

PROPOSED RESOLUTION

Resolution W-5033
DWA

AGENDA ID #13868 (Rev. 1)
ITEM 17

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5033
May 7, 2015

RESOLUTION

(RES. W-5033) BENBOW WATER COMPANY. ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$75,221, or 42.0%, FOR
TEST YEAR 2015.

SUMMARY

By Advice Letter 39, filed on September 9, 2014, Benbow Water Company seeks an increase of \$89,551, or 45.02%, in annual gross revenue for Test Year 2015 to earn an adequate return on rate base.

For Test Year 2015, this Resolution orders an increase of \$75,221, or 42.0%, over revenues earned under current rates, which are estimated to provide a rate of return of 11.30%.

BACKGROUND

Benbow Water Company (BWC), 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 water rates by \$89,551, or 45.02%, over current rates for Test Year (TY) 2015. The purpose of the rate increase is to provide an adequate return on rate base, at a requested rate of return (ROR) of 11.80%.

The present rates became effective on February 22, 2011 by approval of Advice Letter (AL) 36, which authorized a Consumer Price Index (CPI) rate increase of \$2,281, or 1.5%, in revenues. The last General Rate Case (GRC) for BWC was on September 4, 2003, pursuant to Resolution (Res.) W-4420, which authorized an increase in revenues of \$26,633, or 21.2%, for TY 2003.

BWC provides metered water service to 124 customers. Service is provided to the community of Benbow and its vicinity, located approximately 3 miles south of Garberville in Humboldt County. BWC also provides fire protection service to a 6" private fire protection connection. BWC's system is supplied by treated surface water

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pumped from an infiltration gallery located on the East Branch of the South Fork of the Eel River. The system contains three storage tanks with a total capacity of 130,000 gallons at varying elevations, cross linked by approximately 30,000 feet of cement-asbestos and polyethylene pipes.

BWC is owned by Winston Benbow and Judy Benbow. Winston Benbow manages the system and visits the facilities approximately once a month from his out-of-state residence. When Winston Benbow is absent, a Grade 2 treatment plant operator oversees the daily operation and maintenance of the water treatment plant and distribution facilities.

NOTICE AND PROTESTS

AL 39 was filed in accordance with G.O. 96-B on September 9, 2014. A notice of the proposed rate increase was mailed to BWC's customers on January 7, 2015.

The Division of Water and Audits (Division) received three protest letters from customers in Zones 1 and 3, citing concerns that the rate increase would be excessive for low- or fixed- income households. One fixed income Zone 3 customer stated that they would not be able to sustain the proposed increase, which would triple their water bill, while the other customers stated that the proposed increases were unreasonably high. Two of the three protests suggested raising the quantity rate in lieu of increasing the service charge, to target customers who use water exclusively for agricultural purposes.

Upon receiving the protests, DWA verified that the increase was required and the costs were high due to the limited number of customers in Zones 2 and 3. However, DWA determined that the rates BWC proposed were not representative of the cost of service to each zone, and thus recommends a rate design that distributes costs more equitably to all Zones based on operational expense.

No complaints regarding BWC have been received within the past three years.

During BWC's last public meeting, held on September 27, 2011, BWC received minimal feedback from the seven customers that attended. Therefore, the Division determined that an informal public meeting was unnecessary for this GRC.

In this resolution, the Division balanced the financial requirements of BWC with the rate concerns of its customers.

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DISCUSSION

The Division independently analyzed BWC's operating expenses and investigated BWC's accounts. Appendix A shows BWC's and the Division's estimated summary of earnings at present, proposed, and recommended rates for TY 2015. Appendix B contains tariff sheets amended to reflect the recommended rates.

Upon review of BWC's annual reports, accounting records, and supporting documents for substantiation and accuracy, the Division disagreed with several of BWC's estimates. Appendix A shows differences in BWC's and the Division's estimates in operating revenues, expenses, and rate base which are discussed below. BWC was informed of the Division's differing views of revenues, expenses, and rate base and agreed with the Division's recommended revenue requirement in Appendix A.

Workpapers

The workpapers that BWC submitted contained several errors involving income tax and net income calculations at their present and proposed rates. In making its estimates, the Division used those workpaper amounts which could be verified as correct.

Operating Expenses

The Division's estimates of BWC's operating expenses are based on substantiated data from 2011-2014, and estimates from BWC. The Division requested General Ledger Details for several accounts booked from 2011-2014 to corroborate the reported values in the Annual Reports, removed all non-utility expenses, averaged the expenses to reach an estimate, and made adjustments as necessary for TY 2015. Several operating expenses for TY 2015 were estimated by BWC and verified by the Division. Operating expenses determined using other methods are discussed below.

Employee Labor

BWC hired a Grade 2 Treatment Operator, who initially was contracted for work, as an employee in 2015. The hiring of the Grade 2 Treatment Operator as a BWC employee, including insurance, payroll taxes, and salary, results in an increase of 14.80% in comparison to the original Contract Work amount of \$12,000. The Division finds that this increase is reasonable in order for BWC to retain their Grade 2 Treatment Operator for work. The Division estimates \$10,752 for this account.

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Transportation Expenses

BWC expenses include fuel and maintenance costs for a utility vehicle used by the system operator and Mr. Benbow's personal vehicle for travel in California. The Division requested miles driven in all utility vehicles from 2011-2014 on utility business and estimated transportation expense using the Internal Revenue Service (IRS) Standard Mileage Rate. The Division estimates transportation expense to be \$8,160.

Management Salaries

Upon visiting BWC, the Division found that the system was well-managed despite Mr. Benbow living out-of-state. Aside from routine monitoring, maintenance, and repairs, management duties also include planning, engineering, and construction. In AL 39, BWC did not request a management salary increase. Upon reviewing the Summary of Earnings, the Division determined that the current hourly rates did not reflect the effort and work put in by BWC management, and BWC stated that the currently authorized salary was not competitive enough to attract efficient management options locally, should they decide to subcontract management work.

Therefore, the Division used the American Water Works Association's 2014 Compensation Survey data to estimate an appropriate hourly rate for a General Manager of a small water utility. To verify whether or not these rates were reasonable, the Division evaluated BWC's management salary against comparable Class D utilities nearby, and compared rates to those supplied by California's Employment Development Department's occupational profiles for Humboldt County. Using these methods, the Division estimates \$33,000 for management expense.

Insurance

The Division requested all insurance-related invoices from 2013, including liability, employee, and auto insurance and adjusted insurance by the addition of a new employee for TY 2015 and non-labor inflation rates. Based on the invoices received, the Division estimates \$14,296 for this expense.

General Expense

BWC is requesting \$12,182 based on an inflation rate of 1.5% from costs reported in the 2013 Annual Report. Multiple items booked to the General Expense Account from 2011-2013 include Winston Benbow's personal travel expenses (entertainment, meals, lodging, airfare, etc.) to California from his residence in Florida. Such costs should not

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be booked to the General Expense Account, nor should they be paid by ratepayers since these costs are unnecessary for the management of BWC. The Division estimated general expense from the 2014 General Ledger Details and recommends \$6,280 as a reasonable amount.

Taxes other than Income

The Division determined that taxes other than income for BWC should be relatively similar to TY 2015, with the exception of payroll taxes due to hiring an employee and changes in management salary. The Division requested copies of BWC's property taxes, and estimated payroll taxes by reviewing both state and federal employment tax standards. The Division estimates \$10,025 for this account.

Rate Base

Since 2003, BWC has completed several improvements to its water system. Improvements include mainline replacement, installation of telemetry control and monitoring and alarm system, a redundant boost pump, the replacement of Zone 2 day tank, and the installation of a variable speed, submersible turbine pump in Zone 1. In 2014, BWC finished installing an additional filtration train, comprised of a 38 square-foot depth clarifier and a 38 square-foot mixed media filter, in order to meet California Department of Public Health filter loading requirements and peak summer demands of 0.3 millions of gallons per day (mgd).

For TY 2015, BWC plans to refurbish structures and pumping equipment at the water treatment plant and replace telemetry systems in Zones 2 and 3. BWC is currently working on these projects and expects that they will be used and useful by the end of TY 2015.

Standard Practice (S.P.) U-9-SM only allows Class D utilities to utilize the last adopted rate base figure and to add and retire plant additions since the last general rate case. There are no adjustments allowed for accumulated depreciation on prior plant in service, working cash, or materials and supplies.

For TY 2015, BWC estimates a rate base of \$518,872, while the Division estimates \$500,230. The difference between BWC's and the Division's determination of rate base is due to the following: BWC only considered plant additions given in the Annual Reports from 2003-2012 and estimated 2013 additions; BWC did not average Plant-in-Service or Accumulated Depreciation and Contributions; BWC did not depreciate plant or

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contributions since the last GRC in 2003; and BWC did not include Materials and Supplies or Working Cash.

The Division disagrees with BWC's depreciation methods. BWC used accelerated and straight-line depreciation methods, rather than straight-line methods exclusively to depreciate its assets, resulting in a depreciation expense of \$29,923. The Division applied a 2.4% depreciation rate, which is the average of the range recommended for small water utilities as given in S.P. U-4-SM and U-4-W, to the average depreciable plant-in-service starting from the last GRC in 2003. The Division estimates a depreciation expense of \$17,600 for TY 2015.

For TY 2015, BWC is requesting a ROR of 11.80%. However, upon inspection of the workpapers, BWC's proposed rate increase of 45%, or \$89,551, actually yields a ROR of 12.19%, as shown in Appendix A.

In Decision (D.) 92-03-093, the Commission adopted Return on Margin (ROM) ratemaking as an alternative to the Return on Net Investment (Rate Base) method for calculating net revenue for Class C and D water utilities. D.92-03-093 requires the Division to use the method that produces the higher net revenue result. On March 21, 2014, the Division recommended a ROM of 21.69% and a ROR from 10.80% to 11.80% for Class D utilities. Using a ROR of 11.30%, which is the average of the recommended ROR range, the Division calculated higher revenues of \$254,330, compared to ROM revenues of \$219,164 at 21.69%. Therefore, the Division used the ROR method to determine revenue requirement.

Rate Design

BWC's proposed rate design consists of three different service and commodity rates for three pressure zones. BWC set service and commodity charges by determining the amount of plant-in-service in each zone required to distribute water to all pressure zones. Since the plant-in-service in Zone 1 is necessary for water service in Zones 2 and 3, BWC determined that the fixed costs associated with the plant-in-service in Zone 1 should be distributed to all water users, while the fixed costs associated with the amount of plant-in-service in Zone 2 should be distributed only to Zone 2 and Zone 3 users.

Though BWC's proposed rate design reflects capital costs associated with distributing water to higher elevations, the Division found that BWC's proposed rate design was unreasonably high for Zone 3 customers, who would have to shoulder an increase of 369%, as opposed to 12.9% for Zone 1 customers and 120% for Zone 2 customers.

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In order to gain a better understanding of the actual embedded energy costs associated with delivering water to higher elevations, the Division examined water use and pumping costs for each zone. In Zones 2 and 3, water usage tends to be high, since over 50% of the customers located in these regions use their land for agricultural purposes. In the past, BWC has allowed Zone 1 customers to subsidize the cost of water to Zone 2 and 3 customers. However, due to the significant operational and capital costs associated with expanding the water distribution network in Zones 2 and 3 due to growth in these areas, the Division has concluded that it is just and reasonable for BWC to charge their customers separate service and commodity rates based on pressure zones. In order to alleviate the disproportionate increase between Zones 2 and 3 however, the Division recommends service and commodity rates for Zone 1, and separate service and commodity rates applicable to both Zone 2 and 3 customers. As a result of this method, Zone 1 customers will see an increase of approximately 10%, while Zone 2 and 3 customers will see an increase of approximately 160%.

BWC's current rate structure consists of three tariff schedules: Schedule No. 1, Metered Service, Schedule No. 4, Private Fire Protection, and Schedule No. 5PR, Private Fire Hydrant Service. The Division's recommended rates will result in changes to the aforementioned schedules as given in Appendix B.

In addition, BWC requested that Schedule No. F, Facilities Fees, be increased in AL 39 by pressure zones. However, the Division found the Facility Fees at the currently authorized rates have been generating a sufficient amount of capital necessary for BWC to use as Contributions-in-Aid-of-Construction and thus recommends no changes made to Schedule No. F.

At the Division's recommended rates, the increase in gross revenues will be \$75,221, or 42.0%, for TY 2015. A comparison of customer bills at present and recommended TY rates is shown in Appendix C. The adopted quantities and tax calculations are given in Appendix D.

SAFETY AND COMPLIANCE

The Division contacted the State Water Resources Control Board (SWRCB) and found that BWC has no outstanding compliance orders. SWRCB also reports that BWC's water quality meets all applicable standards. Additionally, there are no outstanding Commission orders requiring system improvements, and BWC has been filing Annual Reports as required.

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COMMENTS ON PROPOSED RESOLUTION

Public Utilities Code Section 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 first draft resolution was mailed to the utility, all protestants, and those requesting service at the public meeting, and made available for public comment on April 3, 2015. No comments were received.

FINDINGS

1. Benbow Water Company agrees with the Division of Water and Audits' recommended Summary of Earnings (Appendix A).
2. The Summary of Earnings (Appendix A) recommended by the Division of Water and Audits is reasonable and should be adopted.
3. Benbow Water Company agrees with the Division of Water and Audits' recommended rate design (Appendix B).
4. The rates (Appendix B) recommended by the Division of Water and Audits are reasonable and should be adopted.
5. Benbow Water Company agrees with the Division of Water and Audits' findings that Facilities Fees shall remain unchanged.
6. The quantities (Appendix D) used to develop the recommendations of the Division of Water and Audits are reasonable and should be adopted.
7. The water rate increase authorized herein is justified and the resulting rates are just and reasonable.

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THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Benbow 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 Schedules: Schedule No. 1, Metered Service, Schedule No. 4, Private Fire Protection Service, and Schedule No. 5PR, Private Fire Hydrant Service. The effective date of the revised schedules shall be five days after the date of filing.

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 May 7, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A BENBOW WATER COMPANY Summary of Earnings - Test Year 2015

	Utility Estimated Rates		Branch Estimated Rates		Adopted Rates
	Present	Requested	Present	Requested	
<u>OPERATING REVENUE</u>					
General Metered Sales	177,302	286,017	177,302	287,395	251,943
Private Fire	1,807	2,438	1,807	2,554	2,387
Other Water Revenues	19,795	0	0	0	0
Subtotal	198,904	288,455	179,109	289,949	254,330
<u>OPERATING EXPENSES</u>					
615 Power	20,810	20,810	19,570	19,570	19,570
618 Other Volume Related Expenses	1,959	1,959	1,842	1,842	1,842
630 Employee Labor	0	0	10,752	10,752	10,752
640 Materials	15,676	15,676	14,000	14,000	14,000
650 Contract Work - General	16,715	16,715	3,500	3,500	3,500
Water Testing	0	0	1,108	1,108	1,108
660 Transportation Expenses	8,571	8,571	8,160	8,160	8,160
664 Other Plant Maintenance	2,022	2,022	2,670	2,670	2,670
670 Office Salaries	12,180	12,180	12,000	12,000	12,000
671 Management Salaries	21,851	21,851	33,000	33,000	33,000
674 Employee Pensions & Benefits	548	548	540	540	540
676 Uncollectibles Expense	0	0	0	0	0
678 Office Services & Rentals	8	8	152	152	152
681 Office Supplies & Expenses	10,125	10,125	9,060	9,060	9,060
682 Professional Services	12,603	12,603	14,065	14,065	14,065
684 Insurance	13,530	13,530	14,296	14,296	14,296
688 Regulatory Commission Expense	347	347	347	347	347
689 General Expenses	12,182	12,182	6,280	6,280	6,280
Subtotal	149,127	149,127	151,342	151,342	151,342
Depreciation	29,923	29,923	17,600	17,600	17,600
Taxes Other than Income Taxes	8,452	8,452	10,025	10,025	10,025
Income Taxes:	37,685	37,685	800	32,459	18,837
TOTAL DEDUCTIONS	225,187	225,187	179,767	211,426	197,804
NET REVENUE	-26,283	63,268	-658	78,523	56,526
<u>RATE BASE</u>					
Average Plant	784,748	784,748	753,852	753,852	753,852
Average Accumulated Depreciation	261,950	261,950	285,683	285,683	285,683
Net Plant	522,798	522,798	468,169	468,169	468,169
Less Advances	0	0	0	0	0
Contributions	24,939	24,939	6,347	6,347	6,347
Plus Working Cash	21,013	21,013	21,962	21,962	21,962
Materials & Supplies	0	0	16,446	16,446	16,446
Rate Base:	518,872	518,872	500,230	500,230	500,230
RATE OF RETURN	-5.07%	12.19%	-0.13%	15.70%	11.30%

END OF APPENDIX A

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APPENDIX B (Page 1/3)

BENBOW WATER COMPANY Schedule No. 1 Metered Service

APPLICABILITY

Applicable to all metered water service furnished on a monthly basis.

TERRITORY

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

RATES

<u>Quantity Rate:</u>	<u>Zone 1</u>	<u>Zones 2 + 3</u>
For all water, per 100 cubic feet	\$1.23	\$2.72
<u>Service Charge:</u>	<u>Zone 1</u>	<u>Zones 2 + 3</u>
Per meter per month		
For 5/8x3/4-inch meter	\$72.00	\$173.20
For 3/4-inch meter	\$72.00	\$173.20
For 1-inch meter	\$180.00	\$433.01
For 1 1/2-inch meter	\$359.99	\$866.02
For 2-inch meter	\$575.98	\$1,385.63
For 3-inch meter	\$1,079.97	\$2,598.06
For 4-inch meter	\$1,799.95	\$4,330.10

The Service Charge is a readiness-to-serve charge, which is applicable to all metered services, and to which is to be added to 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.

(cont.)

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APPENDIX B (Page 2/3)

BENBOW WATER COMPANY Schedule No. 4 Private Fire Protection Service

APPLICABILITY

Applicable to all metered water service furnished to privately-owned fire protection services.

TERRITORY

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

RATES

	<u>Per Month</u>
For each inch of diameter of service connections	\$33.16

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches and the maximum shall not be more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection service in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection service to which no connection for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage, or waste of water and the cost shall be paid by the applicant. Such payment shall not be subject to refund.
5. The utility undertakes to supply such water at such pressures as may be available at any time through the normal operation of the system.
6. All water bills are subject to the Public Utilities Commission reimbursement fee set forth in Schedule No. UF.

(cont.)

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BENBOW WATER COMPANY Schedule No. 5PR Private Fire Hydrant Service

APPLICABILITY

Applicable to all water service furnished to hydrants owned by individuals other than municipalities, organized fire districts, and other political subdivisions of the State.

TERRITORY

Benbow and vicinity, located approximately three miles south of Garberville, Humboldt County.

RATES

For each inch of diameter of service connections

Per Month

\$31.71

SPECIAL CONDITIONS

1. Water delivered for the purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1 Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of a written request from an individual. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type, and size.
4. The utility takes to supply only such water at such pressures as may be available at any time through the normal operations of the system.
5. The utility undertakes to supply such water at such pressures as may be available at any time through the normal operation of its system.
6. All water bills are subject to the Public Utilities Commission reimbursement fee set forth in Schedule No. UF.

END APPENDIX B

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APPENDIX C

BENBOW WATER COMPANY Comparison of Rates – Test Year 2015

METERED SERVICE

Per meter per month

	<u>Present Rates</u>	<u>Staff Recommended Rates</u>		<u>Percent Increase</u>	
		<u>Zone 1</u>	<u>Zones 2 + 3</u>	<u>Zone 1</u>	<u>Zones 2 + 3</u>
For 5/8x3/4-inch meter	\$67.50	\$72.00	\$173.20	6.7%	156.6%
For 3/4-inch meter	\$84.75	\$72.00	\$173.20	-15.0%	104.4%
For 1-inch meter	\$153.77	\$180.00	\$433.01	17.1%	181.6%
For 1 1/2-inch meter	\$308.05	\$359.99	\$866.02	16.9%	181.1%
For 2-inch meter	\$492.28	\$575.98	\$1,385.63	17.0%	181.5%
For 3-inch meter	\$919.59	\$1,079.97	\$2,598.06	17.4%	182.5%
For 4-inch meter	\$1,549.40	\$1,799.95	\$4,330.10	16.2%	179.5%

QUANTITY RATES

All water, per 100 cu. ft.

	<u>Present Rates</u>	<u>Staff Recommended Rates</u>		<u>Percent Increase</u>	
		<u>Zone 1</u>	<u>Zones 2 + 3</u>	<u>Zone 1</u>	<u>Zones 2 + 3</u>
	\$0.96	\$1.23	\$2.72	27.6%	183.1%

Comparison of a monthly typical bill for residential metered customer with a 5/8 x 3/4" is shown below at current rates and recommended rates for TY 2015.

<u>Usage (Ccf)</u>	<u>Present Rates</u>	<u>Staff Recommended Rates</u>		<u>Percent Increase</u>	
		<u>Zone 1</u>	<u>Zones 2 + 3</u>	<u>Zone 1</u>	<u>Zones 2 + 3</u>
0	\$67.50	\$72.00	\$173.20	6.7%	156.6%
5	\$72.30	\$78.12	\$186.79	8.1%	158.4%
10	\$77.10	\$84.25	\$200.38	9.3%	159.9%
15	\$81.90	\$90.38	\$213.97	10.3%	161.3%
20 (avg.)	\$86.70	\$96.50	\$227.56	11.3%	162.5%
25	\$91.50	\$102.63	\$241.14	12.2%	163.5%
30	\$96.30	\$108.75	\$254.73	12.9%	164.5%

END APPENDIX C

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APPENDIX D (Page 1/2)

BENBOW WATER COMPANY Adopted Quantities – Test Year 2015

	<u>Per Year</u>
1. Purchased Power	
Pacific Gas & Electric Company	
Quantity (kWh):	88,404
Average Cost (\$/kWh):	\$0.22137
Total Purchased Power:	\$19,570
2. Purchased Water	None
3. Payroll	
Employee Labor:	\$10,752
Office Salaries:	\$12,000
Management Salaries:	\$33,000
4. Payroll Taxes	\$4,643
5. Property Taxes	\$5,382
6. Service Connections	
	<u>General Metered Sizes</u> <u>Number of Connections</u>
	5/8 x 3/4" meters: 70
	3/4" meters: 44
	1" meters: 6
	1-1/2" meters: 1
	2" meters: 2
	3" meters: 0
	4" meters: 1
	<hr/>
	Total Metered: 124
	<u>Private Fire Connection Size</u>
	6": 1
7. Water Sales (Ccf)	40,416

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BENBOW WATER COMPANY Adopted Quantities – Test Year 2015

1. Operating Revenue	\$254,330
2. Operating Expenses	\$151,342
3. Property Taxes	\$5,382
4. Payroll Taxes	\$4,643
5. Depreciation	\$17,600
6. Taxable Income for State Tax	\$75,363
7. State Tax (\$800 minimum)	\$6,662
8. Taxable Income for FIT	\$68,701
9. Federal Income Tax	\$12,175
10. Total Tax	\$18,837

Federal Tax Rate: 15% for 1st \$50,000 of Taxable Income
 25% for next \$25,000 of Taxable Income
 34% for next \$25,000 of Taxable Income
 39% for next \$235,000 of Taxable Income

State Tax Rate: 8.84%

END APPENDIX D

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5033 on all parties in these filings or their attorneys as shown on the attached lists.

Dated April 3, 2015, at San Francisco, California.

/s/DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

BENBOW WATER COMPANY

ADVICE LETTER NO. 39 SERVICE LIST

Redway Community Services District
Attn: John Rogers
153 Empire Avenue
Redway, CA 95560

Garberville Services District
Attn: Ralph Emerson
919 Redwood Dr.
Garberville, CA 95542

State Water Board Drinking Water Program
Attn: Ronnean Lund
415 Knollcrest Drive, Suite 110
Redding, CA 96002