rate increase. Eight customers attended the meeting. None voiced any opposition to the rate increase.

#### FINDINGS AND CONCLUSIONS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.

4. MMWC should file a revised Preliminary Statement, Service Area Map, and Tariff Rules 12, 14, and 18 in its tariff schedules showing current information and practice.

5. MMWC should be ordered to comply with G.O. 103 by installing suitable measuring devices or otherwise determining production at each source of supply. MMWC should be authorized to file an advice letter to begin recovering the reasonable costs of its installations after they have been placed in service.

6. To adjust for its excess storage capacity, MMWC should record on its books of account contributions in aid of construction in the amount of \$29,000 and to reflect this as an end of year balance in its 1991 Annual Report to the Commission.

7. The rate increase authorized herein is justified and the resulting rates are just and reasonable.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Mountain Mesa Water Company to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate Schedule No. 1. Its filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be five (5) days after the date of filing.

2. Mountain Mesa Water Company shall include with the filing authorized in Ordering Paragraph 1 above the revised preliminary statement, service area map, and tariff rules in its tariff schedules as outlined above.

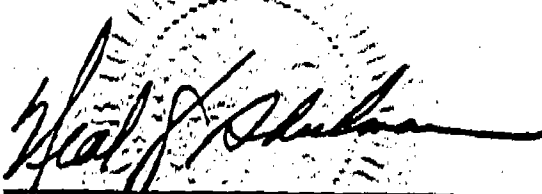
3. Mountain Mesa Water Company shall install suitable measuring devices to determine production at each source of supply within one year from the effective date of this order. Mountain Mesa Water Company is authorized to file an advice letter to begin recovering the reasonable costs of its installations after they have been completed and placed in service.

4. Mountain Mesa Water Company shall record on its books of account \$29,000 in Account 271, Contributions in Aid of Construction, and shall reflect this balance in its 1991 Annual Report to the Commission.

Resolution W-3632  
Mountain Mesa Wtr Co/DrAL/DRP:mem

5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on February 20, 1992. The following Commissioners approved it:



NEAL J. SHULMAN  
Executive Director

DANIEL Wm. FESSLER  
President

JOHN B. OHANIAN

NORMAN D. SHUMWAY

Commissioners

Commissioner Patricia M. Eckert  
being necessarily absent, did not  
participate.

APPENDIX A

MOUNTAIN MESA WATER COMPANY

SUMMARY OF EARNINGS  
 Test Year 1992

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
<u>Operating Revenue</u>					
Metered	\$72,406	\$102,520	\$67,240	\$95,956	\$89,606
<u>Operating Expenses</u>					
Power	28,220	28,220	21,375	21,375	21,375
Purchased Water	0	0	0	0	0
Other Vol. Rel. Exp.	200	200	200	200	200
Employee Labor	0	0	0	0	0
Materials	0	0	0	0	0
Contract Work	9,500	9,500	9,500	9,500	9,500
Transportation Exp.	0	0	0	0	0
Other Plant Maint.	0	0	0	0	0
Office Salaries	5,000	5,000	5,000	5,000	5,000
Management Salaries	6,000	6,000	6,000	6,000	6,000
Uncollectibles	0	0	0	0	0
Office Serv. & Rent	6,070	6,070	6,070	6,070	6,070
Office Suppl. & Exp.	1,540	1,540	1,540	1,540	1,540
Professional Service	800	800	800	800	800
Insurance	1,470	1,470	1,470	1,470	1,470
Regulatory Comm. Exp	0	0	0	0	0
General Expenses	90	90	90	90	90
Subtotal	58,890	58,890	52,045	52,045	52,045
Depreciation Expense	11,045	11,045	10,115	10,115	10,115
Franchise Tax	724	1,025	672	960	896
Property Taxes	1,310	1,310	1,683	1,683	1,683
Payroll Taxes	1,020	1,020	860	860	860
Income Taxes	800	6,695	960	6,939	5,499
Total Deductions	73,789	79,985	66,335	72,601	71,098
<u>Net Revenue</u>	(1,383)	22,535	905	23,355	18,508
<u>Rate Base</u>					
Average Plant	346,720	346,720	346,720	346,720	346,720
Avr. Accum. Deprec.	128,610	128,610	137,260	137,260	137,260
Net Plant	218,110	218,110	209,460	209,460	209,460
Less: Advances	22,560	22,560	20,800	20,800	20,800
Contributions	0	0	29,000	29,000	29,000
Plus: Working Cash	9,310	9,310	8,600	8,600	8,600
Mat'l & Suppl.	0	0	0	0	0
Rate Base	204,860	204,860	168,260	168,260	168,260
<u>Rate of Return</u>	(Loss)	11.00%	0.54%	13.88%	11.00%

APPENDIX B

MOUNTAIN MESA WATER COMPANY

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

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

RATES

Per Meter Per Month

Quantity Rate:

All water used per 100 cu.ft. . . . . \$ 0.78 (C)

Service Charge:

For 5/8 x 3/4-inch meter. . . . .	\$ 6.10	(I)
For 3/4-inch meter. . . . .	9.15	
For 1-inch meter. . . . .	15.25	
For 1-1/2-inch meter. . . . .	30.50	
For 2-inch meter. . . . .	48.80	
For 3-inch meter. . . . .	91.50	(I)
For 4-inch meter. . . . .	152.50	(N)
For 6-inch meter. . . . .	305.00	(N)

The 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 Rate.

SPECIAL CONDITIONS

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

(N)  
|  
(N)

(END OF APPENDIX B)

APPENDIX C

MOUNTAIN MESA WATER COMPANY

COMPARISON OF RATES

A comparison of the present and Branch's recommended rates is shown below:

Metered Rate Service:

		<u>Per Meter Per Month</u>		
		<u>Present</u>	<u>Recomm'ed</u>	<u>Increase</u>
<u>Quantity</u>	<u>Rate</u>	<u>Rate</u>	<u>Amount</u>	<u>Percent</u>

Quantity Rates:

First 300 cu. ft., per 100 cu. ft.	\$0.41	-	-	-
Over 300 cu. ft., per 100 cu. ft.	0.59	-	-	-
All water, per 100 cu. ft.	-	\$0.78	-	-

Service Charge:

For 5/8 x 3/4-inch meter	\$ 5.55	\$ 6.10	\$ 0.55	9.9%
For 3/4-inch meter	6.10	9.15	3.05	50.0
For 1-inch meter	8.35	15.25	6.90	82.6
For 1-1/2-inch meter	11.10	30.50	19.40	174.8
For 2-inch meter	15.00	48.80	33.80	225.3
For 3-inch meter	27.75	91.50	63.75	229.7
For 4-inch meter	-	153.75	-	-
For 6-inch meter	-	307.50	-	-

Monthly bill for a typical residential user with a 5/8 x 3/4-inch meter:

		<u>Per Meter Per Month</u>		
		<u>Present</u>	<u>Recomm'ed</u>	<u>Increase</u>
<u>Water Use in Ccf</u>	<u>Rate</u>	<u>Rate</u>	<u>Amount</u>	<u>Percent</u>
0	\$ 5.55	\$ 6.10	\$ 0.55	9.91%
3	6.78	8.44	1.66	24.48
10	10.91	13.90	2.99	27.41
Average > 17	15.04	19.36	4.32	28.72
25	19.76	25.60	5.84	29.55
50	34.51	45.10	10.59	30.69
100	64.01	84.10	20.09	31.39

Note: Ccf is 100 cubic feet.

(END OF APPENDIX C)

APPENDIX D  
Page 1

MOUNTAIN MESA WATER COMPANY

ADOPTED QUANTITIES  
Test Year 1992

Federal Income Tax Rate	15.0%
California Income Tax Rate	9.3%
Franchise Tax Rate	1.0%
Uncollectible Rate	0.0%

Expenses:

1. Power

Southern California Edison Company	
Rate Schedule	PA-1
Effective Date	1/20/91
Energy Charge:	
kWh used	208,843
Rate, per kWh	\$0.09180
Amount	\$19,172
Customer Charge:	
No. of meters	4
Rate, per meter per month	\$11.40
Amount	547
Service Charge:	
No. of horsepower	120
Rate, per horsepower per month	\$ 1.15
Amount	1,656
Total Power Cost	<u>\$21,375</u>

2. Purchased Water	None
3. Ground Water Replenishment Tax	None
4. Water Testing Expenses (in Contract Work)	\$5,510
5. Insurance Expense	\$1,470
6. Payroll, Payroll Taxes, and Employee Benefits:	
Employee Labor	\$ 0
Office Salaries	5,000
Management Salaries	6,000
Amount	\$11,000
Payroll Taxes	860
Employee Benefits	0
Total	<u>\$11,860</u>



APPENDIX D  
 Page 2

ADOPTED QUANTITIES  
 Test Year 1992  
 (Continued)

7. Ad Valorem Taxes:			
Tax Rate		1.00000%	
Assessed Valuation		\$168,260	
Total			\$1,683
8. Number of Services:			
Meter Size:			
5/8x3/4-inch meter		354	
3/4-inch meter		2	
1-inch meter		3	
1-1/2-inch meter		3	
2-inch meter		0	
3-inch meter		3	
4-inch meter		0	
6-inch meter		0	
Total			365
9. Metered Water Sales, Ccf:			74,888

ADOPTED INCOME TAX CALCULATIONS  
 Test Year 1992

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$ 89,606	\$ 89,606
2.	Expenses	52,045	52,045
3.	Taxes Other than Income	3,439	3,439
4.	Depreciation	10,115	10,115
5.	Interest	0	0
6.	Taxable Income for State Tax	24,007	
7.	State Tax @ 9.3% (\$800 min.)	2,233	
8.	Taxable Income for Federal Tax		21,774
9.	Federal Tax @ 15% of 1st \$50,000		3,266
10.	Total Income Taxes		\$ 5,499

(END OF APPENDIX D)