

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory BranchRESOLUTION NO. W-4924  
July 12, 2012**R E S O L U T I O N**

**(RES. W-4924), ERSKINE CREEK WATER COMPANY (ECWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE (GRC),  
PRODUCING ADDITIONAL ANNUAL REVENUE OF \$132,930 OR  
25.7% FOR TEST YEAR (TY) 2012 AND \$50,000 OR 7.70% FOR  
ESCALATION YEAR 2013.**

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**SUMMARY**

By Advice Letter (AL) 80-W, filed on February 8, 2012, ECWC seeks an increase of \$214,630 in revenue or 41.50% above current rates to recover increased operating expenses and earn a reasonable return. For TY 2012, this Resolution grants an increase in gross annual revenues of \$132,930 or 25.70% over revenues earned under current rates, and additional revenue of \$50,000 or 7.70% above revenue earned under 2012 rates for Escalation Year 2013. The rate schedules to implement the 2012 revenue increase and the escalation revenue increase for year 2013 are set forth in Appendix B. This increase in revenue, inclusive of escalation years, is estimated to provide a rate of margin of 21.12% by 2013.

**BACKGROUND**

ECWC, a Class C water utility, has requested authority to increase its rates under Rule 7.6.2 of General Order (GO) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code in order to increase its water revenues by \$214,630 or 41.50% for TY 2012, over the revenues received under current rates. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. ECWC's request was based on a rate of margin of 23.40%. ECWC attributes the magnitude of its increase request to the absence of increases for over 5 years, and the increase in Employee Labor. ECWC is presently under staffed and plans to recruit one water operator this test year.

ECWC's present rates became effective on November 21, 2011, by approval of AL 79-W, which authorized a Consumer Price Index (CPI) rate increase resulting in increased revenues of \$9,499, or a 1.5% increase in revenues. The last GRC for ECWC was granted

on July 20, 2006, pursuant to Res. W-4608, which granted an increase in revenues of \$164,924 or 41.40%.

ECWC serves approximately 1153 customers. ECWC is a corporation providing water service to the unincorporated community of Lake Isabella and vicinity, located approximately 45 miles east of Bakersfield, in Kern County. Water is provided by three treated wells. The system has two storage tanks with a total capacity of 164,000 gallons. ECWC's distribution system consists of 5,562 feet of 12-inch mains, 3,900 feet of 10-inch mains, 1,960 feet of 8-inch mains, 22,860 feet of 6-inch mains, 4,625 feet of 5-inch mains, 30,771 feet of 4-inch mains, 7,775 feet of 3-inch mains and 250 feet of 2-inch mains.

### **NOTICE AND PROTEST**

On January 21, 2012, a notice of the proposed rate increase was mailed to each customer's permanent address and to the general service list. In accordance with GO 96-B ,AL 80-W was served on February 8, 2012, on adjacent utilities and persons on the general service list. Four customer letters and a petition/protest signed by thirty-three customers questioning the rate increase and complaining about the amount requested were timely received, and the utility replied.

An informal public meeting was held on Thursday, February 16, 2012, at 6:00 PM at Kern River Valley Senior Center located at 6405 Lake Isabella Blvd, Lake Isabella, CA. Approximately thirteen customers attended the meeting. The Division of Water and Audits (Division) staff explained the Commission's procedure for reviewing AL 80-W. ECWC representatives explained the need for the proposed rate increase. The Division staff and ECWC representatives answered questions until approximately 7:25 PM.

Much of the customer feedback, in both the letters and from the public meeting, was concerned with the magnitude of the increase request of 41.50%. Some of the customers acknowledged that some increase was warranted because the customer service was very good and because improvements had been made to the water system. Others complained that because of the bad economy such a high increase was not appropriate, especially since many of the customers were retired and had fixed incomes.

In setting rates in this Resolution, we have balanced the financial requirements of ECWC with the rate concerns of its customers.

## DISCUSSION

ECWC's current request to increase revenues by 41.50% stems largely from the absence of a general rate increase for over 5 years and a new hire. The magnitude and timing of ECWC's GRC request justifies a more gradual revenue increase than that proposed by ECWC. To mitigate the impact that this large increase may have on its customers, ECWC agreed<sup>1</sup> to phase-in its revenue increase over a period of two years, from 2012 through 2013, instead of one year as it originally proposed. As commonly practiced by the Commission, ECWC should not be allowed to recover the CPI increase for 2012 because this would exceed the allowed revenue of \$649,500.<sup>2</sup>

The Division made an independent analysis of ECWC's operations. Appendix A shows ECWC's and the Division's estimated summary of earnings at present, proposed, and recommended rates for TY 2012, to be phased in during years 2012 and 2013. Appendix B includes the Division's tariff rates for TY 2012, and Escalation Year 2013. The Division informed ECWC of how the methodologies it used differed from those used in ECWC's request. ECWC is now in agreement with the Division's recommended revenue requirement, shown in Appendix A, and the Division's recommended rates, shown in Appendix B. The Division recommends that the Commission approve the rate increases and resulting rates shown in Appendix B.

The Division's estimate of ECWC's operating expenses, excluding purchased power, contract work, insurance and management salaries, is based on data from years 2008-2010. For estimating purchased power costs, ECWC used the most recent twelve months of usage ending in September 2011, and applied the cost per kilowatt-hour of Southern California Edison Company's rates<sup>3</sup>, and the Division agrees. The Division used current actual costs for insurance and reviewed and accepted ECWC's estimate for office and management salaries. For estimating all other expense categories, the Division escalated<sup>4</sup> and averaged 2008-2010 expenses using factors from the March 31, 2012 escalation memorandum from the Division of Ratepayer Advocates. The Division's estimate differed from ECWC's in employee labor, materials, transportation, and regulatory expenses due to ECWC's application of a different escalation factor for the three-year average of these expenses from 2008-2010.

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<sup>1</sup> Per email from Frank Brommenschenkel dated 3/1/2012.

<sup>2</sup> Per Resolution W-4710.

<sup>3</sup> Southern California Edison Company is ECWC's energy provider.

<sup>4</sup> Escalation was to 2012 dollars.

The Division's recommendation includes used and useful plant and applies the 3.00% depreciation rate adopted in the last GRC to arrive at the rate base shown in Appendix A.

ECWC requested a 23.40% rate of margin. The recommended rate of margin for a Class C utility is 21.12%<sup>5</sup>. Since there are no customer service complaints and ECWC is in compliance with all Commission rules and procedures, the Division based its analysis on a rate of margin of 21.12%, which is the recommended rate of margin. With the two-year phase in, these revenue increases will yield a rate of margin of 15.79% in TY 2012, and 21.12% by Escalation Year 2013.

ECWC's rate structure consists of two schedules: 1, General Metered Service and 4, Private Fire Protection Service. The rates proposed by the Division are shown in Appendix B. At the Division's recommended rates, the increase in revenues will be \$132,930 or 25.70% for TY 2012 and \$50,000 or 7.70% for Escalation Year 2013. At the recommended rates shown in Appendix B, bi-monthly rates for an average consumption of 15 Ccf (one Ccf is equal to one hundred cubic feet) will increase from \$48.52 to \$61.22, a difference of \$12.70 or 26.20% in TY 2012; and \$61.22 to \$66.12, a difference of \$4.90 or 8.00% in Escalation Year 2013. A comparison of customer bills at present, recommended, and escalation rates is shown in Appendix C. The projections, adopted quantities, and tax calculations are shown in Appendix D. The Division recommends that the Commission require ECWC to file a Tier 2 advice letter on or before November 20, 2012, to reflect escalation rates for 2013 and that the revised tariffs reflecting these escalation rates be made effective on January 1, 2013.

A review of ECWC's 2010 California Department of Public Health's (CDPH) Consumer Confidence Report (CCR) shows that its water meets the required quality standards set by the CDPH. ECWC provides customers the annual CCR regarding testing and water quality issues, and customers have expressed confidence in the water quality.

## **COMPLIANCE**

The utility has been filing annual reports as required.

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<sup>5</sup> This recommendation is set forth in a March 6, 2012 memorandum from the Division of Water and Audits to the Commission entitled Rates of Return and Rates of Margin for Class C and Class D Water Utilities.

## COMMENTS

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 draft resolution was mailed to the utility, all protestants (whether or not they filed timely protests), and those requesting service at the public meeting, and made available for public comment on June 12, 2012.

## FINDINGS

1. ECWC has requested authority to increase its water revenue by \$214,630 or 41.50% for TY 2012.
2. On January 21, 2012, a notice of the proposed rate increase was mailed to each customer and to the general service list. On February 8, 2012, AL 80-W was served in accordance with General Order 96-B.
3. ECWC agreed to phase-in its revenues over a period of two years from 2012 through 2013.
4. ECWC should not be allowed to recover Consumer Price Index cost increases for years 2012.
5. In reviewing ECWC's request, the Division made an independent analysis of ECWC's operations.
6. For estimating purchased power costs, the Division used 12 months of actual electricity usage and applied the average cost per kilowatt-hour of ECWC's energy provider for 2010-2011.
7. The Division used current costs to estimate test year insurance.
8. The Division reviewed and accepted ECWC's estimate of office and management salaries.
9. For estimating all other expense categories, the Division applied factors from the Division of Ratepayer Advocates' Escalation Memorandum, dated March 31, 2012.
10. The Division recommendation includes used and useful plant and applies the 3.00% depreciation rate ordered in the last GRC.
11. The Division informed ECWC of how the methodologies and escalation rates it used differed from those used in ECWC's request.
12. ECWC agrees with the Division's recommended revenue requirement.

13. The Division's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
14. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
15. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
16. ECWC requested a rate of margin of 23.40%. The recommended for rate of margin for a Class C utility is 21.12%. The Division's recommended rate of margin for ECWC is 21.12%.
17. For TY 2012, it is appropriate to grant ECWC an increase in gross annual revenues of \$132,930 or 25.70% over current rates, and additional revenues of \$50,000 or 7.70% for Escalation Year 2013.
18. These revenue increases will yield a rate of margin of 15.79% in Test Year 2012 and 21.12% by Escalation Year 2013.
19. At the recommended rates shown in Appendix B, bi-monthly rates for an average consumption of 15 Ccf (one Ccf is equal to one hundred cubic feet) will increase from \$48.52 to \$61.22, a difference of \$12.70 or 26.20% in TY 2012; and \$61.22 to \$66.12, a difference of \$4.90 or 8.00% in Escalation Year 2013.
20. The Division recommends that the Commission require ECWS to file, by November 20, 2012, a Tier 2 advice letter to reflect escalation in 2013.
21. The Division recommends that the escalation rates for 2013 become effective on January 1, 2013.

**THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 to Erskine Creek Water Company to file advice letters with the revised rate schedules attached to this Resolution as Appendix B and concurrently cancel its presently effective rate Schedules Nos. 1, General Metered Service and 4, Private Fire Protection Service.
  - a. For Test Year 2012, Erskine Creek Water Company is authorized to file a supplemental advice letter, and the effective date of the revised rates for Test Year 2012 shall be five days after the date of filing.
  - b. For Escalation Year 2013, Erskine Creek Water Company is authorized to file a Tier 2 advice letter. Erskine Creek Water Company shall file this advice letter by no later than November 20, 2012, and the effective date of the revised rates for Escalation Year 2013 shall be January 1, 2013.

2. The quantities (Appendix D) used to develop the Division of Water and Audits' recommendations are adopted.
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 July 12, 2012; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director

<b>Appendix A</b>					
<b>Erskine Creek Water Company, Inc</b>					
<b>Summary of Earnings</b>					
<b>Test Year 2012</b>					
<b>Item</b>	<b>Utility Estimated</b>		<b>Branch Estimated</b>		<b>Adopted</b>
	<b>Present</b>	<b>Requested</b>	<b>Present</b>	<b>Requested</b>	
	<b>Rates</b>	<b>Rates</b>	<b>Rates</b>	<b>Rates</b>	<b>Rates</b>
<b><u>Operating Revenue</u></b>					
General Metered Sales	\$ 516,570	\$ 731,200	\$ 516,570	\$ 731,200	\$ 645,000
Private Fire	\$ -	\$ -	\$ -	\$ -	\$ 4,500
<b>Total Revenue</b>	<b>\$ 516,570</b>	<b>\$ 731,200</b>	<b>\$ 516,570</b>	<b>\$ 731,200</b>	<b>\$ 649,500</b>
<b><u>Operating Expenses</u></b>					
610 Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -
615 Purchased Power	\$ 54,228	\$ 54,228	\$ 54,228	\$ 54,228	\$ 54,228
618 Other Volume Related Expenses	\$ 5,609	\$ 5,609	\$ 5,609	\$ 5,609	\$ 5,609
630 Employee Labor	\$ 46,894	\$ 112,950	\$ 109,950	\$ 109,950	\$ 109,950
640 Materials	\$ 13,090	\$ 23,554	\$ 20,972	\$ 20,972	\$ 20,972
650 Contract Work	\$ 20,602	\$ 24,334	\$ 24,334	\$ 24,334	\$ 24,334
660 Transportation Expenses	\$ 17,797	\$ 17,797	\$ 17,396	\$ 17,396	\$ 17,396
664 Other Plant Maintenance	\$ 12,435	\$ 12,622	\$ 12,000	\$ 12,000	\$ 12,000
670 Office Salaries	\$ 55,585	\$ 56,419	\$ 56,419	\$ 56,419	\$ 56,419
671 Management Salaries	\$ 53,958	\$ 54,767	\$ 54,767	\$ 54,767	\$ 54,767
674 Employee Benefits	\$ 46,224	\$ 57,780	\$ 57,780	\$ 57,780	\$ 57,780
676 Uncollectibles Expense	\$ 4,737	\$ 4,737	\$ 4,737	\$ 4,737	\$ 4,737
678 Office Services & Rentals	\$ 11,691	\$ 11,866	\$ 9,999	\$ 9,999	\$ 9,999
681 Office Supplies & Expenses	\$ 29,713	\$ 29,713	\$ 29,713	\$ 29,713	\$ 29,713
682 Professional Services	\$ 3,210	\$ 3,210	\$ 3,210	\$ 3,210	\$ 3,210
684 Insurance	\$ 18,871	\$ 22,967	\$ 22,967	\$ 22,967	\$ 22,967
688 Regulatory Commission Expense	\$ 6,900	\$ 4,851	\$ 4,297	\$ 4,297	\$ 4,297
689 General Expenses	\$ 6,785	\$ 6,785	\$ 6,785	\$ 6,785	\$ 6,785
<b>Subtotal</b>	<b>\$ 408,329</b>	<b>\$ 504,189</b>	<b>\$ 495,163</b>	<b>\$ 495,163</b>	<b>\$ 495,163</b>
Depreciation	\$ 28,809	\$ 29,541	\$ 27,214	\$ 27,214	\$ 27,214
Taxes other than Income	\$ 36,641	\$ 44,341	\$ 44,341	\$ 44,341	\$ 44,341
Income Taxes	\$ 13,105	\$ 35,397	\$ 800	\$ 47,026	\$ 17,749
<b>Total Deductions</b>	<b>\$ 486,884</b>	<b>\$ 613,468</b>	<b>\$ 567,518</b>	<b>\$ 613,744</b>	<b>\$ 584,467</b>
<b>Net Revenue</b>	<b>\$ 29,686</b>	<b>\$ 117,732</b>	<b>\$ (50,948)</b>	<b>\$ 117,456</b>	<b>\$ 65,033</b>
<b><u>Rate Base</u></b>					
Average Plant	\$ 1,182,313	\$ 1,194,313	\$ 1,182,313	\$ 1,182,313	\$ 1,182,313
Ave. Accumulated Depreciation	\$ 441,362	\$ 470,903	\$ 505,495	\$ 505,495	\$ 505,495
<b>Net Plant</b>	<b>\$ 740,951</b>	<b>\$ 723,410</b>	<b>\$ 676,818</b>	<b>\$ 676,818</b>	<b>\$ 676,818</b>
<u>Less Advances</u>	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	\$ 66,187	\$ 64,670	\$ 64,670	\$ 64,670	\$ 64,670
<u>Plus Working Cash</u>	\$ 74,161	\$ 91,421	\$ 44,959	\$ 44,959	\$ 44,959
Materials & Supplies	\$ 4,554	\$ 4,554	\$ 4,554	\$ 4,554	\$ 4,554
<b>Rate Base:</b>	<b>\$ 753,479</b>	<b>\$ 754,715</b>	<b>\$ 661,661</b>	<b>\$ 661,661</b>	<b>\$ 661,661</b>
<b>Rate of Return</b>	3.94%	15.60%	-7.70%	17.75%	9.83%
<b>Rate of Margin</b>	7.30%	23.40%	-0.27%	23.01%	15.79%

<b>Appendix A</b>					
<b>Erskine Creek Water Company, Inc</b>					
<b>Summary of Earnings</b>					
<b>Escalation Year 2013</b>					
<b>Item</b>	<b>Utility Estimated</b>		<b>Branch Estimated</b>		<b>Escalation Rates</b>
	<b>Present Rates</b>	<b>Requested Rates</b>	<b>Present Rates</b>	<b>Adopted Rates</b>	
				<b>2012</b>	<b>2013</b>
<b>Operating Revenue</b>					
General Metered Sales	\$ 516,570	\$ 731,200	\$ 516,570	\$ 645,000	\$ 694,708
Private Fire				\$ 4,500	\$ 4,792
<b>Total Revenue</b>	<b>\$ 516,570</b>	<b>\$ 731,200</b>	<b>\$ 516,570</b>	<b>\$ 649,500</b>	<b>\$ 699,500</b>
<b>Operating Expenses</b>					
610 Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -
615 Purchased Power	\$ 54,228	\$ 54,228	\$ 54,228	\$ 54,228	\$ 54,228
618 Other Volume Related Expenses	\$ 5,609	\$ 5,609	\$ 5,609	\$ 5,609	\$ 5,609
630 Employee Labor	\$ 46,894	\$ 112,950	\$ 109,950	\$ 109,950	\$ 109,950
640 Materials	\$ 13,090	\$ 23,554	\$ 20,972	\$ 20,972	\$ 20,972
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660 Transportation Expenses	\$ 17,797	\$ 17,797	\$ 17,396	\$ 17,396	\$ 17,396
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674 Employee Benefits	\$ 46,224	\$ 57,780	\$ 57,780	\$ 57,780	\$ 57,780
676 Uncollectibles Expense	\$ 4,737	\$ 4,737	\$ 4,737	\$ 4,737	\$ 4,737
678 Office Services & Rentals	\$ 11,691	\$ 11,866	\$ 9,999	\$ 9,999	\$ 9,999
681 Office Supplies & Expenses	\$ 29,713	\$ 29,713	\$ 29,713	\$ 29,713	\$ 29,713
682 Professional Services	\$ 3,210	\$ 3,210	\$ 3,210	\$ 3,210	\$ 3,210
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688 Regulatory Commission Expense	\$ 6,900	\$ 4,851	\$ 4,297	\$ 4,297	\$ 4,297
689 General Expenses	\$ 6,785	\$ 6,785	\$ 6,785	\$ 6,785	\$ 6,785
<b>Subtotal</b>	<b>\$ 408,329</b>	<b>\$ 504,189</b>	<b>\$ 495,163</b>	<b>\$ 495,163</b>	<b>\$ 495,163</b>
Depreciation	\$ 28,809	\$ 29,541	\$ 27,214	\$ 27,214	\$ 27,214
Taxes other than Income	\$ 36,641	\$ 44,341	\$ 44,341	\$ 44,341	\$ 44,341
Income Taxes	\$ 13,105	\$ 35,397	\$ 800	\$ 47,026	\$ 39,945
<b>Total Deductions</b>	<b>\$ 486,884</b>	<b>\$ 613,468</b>	<b>\$ 567,518</b>	<b>\$ 613,744</b>	<b>\$ 606,663</b>
<b>Net Revenue</b>	<b>\$ 29,686</b>	<b>\$ 117,732</b>	<b>\$ (50,948)</b>	<b>\$ 35,756</b>	<b>\$ 92,837</b>
<b>Rate Base</b>					
Average Plant	\$ 1,182,313	\$ 1,194,313	\$ 1,182,313	\$ 1,182,313	\$ 1,182,313
Ave. Accumulated Depreciation	\$ 441,362	\$ 470,903	\$ 505,495	\$ 505,495	\$ 505,495
<b>Net Plant</b>	<b>\$ 740,951</b>	<b>\$ 723,410</b>	<b>\$ 676,818</b>	<b>\$ 676,818</b>	<b>\$ 676,818</b>
Less Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	\$ 66,187	\$ 64,670	\$ 64,670	\$ 64,670	\$ 64,670
Plus Working Cash	\$ 74,161	\$ 91,421	\$ 44,959	\$ 44,959	\$ 44,959
Materials & Supplies	\$ 4,554	\$ 4,554	\$ 4,554	\$ 4,554	\$ 4,554
<b>Rate Base:</b>	<b>\$ 753,479</b>	<b>\$ 754,715</b>	<b>\$ 661,661</b>	<b>\$ 661,661</b>	<b>\$ 661,661</b>
<b>Rate of Return</b>	3.94%	15.60%	-7.70%	5.40%	14.03%
<b>Rate of Margin</b>	7.30%	23.40%	-0.27%	23.01%	21.12%

(END OF APPENDIX A)

APPENDIX B

SCHEDULE NO. 1

**GENERAL METERED SERVICE**

Test Year 2012

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Lake Isabella and vicinity, Kern County.

RATES

	<u>Test Year 2012</u>	
Quantity Rates:	Per Meter	
	<u>Bi-Monthly</u>	
For all water delivered, per 100 cubic feet	\$ 1.29	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 41.87	(I)
For 3/4-inch meter	\$ 62.81	
For 1-inch meter	\$ 104.68	
For 1-1/2-inch meter	\$ 209.35	
For 2-inch meter	\$ 334.96	
For 3-inch meter	\$ 628.05	
For 4-inch meter	\$1,046.75	
For 6-inch meter	\$2,093.51	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the charge computed at the Quantity Rates.

SPECIAL CONDITIONS

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

APPENDIX B

SCHEDULE NO. 4

**PRIVATE FIRE PROTECTION SERVICE**  
Test Year 2012

**APPLICABILITY**

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

**TERRITORY**

The unincorporated community of Lake Isabella and vicinity, Kern County.

**RATES**

For all each diameter of service connection

**Every Two Months**

\$ 12.50

(I)

**SPECIAL CONDITIONS**

1. The fire protection service and connection shall be installed by the utility at the utility's discretions. Cost for the entire fire protection installation, excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The expense of maintaining the private fire protection facilities on the applicant's premises (including the vault, meter, and backflow devise) shall be paid for by the applicant.
3. All facilities paid for by the applicant shall be the sole property of the applicant. The utility and its duly appointed agents shall have the right to ingress to, and egress from the premises for all purposes relating to said facilities.
4. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
5. 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 main extension from the nearest existing main of adequate capacity shall be required by the utility.
6. 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. All facilities are to be installed according to the utility's specifications and maintained to the utility's satisfaction. The utility may require the installation of a backflow prevention device and a standard detector type meter approved by the Insurance Services Office for protection against theft, leakage, or waste of water.
7. No structure shall be built over the fire protection service and the customer shall maintain and safeguard the area occupied by the service from traffic and other hazardous conditions. The customer will be responsible for any damage to the fire protection service facilities.
8. Subject to the approval of the utility, any change in the location or construction of the fire protection service as may be required by public authority or the customers will be made by the utility following payment to the utility of the entire cost of such change
9. Any unauthorized use of water through the fire protection service will be charged for at the applicable tariff rates and may be grounds for the utility's discontinuing fire protection service without liability.

APPENDIX B

SCHEDULE NO. 1

**GENERAL METERED SERVICE**  
ESCALATION YEAR 2013

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Lake Isabella and vicinity, Kern County.

RATES

Escalation Year  
2013  
Per Meter  
Bi-Monthly

Quantity Rates:

For all water delivered, per 100 cu. ft. from 1 to 5 units      \$ 1.37      (I)

Service Charge:

For	5/8 -inch meter	\$ 45.57	(I)
For	3/4 -inch meter	\$ 68.35	
For	1-inch meter	\$ 113.92	
For	1-1/2-inch meter	\$ 227.84	
For	2-inch meter	\$ 364.55	
For	3-inch meter	\$ 683.53	
For	4-inch meter	\$1,139.22	
For	6-inch meter	\$2,278.45	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the charge computed at the Quantity Rates.

SPECIAL CONDITIONS

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

APPENDIX B

SCHEDULE NO. 4

**PRIVATE FIRE PROTECTION SERVICE**

Escalation Year 2013

**APPLICABILITY**

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

**TERRITORY**

The unincorporated community of Lake Isabella and vicinity, Kern County.

**RATES**

For all each diameter of service connection

**Every Two Months**

\$ 13.31

(I)

**SPECIAL CONDITIONS**

1. The fire protection service and connection shall be installed by the utility at the utility's discretions. Cost for the entire fire protection installation, excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The expense of maintaining the private fire protection facilities on the applicant's premises (including the vault, meter, and backflow devise) shall be paid for by the applicant.
3. All facilities paid for by the applicant shall be the sole property of the applicant. The utility and its duly appointed agents shall have the right to ingress to, and egress from the premises for all purposes relating to said facilities.
4. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
5. 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 main extension from the nearest existing main of adequate capacity shall be required by the utility.
6. 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. All facilities are to be installed according to the utility's specifications and maintained to the utility's satisfaction. The utility may require the installation of a backflow prevention device and a standard detector type meter approved by the Insurance Services Office for protection against theft, leakage, or waste of water.
7. No structure shall be built over the fire protection service and the customer shall maintain and safeguard the area occupied by the service from traffic and other hazardous conditions. The customer will be responsible for any damage to the fire protection service facilities.
8. Subject to the approval of the utility, any change in the location or construction of the fire protection service as may be required by public authority or the customers will be made by the utility following payment to the utility of the entire cost of such change
9. Any unauthorized use of water through the fire protection service will be charged for at the applicable tariff rates and may be grounds for the utility's discontinuing fire protection service without liability.

**(END OF APPENDIX B)**

APPENDIX C  
 Erskine Creek Water Company  
COMPARISON OF RATES

Test Year 2012

		Per Service Connection Bi-Monthly		
		Present	2012	Percent
		<u>Rates</u>	<u>Rates</u>	<u>Increase</u>
<b>Service Charge:</b>				
	For 5/8 x 3/4-inch meters	\$ 34.81	\$ 41.87	20.3%
	For 3/4-inch meters	\$ 52.22	\$ 62.81	20.3%
	For 1-inch meters	\$ 87.05	\$ 104.68	20.2%
	For 1-1/2-inch meters	\$ 174.10	\$ 209.35	20.2%
	For 2-inch meters	\$ 278.55	\$ 334.96	20.3%
	For 3-inch meters	\$ 522.29	\$ 628.05	20.2%
	For 4-inch meters	\$ 870.49	\$ 1,046.75	20.2%
	For 6-inch meters	\$ 1,740.98	\$ 2,093.51	20.2%
<b>Quantity Charge:</b>				
<b>Potable Water</b>	All use, per 100 cu. ft. . . .	\$ 0.914	\$ 1.290	41.1%
<b>Private Fire Protection</b>	Per inch, service connection	\$ 9.83	\$ 12.50	27.2%
A Bi-monthly bill comparison for a customer with a 5/8 x 3/4-inch meter is shown below:				
Usage	Present	2012	Amount	Percent
<u>100 cu. ft.</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
0	34.81	41.87	7.06	20.3%
5	39.38	48.32	8.94	22.7%
10	43.95	54.77	10.82	24.6%
15 (avg)	48.52	61.22	12.70	26.2%
20	55.83	71.54	15.71	28.1%
30	62.23	80.57	18.34	29.5%

APPENDIX C  
 Erskine Creek Water Company  
COMPARISON OF RATES

Escalation Year 2013

		Per Service Connection Bi-Monthly		
		2012	Escalation	Percent
		<u>Rates</u>	<u>Rates</u>	<u>Increase</u>
<b>Service Charge:</b>				
	For 5/8 x 3/4-inch meters	\$ 41.87	\$ 45.57	8.8%
	For 3/4-inch meters	\$ 62.81	\$ 68.35	8.8%
	For 1-inch meters	\$ 104.68	\$ 113.92	8.8%
	For 1-1/2-inch meters	\$ 209.35	\$ 227.84	8.8%
	For 2-inch meters	\$ 334.96	\$ 364.55	8.8%
	For 3-inch meters	\$ 628.05	\$ 683.53	8.8%
	For 4-inch meters	\$ 1,046.75	\$ 1,139.22	8.8%
	For 6-inch meters	\$ 2,093.51	\$ 2,278.45	8.8%
<b>Quantity Charge:</b>				
	<b>Potable Water</b> All use, per 100 cu. ft. . . .	\$ 1.290	\$ 1.370	6.2%
	<b>Private Fire Protection</b> Per inch, service connection	\$ 12.50	\$ 13.31	6.5%

A Bi-monthly bill comparison for a customer with a 5/8 x 3/4-inch meter is shown below:

Usage	2012	Escalation	Amount	Percent
<u>100 cu. ft.</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>
0	41.87	45.57	3.70	8.8%
5	48.32	52.42	4.10	8.5%
10	54.77	59.27	4.50	8.2%
15 (avg)	61.22	66.12	4.90	8.0%
20	67.67	72.97	5.30	7.8%
30	80.57	86.67	6.10	7.6%

(END OF APPENDIX C)

APPENDIX D  
 Erskine Creek Water Company  
ADOPTED QUANTITIES

TEST YEAR 2012 AND ESCALATION YEAR 2013

ADOPTED QUANTITIES

1. Purchased Power		
Total Cost	\$54,228	
2. Water Sales in Ccf	212,080	
3. Payroll		
Management Salaries	\$54,767	
4. Property Taxes	\$12,378	
5. Service Connections		
5/8 - inch by 3/4 inch	1071	
3/4 inch	13	
1 - inch	23.5	
1-1/2 - inch	30	
2 - inch	13	
3 - inch	0	
4 - inch	1	
<u>6 - inch</u>	<u>1</u>	
Total	1152.5	
6. Tax Calculation	Test Year	Escalation Year
	<u>2012</u>	<u>2013</u>
Taxable Income for State Tax	\$82,782	\$132,782
State Tax	\$ 7,318	\$ 11,738
Taxable Income for Federal Tax	\$75,464	\$121,044
Federal Tax	\$10,431	\$ 28,207
Total Income Tax	\$17,749	\$ 39,945

(END OF APPENDIX D)