

# PROPOSED RESOLUTION

AGENDA ID #14702 (Rev. 2)  
ITEM #34

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION W-5089  
March 17, 2016

### RESOLUTION

**(RES. W-5089) NACIMIENTO WATER COMPANY. ORDER  
AUTHORIZING A GENERAL RATE INCREASE  
PRODUCING ADDITIONAL ANNUAL REVENUE OF  
\$245,630, or 52.46%, FOR TEST YEAR 2015.**

---

### SUMMARY

By Advice Letter 38 and Advice Letter 38-A, filed on October 6, 2015 and January 5, 2016, respectively, Nacimiento Water Company seeks a rate increase of \$246,055, or 52.55%, in annual gross revenue for Test Year 2015 to earn an adequate return on rate base.

For Test Year 2015, this Resolution grants Nacimiento Water Company an increase of \$245,630, or 52.46%, over revenues earned under current rates, which is estimated to provide a rate of margin of 20.21%.

### BACKGROUND

Nacimiento Water Company, (Nacimiento), a Class C 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 \$246,055, or 52.55%, 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 11.20%.

The present rates became effective on January 1, 2015 by approval of Advice Letter (AL) 36, which authorized a Consumer Price Index (CPI) rate increase of \$7,248, or 1.5%, in revenues. The last General Rate Case (GRC) for Nacimiento became effective August 25, 2005, pursuant to Resolution (Res.) W-4555, which authorized an increase in revenues of \$182,333, or 68.10%, for TY 2003, and CPI increases of \$8,057, or 1.9% for 2004, and \$14,621, or 3.3% for 2005.

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

Nacimiento operates a community water system that supplies domestic water to approximately 643 metered customers in its service territory 25 miles northwest of Paso Robles, San Luis Obispo County. The subdivisions served by Nacimiento consist primarily of weekend and seasonal users.

Nacimiento receives its raw water supply from three wells and two gallery wells situated below Nacimiento Lake. Water produced from these wells is purchased from the Monterey County Water Resources Agency. The treatment facility consists of disinfection, alum coagulation, settling in a clarifier, filters, ozone towers, backwash recovery basins, and drying beds. Nacimiento has two concrete reservoirs of approximately 80,000 and 600,000 gallon capacities.

Nacimiento is managed by Tim Bean, who acts as President of the water company. Nacimiento also employs additional employees who are responsible for the operation and maintenance of the water system, as well as billing and administrative work.

## **NOTICE AND PROTESTS**

AL 38 was filed in accordance with G.O. 96-B on October 6, 2015. A notice of the proposed rate increase was mailed to Nacimiento's customers on December 26, 2015. Following DWA's review of AL 38, Nacimiento filed supplemental AL 38-A on January 5, 2016 in accordance with G.O. 96-B and sent the supplement to the Service List.

No protests were received.

DWA conducted the site inspection on December 17, 2015. Based on past meetings, DWA staff determined that a public meeting would not be necessary for the current GRC.

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

## **DISCUSSION**

DWA independently analyzed Nacimiento's operating expenses and investigated Nacimiento's accounts. Appendix A shows Nacimiento's and DWA's estimated

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

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 Nacimiento's 2012-2014 Annual Reports, accounting records, and supporting documents for substantiation and accuracy, DWA disagreed with several of Nacimiento's estimates. Nacimiento 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 Nacimiento's operating expenses are based on substantiated data from 2012-2014, and estimates from Nacimiento. 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 Nacimiento's estimates and DWA's estimates is the purchased power expense and the income tax expense.

## *Purchased Power*

DWA found that Nacimiento's estimated purchased power expense deviated from recent purchased power expenses as given in Nacimiento's annual reports, despite similar levels of water consumption. To verify whether the requested purchased power expense is reasonable, DWA reviewed Nacimiento's electricity and gas invoices from the past year and estimates \$30,824 for this account.

## *Income Taxes*

DWA found that Nacimiento's estimated income taxes were high relative to the requested revenue requirement. Using guidelines from the California Franchise Tax Board and the Internal Revenue Service, DWA estimates \$56,222 for this account.

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

## *Revenue Requirement*

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.<sup>1</sup> 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.<sup>2</sup>

In AL 38, Nacimiento requests a Rate of Return (ROR) of 11.20%, in accordance with DWA's memorandum on Rates of Return and Rates of Margin for Class C and Class D Water Utilities. The memorandum stipulates that the authorized ROR ranges from 10.20%-11.20% and the authorized Rate of Margin (ROM) is 20.21% for Class C utilities. Using a ROR of 11.20%, Nacimiento requests an increase of \$246,055, or 52.55%, over revenues earned at the current rates.

With corrections to Nacimiento's operating expenses and its initial revenue increase request, DWA calculated the revenue requirement under the ROR and ROM methods and determined that the ROR and ROM methods produce revenue increases of \$148,766 and \$245,630, respectively. Since the ROM method results in higher revenues, DWA recommends that the ROM method be used for Nacimiento's TY 2015 GRC.

For 2015, DWA's recommended ROM for a Class C water utility is 20.21%.<sup>3</sup> DWA's analysis was therefore based on an ROM of 20.21%. Using this ROM, DWA calculates a revenue requirement of \$713,858, which results in an increase of \$245,630, or 52.46%, for Nacimiento.

- 
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-BDE7-74A83462991/0/2015DWAMemoROR.pdf>.

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

## *Rate Design*

Nacimientó's current rate structure consists of four tariff schedules: Schedule No. 1-A, Annual Metered Service, Schedule No. 4, Private Fire Protection Service, Schedule No. LC, Late Payment Charge, Schedule No. UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee, and Schedule No. F, Facilities Fees.

In AL 38 and AL 38-A, Nacimientó requests to increase Schedule No. 1-A and Schedule No. 4 rates. Nacimientó requests service charges of \$425.19/year for 5/8" x 3/4" meter connections, quantity rates of \$11.51/CCF, and fire protection service charges of \$132.37/month per fire hydrant.

Upon review of the proposed rates, Nacimientó requested DWA alter the ratio of revenues paid for by metered rates and private fire protection service in order to reduce the quantity charge levied on metered service customers. Nacimientó states that fire protection revenues are paid by seasonal customers, customers with vacant lots, and customers who are preparing to build on their lots, while regular customers are charged through the metered service tariff schedule. Nacimientó states that due to drought conditions, lower lake levels and low consumption from fire protection customers has made the system more difficult to maintain, due to need for frequent flushing.

DWA finds Nacimientó's request reasonable and assessed several different rate designs where the ratio of revenue paid for by metered customers and private fire protection customers were changed. DWA recommends a rate design where 75% of the gross revenues are paid for through metered service and the remaining 25% of the gross revenues are paid for through private fire protection service. This results in service charges of \$419.12/year for 5/8" x 3/4" meter connections, quantity rates of \$9.55/CCF, and fire protection service charges of \$195.68/month per fire hydrant.

DWA's recommended rates will result in changes to the Schedule No. 1-A and Schedule No. 4 as given in Appendix B. Nacimientó was informed of DWA's views on rate design and is in concurrence with DWA's recommended rate structure.

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.

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

## *Rate Base Offset*

During DWA's field investigation on December 17, 2015, Nacimiento reported that they were considering the installation of solar panels to reduce their purchased power expenses. Nacimiento inquired if it would be possible to recover the corresponding costs.

DWA staff reviewed Nacimiento's inquiry and determined that a rate base offset would be the most appropriate means of recovery for the proposed solar panel project. On February 1, 2016, Nacimiento submitted two quotes from Sungevity<sup>4</sup> for DWA review. Nacimiento stated that from the two quotes provided, they would select the higher efficiency project despite the higher cost, valued at \$177,103. Nacimiento estimates the higher efficiency project will reduce their annual electricity bills by approximately \$15,000, or 50%.

DWA staff determined that the higher cost project will provide greater long-term benefits that offset the greater up-front costs of the project. DWA finds Nacimiento's proposal acceptable. DWA recommends that the solar panel project budget be capped at \$177,103. When the solar panels are used and useful, Nacimiento should file a Tier 2 AL for a rate base offset to recover the cost of the project if the requested recovery is at or below the budget cap.

## **SAFETY, COMPLIANCE, AND CONSERVATION**

Nacimiento is routinely inspected every three years by the State Water Resources Control Board's (SWRCB) Division of Drinking Water (DDW). Nacimiento's last inspection was conducted in January 2016. Nacimiento has been submitting testing results as mandated by DDW.

On January 13, 2016, the SWRCB's DDW issued Citation No. 04-06-15C-034 for violating the haloacetic acid (HAA5) maximum contaminant limit (MCL) of 60 ppb based on a locational running annual average (LRAA). Citation No. 04-16-15C-034 directs

---

<sup>4</sup> Sungevity is the lone solar panel vendor to provide Nacimiento with legitimate quotes as Nacimiento initially contacted three other solar panel vendors for quotes. However, the other vendors declined Nacimiento's request for quotes due to Nacimiento's geographic location.

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

Nacimientto to 1) notify the public of the HAA5 MCL violation by February 13, 2016 in accordance with DDW standards, and submit a certification of public notice issuance to DDW within 30 days of doing so, and 2) submit a Disinfection Byproducts Rule (DBP) compliance plan and implementation schedule for complying with the HAA5 MCL to DDW by March 13, 2016. An updated compliance plan shall continue to be submitted to DDW at least every 90 days thereafter, based on new and planned changes to treatment, sources of supply, and/or distribution system and reservoir operations until DDW determines that it is no longer necessary.

In accordance with Citation No. 04-06-15C-034, Nacimientto notified its customers of the HAA5 MCL violation on February 12, 2016 and is currently working on a compliance plan for meeting the MCL.

In terms of infrastructure, DWA staff determined that Nacimientto meets G.O. 103-A standards after conducting a field inspection on December 17, 2015. Nacimientto reports that several pipeline breaks have occurred in the past several months due to geologic activity. Nevertheless, Nacimientto staff has been responsive to pipeline breaks and monitors their service territory routinely for leaks.

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 C and 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.

In compliance with W-5041, Nacimientto has added Rule 14.1 to its tariff schedules. Nacimientto stated that many customers do not have landscapes, but nevertheless have

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

been responsive to the drought and accordingly have reduced consumption. However, Nacimiento's system now requires frequent flushing in order to maintain water quality due to lowered water consumption. Also due to the prolonged drought and low lake levels, the water entering and leaving Nacimiento's system is poorer in quality. Nacimiento stated that the 2015-2016 El Niño year has improved lake levels, but an ongoing drought would be detrimental to Nacimiento's supply.

## COMMENTS

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

## FINDINGS

1. Nacimiento Water Company (Nacimiento) 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. Nacimiento agrees with DWA's recommended rate design for Annual Metered Service and Private Fire Protection Service (Appendix B).
4. The rates for Annual Metered Service and Private Fire Protection Service (Appendix B) recommended by DWA are reasonable and should be adopted.
5. The quantities (Appendix D) used to develop the recommendations of DWA are reasonable and should be adopted.
6. Nacimiento should be authorized to file a Tier 2 Advice Letter requesting a rate base offset to capitalize costs associated with the installation of solar panels once the project has been completed and the solar panels are in service. Nacimiento should file the request as a Tier 2 Advice Letter only if the solar panel recovery request is at or below the budget cap of \$177,103.
7. The water rate increase authorized herein is justified and the resulting rates are just and reasonable.

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

## THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Nacimiento 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. Nacimiento Water Company is authorized to file a Tier 2 Advice Letter requesting a rate base offset to capitalize costs associated with the installation of solar panels once the project is complete and the solar panels are in service. Nacimiento Water Company is authorized to file a Tier 2 Advice Letter only if the requested recovery is at or below the budget cap of \$177,103.
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 March 17, 2016; the following Commissioners voting favorably thereon:

---

TIMOTHY J. SULLIVAN  
Executive Director

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 1)

## APPENDIX A NACIMIENTO WATER COMPANY Summary of Earnings - Test Year 2015

		Utility Estimated Rates		Branch Estimated Rates	
		Present	Requested	Present	Adopted
<b><u>OPERATING REVENUE</u></b>					
	General Metered Sales	387,883	592,277	387,883	592,991
	Private Fire	79,061	120,722	79,061	120,868
	Other Revenues	1,284	1,284	1,284	0
	<b>Subtotal</b>	468,228	714,284	468,228	713,858
<b><u>OPERATING EXPENSES</u></b>					
610	Purchased Water	12,458	12,458	12,458	12,458
615	Purchased Power	47,402	47,402	30,824	30,824
618	Other Volume Related Expenses	8,820	8,820	8,820	8,820
630	Employee Labor	137,758	137,758	137,758	137,758
640	Materials	37,150	37,150	37,150	37,150
650	Contract Work - General	4,000	4,000	4,000	4,000
660	Transportation Expenses	12,353	12,353	12,353	12,353
664	Other Plant Maintenance	5,100	5,100	5,100	5,100
670	Office Salaries	0	0	0	0
671	Management Salaries	89,016	89,016	89,016	89,016
674	Employee Pensions & Benefits	59,242	59,242	59,242	59,242
676	Uncollectibles Expense	851	851	851	851
678	Office Services & Rentals	900	900	900	900
681	Office Supplies & Expenses	17,585	17,585	17,585	17,585
682	Professional Services	53,979	53,979	53,979	53,979
684	Insurance	24,294	24,294	24,294	24,294
688	Regulatory Commission Expense	4,414	4,414	4,414	4,414
689	General Expenses	5,996	5,996	5,996	5,996
	<b>Subtotal</b>	521,318	521,318	504,740	504,740
	Depreciation	30,431	30,431	30,431	30,431
	Taxes Other than Income Taxes	14,307	14,307	14,307	14,307
	Income Taxes	800	96,912	800	56,222
	<b>TOTAL DEDUCTIONS</b>	566,856	662,968	550,278	605,700
	<b>NET REVENUE</b>	-98,627	51,316	-82,049	108,158
<b><u>RATE BASE</u></b>					
	Average Plant	3,015,276	3,015,276	3,015,276	3,015,276
	Average Accumulated Depreciation	1,612,950	1,612,950	1,612,950	1,612,950
	<b>Net Plant</b>	1,402,326	1,402,326	1,402,326	1,402,326
	<b>Less</b> Advances	0	0	0	0
	Contributions	1,079,006	1,079,006	1,079,006	1,079,006
	<b>Plus</b> Working Cash	39,715	39,715	38,334	38,334
	Construction Work in Progress	95,141	95,141	95,141	95,141
	<b>Rate Base</b>	458,176	458,176	456,794	456,794
	<b>RATE OF RETURN</b>	-21.53%	11.20%	-17.96%	23.68%
	<b>RATE OF MARGIN</b>	-17.88%	9.30%	-15.33%	20.21%

END OF APPENDIX A

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

APPENDIX B (Page 1/2)  
NACIMIENTO WATER COMPANY  
Schedule No. 1  
GENERAL METERED SERVICE

## APPLICABILITY

Applicable to all metered water service.

## TERRITORY

Tract Nos. 378, 379, 380, and 381, and Phase I of Tract 2162, and Cantinas Campground, all in the Oak Shores area of San Luis Obispo County.

## RATES

### Quantity Rate:

All water used per 100 cubic feet \$9.55

### Service Charge:

	<u>Per meter per year</u>
For 5/8x3/4-inch meter	\$419.12
For 1-inch meter	\$1,047.81
For 1 1/2-inch meter	\$2,095.62
For 2-inch meter	\$3,353.00
For 3-inch meter	\$6,286.87

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge computed at the Quantity Rate, for water used during the billing period.

## SPECIAL CONDITIONS

1. The annual service charge applied to service during the 12-month period commencing on January 1 is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, they may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods, except the meters may be read and quantity charges billed during the winter season at intervals greater than three months.

(continued)

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

**APPENDIX B (Page 2/2)**  
**NACIMIENTO WATER COMPANY**  
**Schedule No. 4**  
**PRIVATE FIRE PROTECTION SERVICE**

## **APPLICABILITY**

Applicable to all fire hydrant service rendered from hydrants on private property connected to utility owned mains.

## **TERRITORY**

Tract Nos. 378, 379, 380, and 381, and Phase I of Tract 2162, and Cantinas Campground, all in the Oak Shores area of San Luis Obispo County.

## **RATES**

	<b><u>Per Month</u></b>
For each fire hydrant	\$195.68
For each fire hydrant not located within the Oak Shores Community Association	\$13.22

## **SPECIAL CONDITIONS**

1. The fire hydrant will be installed by the utility at the cost of the applicant.
2. The cost of relocation of any hydrant shall be paid by the party requesting the relocation.
3. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1A, Annual Metered Service.
4. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

**END APPENDIX B**

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

## APPENDIX C NACIMIENTO WATER COMPANY Adopted Quantities – Test Year 2015

### METERED SERVICE

Per meter per year

	<u>Present Rates</u>	<u>Staff Recommended Rates</u>	<u>Percent Increase</u>
For 5/8x3/4-inch meter	\$382.26	\$419.12	9.64%
For 3/4-inch meter	\$382.26	\$419.12	9.64%
For 1-inch meter	\$955.65	\$1,047.81	9.64%
For 1 1/2-inch meter	\$1,911.31	\$2,095.62	9.64%
For 2-inch meter	\$3,058.08	\$3,353.00	9.64%
For 3-inch meter	\$5,733.91	\$6,286.87	9.64%

### QUANTITY RATES

All water, per 100 cu. ft.

	<u>Present Rates</u>	<u>Staff Recommended Rates</u>	<u>Percent Increase</u>
	\$5.00	\$9.55	91.08%

Comparison of a yearly 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	\$382.26	\$419.12	9.64%
20	\$482.26	\$610.20	26.53%
30	\$532.26	\$705.74	32.59%
<b>40 (Avg.)</b>	<b>\$582.26</b>	<b>\$801.28</b>	<b>37.61%</b>
50	\$632.26	\$896.81	41.84%
60	\$682.26	\$992.35	45.45%

END APPENDIX C

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

## APPENDIX D (Page 1/2) NACIMIENTO WATER COMPANY Adopted Quantities – Test Year 2015

	<u>Per Year</u>
<b>1. Purchased Power</b>	
Pacific Gas & Electric Company	
Quantity (kWh):	152,685
Average Cost (\$/kWh):	\$0.19717
Total Purchased Power:	\$30,824
<b>2. Purchased Water</b>	\$12,458
<b>3. Payroll</b>	
Employee Labor:	\$137,758
Office Salaries:	\$0
Management Salaries:	\$89,016
<b>4. Payroll Taxes</b>	\$11,152
<b>5. Property Taxes</b>	\$3,155
<b>6. Service Connections</b>	
	<u>General Metered Sizes</u> <u>Number of Connections</u>
	5/8 x 3/4" meters:      101
	3/4" meters:      535
	1" meters:      4
	1-1/2" meters:      3
	<b>Total Metered:      643</b>
<b>7. Water Sales (CCF)</b>	27,042

(cont.)

# PROPOSED RESOLUTION

Resolution W-5089  
DWA

March 17, 2016 (Rev. 2)

## APPENDIX D (Page 2/2) NACIMIENTO WATER COMPANY Adopted Quantities – Test Year 2015

1. Operating Revenue	\$713,858
2. Operating Expenses	\$504,740
3. Property Taxes	\$3,155
4. Payroll Taxes	\$11,152
5. Franchise Taxes	\$0
6. Depreciation	\$30,431
7. Taxable Income for State Tax	\$164,381
8. State Tax (\$800 minimum)	\$14,531
9. Taxable Income for FIT	\$149,849
10. Federal Income Tax	\$41,691
11. Total Tax	\$56,222

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

**NACIMIENTO WATER COMPANY  
ADVICE LETTER 38 SERVICE LIST**

Nacimiento Water Company  
[ops@nacimientowater.com](mailto:ops@nacimientowater.com)

San Luis Obispo County  
County Government Center  
1055 Monterey Street  
San Luis Obispo, CA 93408