



August 18, 2015

Proposed Resolution W-5059

Agenda ID: 14220

To: All Interested Persons

Enclosed is Proposed Resolution W-5059 of the Division of Water and Audits, which authorizes Havasu Water Company a general rate increase to produce additional annual revenue of \$81,724, or 45.7%, for Test Year 2015. Proposed Resolution W-5059 is scheduled to appear on the September 17, 2015 Commission Meeting Agenda (ID#14220).

The Commission may act on this resolution or it may postpone action until later. When the Commission acts on a proposed resolution, the Commission may adopt all or part of the proposed resolution, as written, or amend or modify the proposed resolution; or the Commission may set the proposed resolution aside and prepare a different resolution. Only when the Commission acts does the resolution become binding.

Interested persons may submit comments on Proposed Resolution W-5059 via email to Water.Division@cpuc.ca.gov on or before **September 8, 2015**. Please reference **"Proposed Resolution W-5059"** in the subject line.

Interested persons must also serve a copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits. If email is unavailable, please submit comments to:

California Public Utilities Commission
Division of Water and Audits
505 Van Ness Avenue
San Francisco, CA 94102

Comments should focus on factual, legal, technical errors, or policy issues in the proposed resolution.

Persons interested in receiving comments submitted may contact the Division of Water and Audits at Water.Division@cpuc.ca.gov or (415) 703-1133. Please reference "Proposed Resolution W-5059."

/s/RAMI S. KAHLON

Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Proposed Resolution W-5059
Certificate of Service
Service List

PROPOSED RESOLUTION

Resolution W-5059
DWA

AGENDA ID #14220

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5059
September 17, 2015

RESOLUTION

**(RES. W-5059) HAVASU WATER COMPANY, INC. ORDER
AUTHORIZING A GENERAL RATE INCREASE
PRODUCING ADDITIONAL ANNUAL REVENUE OF
\$81,724, or 45.7%, FOR TEST YEAR 2015.**

SUMMARY

By Advice Letter 43, filed on September 8, 2014, and supplemental AL 43-A, filed on March 19, 2015, Havasu Water Company, Inc. seeks a rate increase of \$68,322, or 38.24%, in annual gross revenue for Test Year 2015 to earn an adequate return on rate base.

For Test Year 2015, this Resolution grants Havasu Water Company an increase of \$81,724, or 45.74%, over revenues earned under current rates, which is estimated to provide a rate of margin of 21.34%.

BACKGROUND

Havasu Water Company, Inc. (HWC), 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 \$68,322, or 38.24%, 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 11.88%.

The present rates became effective on June 20, 2014 by approval of Advice Letter (AL) 42, which authorized a Consumer Price Index (CPI) rate increase of \$3,057, or 1.5%, in revenues. The last General Rate Case (GRC) for HWC was on October 5, 2006, pursuant to Resolution (Res.) W-4616, which authorized an increase in revenues of \$69,891, or 53.4%, for TY 2006.

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HWC provides metered water service to 209 customers. Service is provided to the community of Havasu and its vicinity, located approximately 28 miles south of Needles, in San Bernardino County.

HWC's system consists of four pumps, a chlorinator, sand filter, 150,000 gallon storage tank, and a 10,000 gallon pneumatic tank. Water is disinfected before entering the distribution system. The water transmission system consists of 10,000 feet of 4, 6, and 8-inch diameter cement-asbestos pipe.

HWC purchases water annually from the City of Needles. HWC pumps water from Lake Havasu, and a raw water supply line carries the water through land owned by the Chemehuevi Indian Tribe to HWC's water treatment plant. HWC's easement for the supply line expired in 2006. Following the expiration of the contract in 2006, the Chemehuevi Indian Tribe wanted to re-negotiate the terms of the easement. Although HWC and the Chemehuevi Indian Tribe have not yet negotiated a settlement, in accordance with CA Health and Safety Code Section 116555 (a)(3), HWC must ensure that the system provides a reliable and adequate supply. The lack of a negotiated settlement regarding the easement results in an uncertainty for the supply and delivery of water to HWC customers. While there has been no negotiated settlement during the past 9 years and water has continued to be delivered under the past agreement, continuing this uncertainty does not benefit HWC or its customers. Consequently, the Division of Water and Audits (DWA) should work either as a mediator or identify a mediator so that HWC and the Chemehuevi Indian Tribe can resolve this matter.

HWC is owned by Mary Hodges. Mary Hodges manages the water system and supervises all operations. HWC also has three employees who are responsible for meter readings, plant and equipment operations, and billing.

NOTICE AND PROTESTS

AL 43-A was filed in accordance with G.O. 96-B on March 19, 2014. A notice of the proposed rate increase was mailed to BWC's customers on March 18, 2015.

One protest was received. The protestant stated that they would explain their reasons for protest at the public meeting.

The public meeting was held on April 17, 2015. Approximately fourteen customers attended the public meeting. At the meeting, customers stated that 1) the rate increase was excessive, and 2) the water was cloudy and undrinkable.

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In this resolution, DWA balances the financial requirements of HWC with the rate concerns of its customers.

DISCUSSION

DWA independently analyzed HWC's operating expenses and investigated HWC's accounts. Appendix A shows HWC's and DWA'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 HWC's 2012-2014 Annual Reports, accounting records, and supporting documents for substantiation and accuracy, DWA disagreed with several of HWC's estimates. HWC was informed of DWA's differing views of revenues, expenses, and rate base and is in concurrence with DWA's recommended revenue requirement in Appendix A.

Operating Expenses

DWA's estimates of HWC's operating expenses are based on substantiated data from 2012-2014, and estimates from HWC. DWA examined invoices to reconcile the reported values in the Annual Reports, removed all non-utility expenses, averaged 2012-2014 expenses to reach an estimate, and made adjustments as necessary for TY 2015.

The most notable difference between HWC's estimates and DWA's estimates is the purchased water expense. In AL 43-A, HWC requested that unpaid easement payments from 2006-2014 be accounted for in the purchased water expense. However, DWA finds HWC's request unreasonable because (1) the recovery of all easement payments from 2006-2014 would occur annually, as opposed to once, (2) as there has been no settlement regarding the easement over Chemehuevi Indian Tribe lands, HWC has not made easement payments. Consequently, recovery of such payments would be premature, and (3) the recovery of such payments should be recovered as a surcharge, instead of an annual expense once a settlement is reached.

Revenue Requirement

In AL 43-A, HWC requests a ROR of 11.88%, though DWA's memorandum on Rates of Return and Rates of Margin for Class C and Class D Water Utilities stipulates that the authorized ROR for proposed rate increase ranges from 10.80%-11.80%. Additionally, HWC's proposed revenues calculated using the Rate of Return (ROR) method at a rate

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of 11.88%, are less than the revenues calculated using the Return on Margin (ROM) method by a magnitude of 25.3%.

In accordance with the California Public Utilities Commission (Commission) ratemaking policy adopted by Decision (D.) 92-03-09, two methods are available to determine revenue requirement for Class C and D water utilities, the ROR and ROM methods.¹ D. 92-03-09 directs DWA to calculate the company's rates and revenue requirement using both of these methods and to recommend the ratemaking method resulting in the greater return on revenues.² DWA determined that the ROM method produced the higher revenue requirement and therefore recommends that the ROM method be used for HWC's TY 2015 GRC.

For 2015, DWA's recommended ROM for a class D water utility is 21.34%.³ DWA's analysis was therefore based on an ROM of 21.34%. Using this ROM, DWA calculates a revenue requirement of \$260,402 for HWC.

Rate Design

In AL 43-A, HWC states that some properties were required to install 1" meter connections for fire protection purposes, though their homes are similar in size to other properties that have 5/8" meter connections. In order to eliminate inequity, HWC requests the meter ratios for connections 1" and larger are reduced. HWC cites Res. W-4917 as an example. DWA finds HWC's request reasonable and recommends the following meter ratios:

<u>Meter Size</u>	<u>Meter Ratios</u>
5/8" x 3/4"	1
3/4"	1.5
1"	1.65
1-1/2"	3

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1. The revenue requirement and rates using the ROR method are based on company's rate base and under the ROM method the revenue requirement is based on the company's overall expenses which include operating and maintenance and depreciation expenses, income and other taxes, and an operating margin.
 2. D. 92-03-093, Ordering Paragraph 8.
 3. Division of Water and Audits' March 12, 2015, memorandum regarding Rates of Return and Rates of Margin for Class C and D Water Utilities: <http://www.cpuc.ca.gov/NR/rdonlyres/B0B16EBF-3955-4C03-BDE7-C74A83462991/0/2015DWAMemoROR.pdf>.

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Standard Practice U-7-W states that Class D utilities are allowed to recover 100% of their fixed costs through the service charge. However, if the rates are designed as such, the quantity charge will be less than the current quantity charge, which is counterproductive to promoting conservation, as California enters another year of drought. Therefore, DWA staff recommends that 84% of the fixed costs be recovered in the service charge, resulting in service charges of \$68.37/month for 5/8" x 3/4" meter connections and a quantity rate of \$5.13/CCF.

HWC's current rate structure consists of four tariff schedules: Schedule No. 1, General Metered Service, Schedule No. UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee, Schedule No. LC, Late Payment Charge, and Schedule No. F, Facilities Fees. DWA's recommended rates will result in changes to the Schedule No. 1 as given in Appendix B.

At DWA's recommended rates, the increase in gross revenues will be \$81,724, or 45.7%, 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.

Aside from Schedule No. 1, in AL 43-A, HWC also requests that the current rates in Schedule No. F, Facilities Fees, be increased by 43.8%. HWC does not anticipate any new connections within HWC's service territory in the near future. However, HWC does anticipate that repairs will need to be made in order to reach an agreement with the Chemehuevi Indian Tribe, and Facilities Fees could serve as Contributions in Aid of Construction. DWA staff finds HWC's request just and reasonable.

Lastly, in AL 43-A, HWC requests to implement Schedule No. 4, Private Fire Protection Service. Currently, HWC services one customer that has fire protection service. However, the customer is not charged for such service. DWA staff compared HWC's proposed rates to similar Class D utilities and finds HWC's proposed Fire Protection rates just and reasonable.

SAFETY, COMPLIANCE, AND CONSERVATION

DWA staff contacted the State Water Resources Control Board (SWRCB) and found that HWC is routinely inspected every three years. HWC's last inspection was conducted in June 2015. SWRCB staff stated that water from HWC's source meets all applicable standards.

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In HWC's 2012 Sanitary Survey Report, SWRCB stated that the levels of trihalomethanes in HWC's distribution system have exceeded the maximum contaminant limit (MCL) in 2006. Since 2009, HWC's system has returned to compliance and has been submitting quarterly monitoring reports as required by the SWRCB. However, the SWRCB recommends that HWC propose Capital Improvements to address trihalomethane exceedances.

In terms of infrastructure, DWA staff determined that HWC meets G.O. 103-A standards after conducting a field inspection on April 17, 2015.

In light of the drought, on May 7, 2015, the CPUC issued Resolution W-5041, Resolution Ordering Water Utility Compliance with the Restrictions Set Forth Herein to Achieve a 25% Reduction in Potable Urban Water Use Consistent with Restrictions Imposed by the State Water Resources Control Board's Resolution No. 2015-0032, Adopted May 5, 2015. Resolution W-5041 orders Class D utilities to take one or more of the following actions to achieve a 25% reduction in potable water consumption relative to the amount consumed in 2013:

- *Limit outdoor irrigation of ornamental landscapes or turf with potable water by the persons it serves to no more than two days per week; or*
- *Implement another mandatory conservation measure or measures (e.g. file Tariff Rule 14.1 and add Schedule 14.1; And*
- *Shall submit a report by December 15, 2015 to the Water Board, on a form provided by the Board that includes:*
 - (2) *Total potable water production, by month, from June through November 2015 and total potable water production, by month, for June through November 2013.*

HWC's community is largely seasonal, and thus uses low quantities of water. Although HWC has an adequate water supply, in order to comply with Res. W-5041, DWA staff recommends that HWC file Tariff Rule 14.1 and add Schedule 14.1 to HWC's water tariff schedules, and submit a report to SWRCB by December 15, 2015 stating total potable water production by month from June to November for both 2013 and 2015.

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COMMENTS

Public Utilities Code section 311(g)(1) requires that a proposed resolution be served on all parties, and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution.

Accordingly, this proposed resolution was mailed to the utility and its service list, and made available for public comment on August 18, 2015.

FINDINGS

1. Havasu Water Company (HWC) agrees with the Division of Water and Audits' (DWA) recommended Summary of Earnings (Appendix A).
2. The Summary of Earnings (Appendix A) recommended by DWA is reasonable and should be adopted.
3. HWC agrees with DWA's recommended rate design for General Metered Service (Appendix B).
4. The rates for General Metered Service (Appendix B) recommended by DWA are reasonable and should be adopted.
5. The rates for Facilities Fees and Private Fire Protection Service (Appendix B) are reasonable and should be adopted.
6. The quantities (Appendix D) used to develop the recommendations of DWA 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 Havasu 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. F, Facilities Fees. The effective date of the revised schedules shall be five days after the date of filing.
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 September 17, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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Resolution W-5059
DWA

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APPENDIX A HAVASU WATER COMPANY, INC. Summary of Earnings - Test Year 2015

		Utility Estimated Rates		Branch Estimated Rates	
		Present	Requested	Present	Adopted
<u>OPERATING REVENUE</u>					
	General Metered Sales	178,678	247,000	178,678	260,402
	Private Fire	0	0	0	0
	Other Water Revenues	0	0	0	0
	Subtotal	178,678	247,000	178,678	260,402
<u>OPERATING EXPENSES</u>					
610	Purchased Water	19,864	19,864	11,488	11,488
615	Purchased Power	17,360	17,360	16,365	16,365
618	Other Volume Related Expenses	2,971	2,971	3,593	3,593
630	Employee Labor	24,780	24,780	24,780	24,780
640	Materials	8,525	8,525	8,391	8,391
650	Contract Work - General	13,129	13,129	13,049	13,049
	Water Testing	5,145	5,145	5,458	5,458
660	Transportation Expenses	3,481	3,481	3,009	3,009
664	Other Plant Maintenance	0	0	0	0
670	Office Salaries	35,000	35,000	35,000	35,000
671	Management Salaries	15,600	15,600	15,600	15,600
674	Employee Pensions & Benefits	6,000	6,000	6,000	6,000
676	Uncollectibles Expense	1,822	1,822	0	0
678	Office Services & Rentals	10,386	10,386	9,216	9,216
681	Office Supplies & Expenses	11,102	11,102	11,000	11,000
682	Professional Services	4,337	4,337	4,136	4,136
684	Insurance	11,777	11,777	10,492	10,492
688	Regulatory Commission Expense	2,852	2,852	2,647	2,647
689	General Expenses	6,001	6,001	5,053	5,053
	Subtotal	200,132	200,132	185,275	185,275
	Depreciation	9,829	9,829	9,724	9,724
	Taxes Other than Income Taxes	13,308	13,308	11,718	11,718
	Income Taxes	5,308	5,308	0	12,071
	Non-Utility Income	100	100	94	94
	Interest	52	52	68	68
	TOTAL DEDUCTIONS	228,529	228,529	206,691	218,762
	NET REVENUE	-49,851	18,471	-28,013	41,639
<u>RATE BASE</u>					
	Average Plant	472,594	472,594	472,594	472,594
	Average Accumulated Depreciation	261,000	261,000	268,194	268,194
	Net Plant	211,594	211,594	204,400	204,400
	Less Advances	0	0	0	0
	Contributions	81,311	81,311	78,066	78,066
	Plus Working Cash	16,678	16,678	28,152	28,152
	Materials & Supplies	8,525	8,525	1,000	1,000
	Rate Base	155,486	155,486	155,485	155,485
	RATE OF MARGIN	-23.77%	8.77%	-14.38%	21.34%

END OF APPENDIX A

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APPENDIX B (Page 1/3)
HAVASU WATER COMPANY, INC.
Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

The area known as Tract Nos. 6493, 6494, 6495, 5968, 8284 and vicinity, and a 40-acre parcel about 3,000 feet to the north located near Havasu Landing, approximately 28 miles south of Needles, San Bernardino County.

RATES

Quantity Rate:

For all water, per 100 cubic feet	\$5.13
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Service Charge:

Per meter per month

For 5/8x3/4-inch meter	\$68.37
For 3/4-inch meter	\$102.56
For 1-inch meter	\$112.81
For 1 1/2-inch meter	\$205.12
For 2-inch meter	\$546.97
For 3-inch meter	\$1,025.58
For 4-inch meter	\$1,709.29

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. A late charge will be imposed per Schedule No. LC.
In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the
2. company, service to subsequent tenants in that unit will, at the company's option, be furnished 011 the account of the landlord or property owner.
In the event that customer terminates service under this schedule and reinstates service at the same
3. location, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.
4. All bills are subject to the reimbursement fee as set forth in Schedule No. UF.

(cont.)

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APPENDIX B (Page 2/3)
HAVASU WATER COMPANY, INC.
Schedule No. 4
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Located near Havasu Landing; approximately 28 miles south of Needles, San Bernardino County.

RATES

Per Service Connection	<u>Per Month</u>
For 2-inch meter	\$6.00
For 3-inch meter	\$9.00
For 4-inch meter	\$12.00
For 6-inch meter	\$18.00
For 8-inch meter	\$24.00
For 10-inch meter	\$30.00
For 12-inch meter	\$36.00

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. The facilities paid for by the applicant shall be the sole property of the applicant.
2. If a distribution main of adequate size to serve a private fire protection system 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.
3. Service hereunder is for private fire protection systems to which no connections 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 paid by the applicant. Such payment shall not be subject to refund.
4. For water delivered for other than fire protection purposes, charges shall be made therefore under Schedule No. 1, General Metered Service.
5. The utility undertakes to supply only such water at such pressure as may be available any time through the normal operation of its system. Section 774 of the Public Utilities Code limits the liability of the utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment, or other fire protection facility or service. Acceptance of service under this tariff is acknowledgment of notice of the provisions of Section 774 of the Public Utilities Code.
6. The minimum diameter for private fire protection service shall be two inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
7. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

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HAVASU WATER COMPANY, INC.
Schedule No. F
Facilities Fees

APPLICABILITY

Applicable to all customers applying for service from the Utility in the territory served for premises not previously connected to its distribution mains, for additional service connections to existing premises, and for increases in size of service connections to existing premises.

TERRITORY

The area known as Tract Nos. 6493, 6494, 6495, 5968, 8284 and vicinity, and a 40-acre parcel about 3,000 feet to the north located near Havasu Landing, approximately 28 miles south of Needles, San Bernardino County.

RATES

Initial fee for each Service Connection:

For 5/8x3/4-inch meter	\$2,919
For 3/4-inch meter	\$4,379
For 1-inch meter	\$7,298
For 1 1/2-inch meter	\$14,596

SPECIAL CONDITIONS

1. Facilities Fees are payable in addition to and do not limit any charges for extensions of mains that may be applicable under Rule 15, Main Extensions.
2. Payments made to this schedule are not subject to the reimbursement fee set forth in Schedule No. UF.
3. These fees shall be used only for the repair and replacement of the installation of new infrastructure.
4. These fees shall be deposited in a separate trustee account and used only upon permission of the Water Division or its successors.

END APPENDIX B

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APPENDIX C Havasu Water Company, Inc. 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>
For 5/8x3/4-inch meter	\$53.33	\$68.37	28.2%
For 3/4-inch meter	\$79.98	\$102.56	28.2%
For 1-inch meter	\$133.31	\$112.81	-15.4%
For 1 1/2-inch meter	\$266.63	\$205.12	-23.1%
For 2-inch meter	\$426.59	\$546.97	28.2%
For 3-inch meter	\$799.87	\$1,025.58	28.2%
For 4-inch meter	\$1,333.11	\$1,709.29	28.2%

QUANTITY RATES

All water, per 100 cu. ft.

	<u>Present Rates</u>	<u>Staff Recommended Rates</u>	<u>Percent Increase</u>
	\$4.51	\$5.13	13.8%

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>
0	\$53.33	\$68.37	28.2%
2	\$62.35	\$78.63	26.1%
4	\$71.37	\$88.89	24.6%
6 (Avg.)	\$80.39	\$99.15	23.3%
8	\$89.41	\$109.42	22.4%
10	\$98.43	\$119.68	21.6%
12	\$107.45	\$129.94	20.9%

END APPENDIX C

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APPENDIX D (Page 1/2) HAVASU WATER COMPANY, INC. Adopted Quantities – Test Year 2015

	<u>Per Year</u>
1. Purchased Power	
Pacific Gas & Electric Company	
Quantity (kWh):	76,910
Average Cost (\$/kWh):	\$0.21277
Total Purchased Power:	\$16,365
2. Purchased Water	\$11,488
3. Payroll	
Employee Labor:	\$24,780
Office Salaries:	\$35,000
Management Salaries:	\$15,600
4. Payroll Taxes	\$6,145
5. Property Taxes	\$2,790
6. Service Connections	
	<u>General Metered Sizes</u> <u>Number of Connections</u>
	5/8 x 3/4" meters: 191
	3/4" meters: 0
	1" meters: 17
	1-1/2" meters: 1
	Total Metered: 209
7. Water Sales (CCF)	15,246

(cont.)

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APPENDIX D (Page 2/2) HAVASU WATER COMPANY, INC. Adopted Quantities – Test Year 2015

1. Operating Revenue	\$260,402
2. Operating Expenses	\$185,275
3. Property Taxes	\$2,790
4. Payroll Taxes	\$6,145
5. Franchise Taxes	\$2,783
6. Depreciation	\$9,724
7. Taxable Income for State Tax	\$53,616
8. State Tax (\$800 minimum)	\$4,740
9. Taxable Income for FIT	\$53,616
10. Federal Income Tax	\$7,332
11. Total Tax	\$23,789

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-5059 on all parties in these filings or their attorneys as shown on the attached lists.

Dated August 18, 2015, at San Francisco, California.

/s/DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, 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.

HAVASU WATER COMPANY, INC.
Advice Letter No. 43-A
SERVICE LIST

Sean McCarthy, P.E.
CA Dept. of Public Health, DDWEM
464 W. Fourth Street, Suite 437
San Bernardino, CA 92401

Jack Hawks
California Water Association
601 Van Ness Ave., Suite 2047
San Francisco, CA 94102
jhawks@calwaterassn.com

LAFCO
215 N. "D" Street, Suite 204
San Bernardino, CA 92415

U.S. Dept. of Interior
Bureau of Reclamation
Lower Colorado Region
Boulder Canyon Operations Office
P.O. Box 61470
Boulder City, NV 89006-1470

Land Use Services
San Bernardino County
385 N. Arrowhead Avenue
San Bernardino, CA 92415

Colorado River Board of California
770 Fairmont Avenue Suite 100
Glendale, CA 91203-1068

San Bernardino Fire Authority
620 South "E" Street
San Bernardino, CA 92415

David G. Brownlee
City of Needles
817 Third Street
Needles, CA 92363

Earle & Lucia Lawrence
[lalawrence@yahoo.com](mailto:lawrence@yahoo.com)
elawrenceret@yahoo.com

Don and Maggie Dunham
Havasugram7@comcast.com

Rich & Rosalie Barber
barberwaterman@msn.com

William Massey
P.O. Box 1589
Needles, CA 92363

Debbie & John Summerfruit
P.O. Box 1633
Needles, CA 92363

Judy Bryant
Judy.bryant@live.com

Mike Aleksich
mikeale@pacbell.net
oldfoneman@gmail.com

Bill Nichols
12670 Jalepeno Ave.
Chino, CA 91710

Gary & Karen Chamberlain
karenhav@hotmail.com

Susie Wilson
Suestyle65@gmail.com