

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



August 25, 2010

Draft Resolution W-4842  
Agenda ID #9736

TO: All Interested Parties

Enclosed is draft Resolution W-4842 of the Division of Water and Audits. It will be on the Commission's September 23, 2010 agenda. The Commission may act then act on this resolution or it may postpone action until later.

When the Commission acts on a draft resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different resolution. Only when the Commission acts does the resolution become binding on the parties.

Parties to this matter may submit comments on this draft resolution. An original and two copies of the comments, with a certificate of service, should be submitted to:

Division of Water and Audits, Third Floor  
Attention: Terence Shia  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Parties may submit comments on or before September 14, 2010. The date of submission is the date the comments are received by the Division of Water and Audits. Parties must 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.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft resolution, a table of authorities and appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on the factual, legal, or technical errors in the draft resolution, and shall make specific reference to the record or applicable law. Comments which fail to do so will be accorded no weight and are not to be submitted.

Persons interested in comments of parties may write to Terence Shia, email him at [ts2@cpuc.ca.gov](mailto:ts2@cpuc.ca.gov), or telephone him at (415) 703-2213.

/s/RAMI S. KAHLON  
Rami S. Kahlon, Director  
Division of Water and Audits

Enclosures: Draft Resolution W-4842  
Certificate of Service  
Service List

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION W-4842  
September 23, 2010

**R E S O L U T I O N**

**(RES. W-4842), FRUITRIDGE VISTA WATER COMPANY (FVWC).  
ORDER AUTHORIZING A GENERAL RATE INCREASE,  
PRODUCING AN INCREASE OF \$441,243 OR 22.76% IN TEST YEAR  
2010, AMORTIZATION OF THE PURCHASED POWER BALANCING  
ACCOUNT, AND RECOVERY OF ONE-TIME CHARGE OF \$1.92 FOR  
AMORTIZATION OF CALIFORNIA DEPARTMENT OF PUBLIC  
HEALTH USER FEES.**

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**SUMMARY**

By Advice Letter (AL) No. 91 filed on April 26, 2010, Fruitridge Vista Water Company (FVWC) requests a general rate increase of approximately 43% resulting in an increase in revenues of \$840,836 in 2010. FVWC also requests amortization of its Purchased Power Balancing Account net balance of \$76,490 as of August 31, 2009. Finally, by AL No. 92 filed on January 20, 2010, FVWC requests amortization through a one-time surcharge of \$1.92 per customer to recover the \$8,878 balance in its User Fee Balancing Account for California Department of Public Health (DPH) User Fees not included in rates.

This resolution grants an increase of \$441,243 or 22.76 % for total test year revenue of \$2,379,576 with a resulting rate of return of 8.86%. FVWC is authorized to include a surcharge to amortize the \$76,490 in its purchased power balancing account over 12 months. Finally, FVWC is authorized to include a one-time surcharge of \$1.92 to each customer's bill to amortize the \$8,878 in its User Fee Balancing Account.

**BACKGROUND**

On July 29, 2009, FVWC filed a draft advice letter requesting a general rate increase. The staff of the Division of Water and Audits (DWA) Water and Sewer Advisory Branch (Staff or Branch) reviewed FVWC's filing and accepted it on August 6, 2009. FVWC requested authority, under Section VI of General Order (G.O.) 96-B and Section 454 of the Public Utilities (PU) Code, to increase rates by \$840,836 or 43.38% in 2010. The general rate increase was filed in order to recover increased operating expenses and return on rate base since the last general rate case (GRC) in 2000. The request shows

present rate gross revenues of \$1,938,333, increasing to \$2,779,169 at proposed rates. FVWC filed AL No. 91 on April 26, 2010, formally requesting an increase in its general rates. AL No. 91 was served pursuant to G.O. 96-B. All customers were mailed a notice of the proposed rate increase on September 14, 2009.

FVWC, a privately-owned class B water company, serves approximately 700 metered and 3,800 flat rate customers located in the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and in all immediately adjoining territory in Sacramento County, including all territory contiguous to the southerly limits of the City of Sacramento.

FVWC's current rates became effective on July 14, 2009, by AL No. 90 which requested an increase of \$13,538 or 1.0%. Prior to that, FVWC was authorized an increase of 4.1% for the Consumer Price Index -Urban (CPI-U) increase in 2007.

Staff of the Utility Audit, Finance and Compliance Branch (UAFCB) conducted an audit of the FVWC's books and records in connection with this general rate case to verify data provided by FVWC in support of its rate increase. The UAFCB issued a final audit report on April 21, 2010. The DWA issued a Staff report on FVWC's general rate increase request on May 7, 2010. The Staff report incorporated the audited figures for the years 2006 through 2008 to derive the Staff's estimates of expenses and rate base. The Staff report recommends that FVWC be granted an increase of \$159,296 or 8.22% for Test Year 2010.

FVWC filed a response to the Staff report on May 26, 2010, noting areas where there are miscalculations in the Staff report and disputing several areas where it does not agree with the Staff's findings.

FVWC has been owned and operated by the Cook Family for approximately 50 years. FVWC was operated by the D. J. Nelson (aka Jane Cook) Trust dba Fruitridge Vista Water Company since the purchase of the company in 1986. Decision (D.) 07-12-031 authorizes the transfer of assets and operations to Cook Endeavors, Inc., a corporation owned and controlled by beneficiary of the D. J. Nelson Trust. FVWC is a privately owned Class B water company serving approximately 15,000 people in four square miles of unincorporated area of Sacramento. FVWC's supply of water for customers is met through 17 wells, five of which are inactive, and one recently completed connection with the City of Sacramento water system providing water supply at peak-hour demand. FVWC has no storage capability on its system. FVWC's distribution system consists of 300,747 feet of mains ranging from 1-1/2-inch to 14-inch.

## **NOTICE AND PROTEST**

Customer notices of the proposed rate increase were mailed to each customer on September 14, 2009. Seven protest letters were received by Staff, complaining about the rate increase, quality of water and low water pressure.

On October 7, 2009, Staff held an informal public meeting at the Serna Center in Sacramento. The meeting was called to order at 6:30 PM. Project Manager Mohsen Kazemzadeh joined FVWC's General Manager Robert Cook, Jr., Operation Manager Steven Cook, and FVWC's Certified Public Accountant Chris Aldinger. Eight people attended the meeting. The comments from the public were varied. Some complained about the rate increase and hardship that it will create for older, retired, and unemployed customers. Some complained about high rate of return requested by the company. Others complained about high iron and manganese in the water. Still others questioned why FVWC did not file for a GRC several years earlier to avoid a rate shock. The meeting was adjourned at 8:30 PM. In setting rates in this resolution, we have balanced the financial requirements of FVWC with the rate concerns of its customers.

## **DISCUSSION**

Staff performed an independent analysis of FVWC's summary of earnings. FVWC's and Staff's estimates for operating revenues, operating expenses, and rate base at both present and proposed rates for the Test Year 2010 can be found in Appendix A.

The UAFCB conducted an audit of FVWC's records. The audit focused on an examination on FVWC's 2006-2008 operating expenses and plant in service at December 31, 2008. Staff used the audited figures as the basis for some estimates of the Test Year 2010.

Staff and FVWC resolved many of their differences in test year operating expenses. We will address those expense and rate base items that remain unresolved.

### *Employee Labor*

Employee labor includes the wages of all employees (other than the General Manager, office workers, and owners) whose time is utilized in the operation, repair and maintenance of the water system. Staff's estimate of employee labor expense is \$274,595, while FVWC's corresponding estimate is \$311,943. The difference is due to use of alternative base year expenses and escalation factors. Staff used a 2006-2008 average, adjusted to 2008 dollars, and escalated to 2010 dollars. Staff used a 3-year average method, rather than 2008 payroll expenses because the 2008 recorded labor payroll of \$300,095 is about 20% higher than the recorded adjusted expense of \$245,201 for 2006 and \$251,517 for 2007. FVWC used the recorded 2008 expense, including 15%

overtime and 3.6% inflation factor to derive its estimate. In its response to the Staff report, FVWC states that the current staffing, rates of present pay, and allowance for overtime result in total employee labor of \$292,838. We will adopt this figure as a reasonable compromise between Staff and FVWC that accommodates current staffing and overtime allowance.

#### *Management Salaries*

FVWC's reported management personnel are Robert C. Cook, Jr., the General Manager, and Robert C. Cook Sr., the Financial Manger. FVWC's estimate of management salaries is \$238,012, while Staff's corresponding estimate is \$144,214. The difference is due to: (1) Staff's exclusion of Robert Cook, Sr.'s compensation and (2) different escalation factors used to derive the respective estimates. The audit report found that the compensation paid to Robert Cook Sr. is not related to FVWC's operations and expenses claimed by FVWC, and is unnecessary, and inappropriate. In response to the Staff report, FVWC provided information to show that Robert Cook, Sr., who is an attorney by training, assists FVWC in reviewing and negotiating various financing and construction contracts, among others a recently completed loan from the State Revolving Fund administered by the California DPH. Given this evidence, we find that FVWC has provided adequate justification for retaining Robert Cook, Sr. as a financial manager to work on and review various types of financing and contracts. As we discuss further below, we also find that by retaining Robert Cook Sr. in this capacity FVWC reduces its need to hire other consultants to perform some legal services, and we have considered this fact in determining our estimate for other professional services addressed below. We will adopt a management salary of \$238,012 that includes compensation for the general manager, and for Robert Cook, Sr. as a financial manager.

FVWC reports compensation for Robert Cook, Sr.'s services to the Internal Revenue Service on Form 1099, which is typically provided for consultants, and not a W-2, which is provided for employees. Because Robert Cook Sr. does not receive a W-2, he is not considered an employee of the company from a regulatory perspective, and thus is not eligible to receive employee pension and benefits. (We have taken this into consideration and reduced cost estimates for FVWC expenses for employee pension and benefits. See the discussion further below.) Also, FVWC has chosen to compensate Robert Cook, Sr. on a fix-salary basis, and not by the hour, which is the manner by which consultants are generally compensated. We believe that by compensating Robert Cook, Sr. in this manner, FVWC achieves additional cost savings for its customers.

#### *Office Salaries*

FVWC's estimate of office salaries for Test Year 2010 is \$159,376, while Staff's corresponding estimate is \$97,180. FVWC used 2008 office salaries and escalated by

FVWC/ALS 91 and 92/RSK/JB5/TS2/jlj

3.6% inflation factor to estimate the office salary expense. Staff excluded salaries of Erin Cook, Jane Cook, and Kristen Cook from the 2008 office salaries and escalated to 2010

dollars to derive its estimate. Staff believes that the salary expenses incurred by these individuals are unrelated to operations of the water company as well as being unnecessary and inappropriate.

We have examined the office salaries of similar sized utilities under our jurisdiction, adjusted for metered and non-metered customers, and have determined that \$147,495 is a reasonable office salary expense for FVWC.

#### *Employee Pension and Benefits*

FVWC's reported employee pension and benefits include group insurance, employee pension, medical insurance benefits, dental insurance benefits, educational benefits and vision insurance benefits. FVWC's estimate of employee pension and benefits is \$213,955, while staff's corresponding estimate is \$127,104. The difference is due to: (1) Staff's exclusion of pension and benefit costs associated with Robert Cook, Sr., Erin Cook, Kristen Cook, and Jane Cook totaling \$41,758 for 2008; (2) Staff exclusion of costs associated with entertainment expenses such as meals, Christmas parties; BBQ, and season tickets to professional sports teams totaling \$7,379 for 2008; and (3) different escalation factors used to derive the respective estimates. FVWC's response to Staff's report shows current costs of benefits for full-time employees of \$144,559. This figure appropriately excludes pension and benefits for part-time employee and consultants. We will adopt \$144,559 as a reasonable figure for employee pension and benefits.

#### *Professional Services*

FVWC's estimate of Professional Services is \$53,000, which includes expenses for accounting and PUC annual report, tax return preparation, accounting assistance, tax return-legal, public relations, and legal fees. Staff's estimate of professional services expense is \$35,054. The difference between FVWC's and Staff's estimate is due to: (1) Staff's exclusions of expenses not related to FVWC's operations in 2007 and 2008 based on audit findings, and (2) different methodology used to estimate the professional services expense. Based on the audit findings, Staff excluded the following expenses for the rate-making purposes:

#### **2007**

- Adjust, for rate-making purposes, \$2,304 in accounting fees to exclude one-time accounting fees \$1,429 and \$875 related to MTBE contamination.
- Exclude \$10,000 in lobbying costs and \$700 for public relations as image building is unrelated to provide water service.
- Exclude \$13,818 associated with incorporation matter.
- Exclude for rate-making purposes, \$1,302, related to MTBE contamination.

- Exclude for rate-making purposes, \$1,081 in legal fees for non-recurring expenditures.

## 2008

- Exclude for rate-making purposes, \$5,429, related to MTBE contamination.
- Exclude \$10,939 fee related to loan financing.
- Amortize \$8,096 over 3 years for accounting fees incurred for preparation of Advice Letter 85 as it benefits more than one year. Allow \$2,699 for this year.
- Exclude \$21,439, for services related to MTBE contamination.
- Exclude \$17,787, for lack of details. Only entry in accounting records state: "Per RCC, Jr., do not pay."
- Exclude \$850 for public relations as image building is unrelated to provide water service.

Staff used a 2-year (2006-2007) average of audited expenses, adjusted to 2008 dollars, and then adjusted to compensation per hour inflation to estimate 2010 professional services. FVWC separately estimated each category of professional services.

Given our authorization to FVWC for a financial manager who handles much of the legal work, we believe outside legal services will be somewhat reduced. As such, Staff's estimate of \$35,054 is a reasonable expense level for outside professional services.

### *Regulatory Commission Expense*

FVWC's estimate of the regulatory Commission expense is \$13,000, while Staff's corresponding estimate is \$4,786. The difference in the FVWC's and Staff's estimate is due to different methods used to estimate the expense. FVWC separately estimated the costs of preparing: (1) the rate case by amortizing \$27,000 over 3 years; (2) balancing account calculation; (3) CPI filing; and (4) other filings. Staff used these same figures, but argues that the rate case costs should be amortized over a 9-year period. In response to the Staff report, FVWC argues the 9-year amortization used by Staff is not reasonable. Based on the actual regulatory costs through January 2010, FVWC requests in its response to the Staff report an amortization of \$51,654 over three years for a test year expense level of \$17,218.

We have recalculated regulatory commission expense based on a 3-year rate case cycle. We have taken a reasonable expense of preparing a rate case of \$27,000 and the recorded 2008 non-general rate case regulatory expense escalated to 2010 and have determined that \$14,358 is reasonable for regulatory expenses. This is based on FVWC filing for a 2013 test year general rate case no later than January 2013.

### *Taxes Other Than Income Taxes*

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Taxes other than income taxes include payroll taxes and property taxes. FVWC's estimate of taxes other than income is \$78,569, while Staff's corresponding estimate is \$50,299. Staff accepted FVWC's estimate of \$23,171 for property taxes. Therefore, the

only difference between FVWC and Staff is due to different estimates of payroll taxes due to Staff's exclusion of salaries for several employees. Based on our adopted labor expenses discussed above, we have estimated payroll taxes at \$51,892. Thus, we will adopt estimated payroll taxes of \$51,892. Based on this estimated payroll tax figure, we find \$75,063 as a reasonable amount for taxes other than income taxes.

#### *Income Taxes*

FVWC's estimate of income taxes is \$304,052, while Staff's corresponding estimate is \$113,900. The difference between FVWC's and Staff's estimate is due to differences in estimates of operating revenues, operating expenses, interests, and depreciation. We have recalculated income taxes based on our adopted operating revenues, operating expenses, interests, and depreciation. We have estimated income taxes at \$202,456.

#### *Average Plant-in-Service*

FVWC's estimate of average plant in service is \$18,504,907, while Staff's estimate is \$17,924,140. The difference is due to an adjustment of \$27,736 for pumping repairs and well costs made by audit findings and exclusion of \$1,173,891 for planned construction of Well No. 18 for 2009 that has not yet been constructed. FVWC should be authorized to file a rate base offset Tier 2 advice letter, capped at the \$1,173,891, when the well is operational and used and useful. FVWC and Staff do not contest the cost estimate for Well No. 18.

#### *Working Cash*

FVWC's estimate of Working Cash is \$151,298, while Staff's corresponding estimate is (\$45,770). The difference is due to different methodologies used to estimate the working cash requirements. FVWC bills metered customers bi-monthly in arrears and flat rate customers every two months in advance. Staff used the methodology based on percentage of operating expenses allocated to metered and unmetered customers and lead lags required for FVWC's monthly operations. FVWC used the simplified approach for calculating working cash outlined in Standard Practice U-16-W whereby it took its estimated operating expenses divided by 12.

We find both Staff's and FVWC's methodologies are inadequate for estimating working cash. As such, we have update the lead/lag study FVWC submitted in its last rate case based on expenses and revenue allocations adopted in this resolution. Based on this analysis we calculate a working cash requirement of \$5,102.

*Rate of Return*

Staff recommends return on equity (ROE) of 11.30% by averaging the Class A authorized ROE (10.10%) in the past several years and the recommended average of range of Class C ROE (12.50%) by the UAFCB. Staff then derived its estimate of rate of return on rate base of 8.56% by calculating a weighted cost of capital consisting of long term debt (\$1, 881,000, or 41.50%) and FVWC's common on equity (\$2,651,454, or 58.50%). Table 1 show Staff's methodology and calculation used in deriving the estimate of the ROR.

FVWC requested an 11.04% rate of return. FVWC indicates that it deserves the highest possible rate of return. FVWC did not prepare a formal cost of money study to support the requested rate of return.

**Table 1**  
**Fruitridge Vista Water Company**  
**Weighted Cost of Capital**

<b>Description</b>	<b>Capital Structure</b>	<b>Cost Factor</b>	<b>Weighted Cost</b>
Long-Term Debt	41.5%	4.69%	1.95%
Common Equity	58.5%	11.30%	6.61%
<b>Total</b>	<b>100.0%</b>		<b>8.56%</b>

We will adopt 8.56% as an authorized rate of return based on Staff's determination of the capital structure and the cost of debt and equity. The 11.3% ROE is the same as recently authorized for other Class B utilities and consistent with the average returns on equity between what we have authorized for Class A utilities and those set by the UAFCB for Class C utilities. The authorized rate of return of 8.56% is adjusted upward to 8.86% to account for the 10% rate of return floor we established for reinvested funds from recovery of pollution litigation awards of \$831,624 authorized in D.06-04-073 and made effective in Res. W-4696 approving a rate base offset.

FVWC contends that D.06-04-073 set an 11% rate of return floor for the \$1.98 million of buy-in fee paid to the City of Sacramento. We did not approve a comparable rate of return floor in D.06-04-073 for the \$1.98 million. The buy-in fee was afforded rate base treatment in D.06-04-073 at the authorized rate of return, which at the time was 11%. The \$1.98 million buy-in fee component of rate base should be calculated based on the current authorized rate of return.

*Rate Design*

FVWC's current rate structure consists of several schedules: 1, Metered Service; 2, Flat-Rate Service; 4, Private Fire Protection; and 9, Metered Construction Service. The percentages of revenues generated by flat-rate, including private fire protection, and metered service, including metered construction services, at present rates are 54.59% and 44.81 %, respectively. In order to implement Commission conservation policy set forth in the 2005 Water Action Plan, we encourage water conservation through changing from flat rate to metered rate. Staff recommends that the percentage allocation of revenue requirement from flat-rate and private fire protection customers be increased to reflect the estimated percentage allocation based on sales for flat-rate and metered customers. Therefore, Staff's recommended revenue requirement allocations of 60.26% for flat-rate customers and 39.74% for metered customers. We will adopt Staff's revenue allocation percentages.

Based on above rate design criteria, Staff calculated the following allocations:

Flat Rate Revenue	\$1,420,250
Metered Revenue	\$ 945,048
Private Fire Protection	\$ 13,725
Metered Construction Service	<u>\$ 554</u>
Total	\$2,379,576

The current rate design policy for Class B water companies specifies that 50% of fixed charges are to be recovered through service charges for metered customers. Fixed costs include all operating expenses not related to the production of water. Thus fixed costs are all water system's operating expenses less: (1) purchased water, (2) purchased power, (3) uncollectible expenses, (4) other volume related expenses, and (5) income and franchise taxes. By using this ratio of variable costs to fixed costs, Staff calculated the following allocation for metered customers for Test Year 2010:

Fixed Costs	\$770,864
Service Charge Revenue:	\$385,432
Quantity Charge Revenue:	\$559,616
Total metered Revenue for Test Year 2010	\$945,048

The new rate schedules consistent with these allocations are shown in Appendix B.

The Staff's proposed rate design for metered customers applies the "service charge allocation by meter size" ratios established in Branch's Rate Design Policy Memorandum dated January 18, 1991.

At Staff's recommended rates shown in Appendix B, the monthly rates for residential connections using flat rate service will increase from \$22.52 to \$30.15 or 33.89% increase and the monthly bill for a one-inch metered customer using 20 Ccf per month (one Ccf

equals 100 cubic feet) will decrease from \$38.64 to \$37.17 or -3.8%. We will adopt Staff's recommended rates shown in Appendix B.

Adopted quantities for test year 2010 used to derive these rates are shown in Appendix C.

#### *Purchased Power Balancing Account*

FVWC has an under collection balance of \$81,417 as of August 31, 2009, in its Purchased Power Balancing Account. FVWC has an over-collection balance of \$4,927 as of August 31, 2009, in its tariff balance account from the 2004 amortization of the Purchase Power Balancing Account authorized in Res. W-4447 dated January 8, 2004. The result is a net under collection of \$76,490 that FVWC is requesting to be recovered through a surcharge. Staff has reviewed the work papers provided by FVWC and finds that the calculations performed to derive the purchased power balance is in compliance with the requirements for maintaining balancing accounts. Therefore, FVWC should be authorized to recover the \$76,490 and charge the metered customers \$0.0447 per Ccf over 12 months and flat-rate customers \$1.01 per month for 12 months.

#### *User Fee Balancing Account*

FVWC filed Advice Letter 92 on January 20, 2010, requesting amortization of \$8,878.24 in expenses from California DPH User Fees not presently included in rates. These fees are for the period July 1, 2008 through June 30, 2009, as shown in invoices dated March 2, 2009 and September 30, 2009. Pursuant to Commission Res.W-4698, dated July 31, 2008, Class B, C and D water utilities are authorized to establish a User Fee Balancing Account. FVWC proposes to amortize the balance in the User Fee Balancing Account through a one-time surcharge of \$1.92 per customer applied to all metered and unmetered customers. FVWC should be authorized to impose a one-time surcharge per customer of \$1.92 to amortize the fees charged by the California Department of Public Health which we have found to be always recoverable in Resolution W-4698.

#### *Other Operational Issues*

Staff found some of the distribution system piping does not meet the 4-inch diameter required by California Water Works Standards. According to a report prepared in 2007 by Boyle Engineering, FVWC's consulting engineer, there are 5,253 feet of 2-inch pipe in the FVWC's distribution system. Boyle Engineering recommended that the smallest pipes in the system be replaced with 6-inch pipe so as to allow adequate fire flows in the lines. In response to Staff's data request, FVWC indicates that it has replaced 60 feet of 2- and 4-inch pipes in 2008. In response to the Staff report, FVWC indicates that the 2-inch pipes in its system are generally long service lines that are not looped and would not be considered mains. As part of its next general rate case filing to be filed no later than January 2013, FVWC shall provide a plan for upgrading those 2-inch pipes that are functionally operated as mains.

In a data request dated October 1, 2009, Staff requested FVWC to provide information regarding the fire hydrants throughout the FVWC's system whose test flows do not meet the fire flow requirements. FVWC responded that it is not applicable as FVWC "is unaware of hydrants that do not meet minimum state fire flow requirements." FVWC later indicated that it has not been testing the fire hydrants for the past several years because each test is expensive and costs \$500. In response to the Staff report, FVWC indicates that it is required by the California DPH to continuously record pressures at four separate remote areas of the distribution system. FVWC stated that the pressure recorders that monitor system pressures have always shown that it has met minimum fire flow requirements. G.O. 103 does not specifically require water utilities to test the fire hydrant to determine whether the applicable fire requirements are met. In its next general rate case filing to be filed no later than January 2013, FVWC should provide the data from its pressure recorders to show that it is meeting minimum fire flow requirements.

### **COMPLIANCE AND OTHER ISSUES**

FVWC has been filing annual reports as required. However, FVWC's needs to update the following tariff schedules in its tariff book consistent with the Division of Water and Audits' tariff rules template: Rules Nos. 5, Special Information Required on Forms; 9, Rendering and Payment of Bills; 10, Disputed Bills; and 11, Discontinuance and Restoration of Service.

### **COMMENTS**

Public Utilities Code Section 311(g)(1) generally requires that resolutions must be served on all parties and be subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, the draft resolution was mailed to all parties for comment on August 25, 2010.

### **FINDINGS AND CONCLUSIONS**

1. Fruitridge Vista Water Company filed Advice Letter No. 91 on April 26, 2010, requesting a general rate increase of approximately 43% resulting in an increase in revenues of \$840,836 in 2010.
2. Fruitridge Vista Water Company filed Advice Letter No. 92 on January 20, 2010, requesting amortization through a one-time surcharge to recover the \$8,878 balance in the User Fee Balancing Account for California Department of Public Health User Fees not included in rates.

3. Staff of the Audit, Finance and Compliance Branch conducted an audit of Fruitridge Vista Water Company's books and records in connection with the general rate case. The Audit, Finance and Compliance Branch issued a final audit report on April 21, 2010.
4. The Division of Water and Audits filed a Staff report on May 7, 2010, based on the final audit report of the Audit, Finance and Compliance Branch. The Division of Water and Audits recommends that Fruitridge Vista Water Company be granted an increase of \$159,296 or 8.22% for Test Year 2010.
5. Fruitridge Vista Water Company filed a response to the Staff report of the Division of Water and Audits on May 26, 2010.
6. Fruitridge Vista Water Company and the Staff of the Division of Water and Audits came to different estimates for employee labor. A compromise that is based on current staff level and pay provided in Fruitridge Vista Water Company's response to the Division of Water and Audits' Staff Report is a reasonable estimate for this expense item.
7. Employee labor expense for Test Year 2010 should be \$292,838.
8. Fruitridge Vista Water Company has provided adequate justification for retaining Robert Cook Sr. as a consultant to the company. Robert Cook Sr. provides assistance in reviewing and negotiating various types of financing and contracts.
9. A management salary of \$238,012, which includes compensation for the general manager and for Robert Cook, Sr. as a financial manager, is a reasonable expense and should be adopted.
10. Fruitridge Vista Water Company and the Staff of the Division of Water and Audits came to different estimates for office salaries. Fruitridge Vista Water Company estimate of office salaries for Test Year 2010 is \$159,376. The Staff of the Division of Water and Audits' estimate is \$97,180.
11. A reasonable level of office salaries based on similar-sized utilities, adjusted for metered and non-metered customers, for Fruitridge Vista Water Company is \$147,495 and should be adopted.
12. Employee pensions and benefits based on full-time employees shown in Fruitridge Vista Water Company's response to the Staff report of the Division of Water and Audits is a reasonable expense for ratepayers.
13. Employee pension and benefits of \$144,559 should be adopted.

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14. Retaining the services of a financial manager reduces the need for outside professional services.
15. The Division of Water and Audits' use of average audited expenses adjusted to compensation per hour inflation is a reasonable estimate for 2010 professional services.
16. An expense for professional services of \$35,054 should be adopted.
17. Fruitridge Vista Water Company's estimated regulatory commission expense in its response to the Staff report of the Division of Water and Audits is \$51,654 over three years.
18. The Division of Water and Audits recommended \$27,000 in general rate case expenses amortized over 9 years plus audited 2008 non-general rate case expenses escalated to 2010 for a Test Year 2010 regulatory expense of \$8,358.
19. Fruitridge Vista Water Company should file its next general rate case for a 2013 Test Year no later than January 2013.
20. A three-year amortization of regulatory expenses estimated by the Division of Water and Audits is reasonable.
21. A regulatory commission expense of \$14,358 should be adopted.
22. Fruitridge Vista Water Company's and the Division of Water and Audits' estimates of payroll taxes vary based on differences in Test Year 2010 salaries.
23. Payroll taxes based on adopted salaries is reasonable.
24. Estimated payroll taxes of \$51,892 should be adopted.
25. State and Federal income taxes based on adopted quantities in Appendix C are reasonable and should be adopted.
26. The plant-in-service differences between Fruitridge Vista Water Company and the Division of Water and Audits are due to an adjustment for pumping repairs and well costs, and uncompleted well construction costs for Well No. 18.
27. Fruitridge Vista Water Company should be authorized to file for a Tier 2 advice letter for a rate base offset for construction of Well No. 18 when this work is completed and Well No. 18 is used and useful. The rate base offset is capped at an uncontested cost estimate of \$1,173,891.
28. Fruitridge Vista Water Company estimated working cash using the simplified approach outlined in Standard Practice U-16-W whereby estimated operating expenses are divided by 12 to come to a working cash estimate of \$159,298.
29. To calculate operating working cash of -\$45,768, the Division of Water and Audits used a method based on percentage of operating expenses allocated to metered and unmetered customers.

FVWC/ALS 91 and 92/RSK/JB5/TS2/jlj

30. Both working cash methodologies are inadequate. An updated lead/lag study submitted by Fruitridge Vista Water Company in its last rate case, updated for expenses and revenue allocations adopted in this resolution, provides a better estimate of working cash needs.
31. A working cash estimate of \$5,102 should be adopted.
32. A return on equity of 11.3% is the same as what has recently been given to other Class B water utilities.
33. Fruitridge Vista Water Company's cost of long-term debt is 4.69%.
34. Fruitridge Vista Water Company's capital structure is 41.5% long-term debt and 58.5% equity.
35. The weighted average cost of capital for Fruitridge Vista Water Company is 8.56%.
36. A 10% rate of return floor for reinvested funds from recovery of pollution litigation awards of \$831,624 authorized in Decision 06-04-073 and made effective in Resolution W-4696 should be used to adopt an adjustment to the weighted average cost of capital.
37. An authorized rate of return of 8.86% is reasonable and should be adopted.
38. Decision 06-04-073 does not adopt a rate of return floor for the \$1.98 million of buy-in fee paid to the City of Sacramento. The buy-in fee was afforded rate base treatment in Decision 06-04-073 at the authorized rate of return, which at the time was 11%.
39. A revenue requirement allocation of 60.29% for flat-rate customers and 39.71% for metered customers is consistent with water conservation policy set forth in the 2005 Water Action Plan and should be adopted.
40. The Division of Water and Audits' rate design is in accord with current rate design policy for Class B water utilities.
41. The rates shown in Appendix B are reasonable and should be adopted.
42. The Division of Water and Audits analyzed historical power consumption, water delivered, and number of service connections in determining adopted quantities shown in Appendix C.
43. The quantities shown in Appendix C to develop recommended rates are reasonable and should be adopted.
44. The summary of earnings shown in Appendix A is reasonable and should be adopted.
45. The Purchased Power Balancing Account is under collected by \$81,417 as of August 31, 2009.

FVWC/ALS 91 and 92/RSK/JB5/TS2/jlj

46. Fruitridge Vista Water Company has an over collection of \$4,927 from its 2004 amortization of the Purchase Power Balancing Account authorized in Resolution W-4447 dated January 8, 2004.
47. The net under collection in the Purchase Power Balancing Account is \$76,490.
  
48. The Division of Water and Audits had reviewed the work papers associated with the Purchase Power Balancing Account and finds the calculations to derive the purchase power balance reasonable.
49. Fruitridge Vista Water Company should be authorized to recover \$76,490 and charge metered customers \$0.0447 per Ccf over 12 months and flat-rate customers \$1.01 per month for 12 months.
50. Fruitridge Vista Water Company's request to amortize \$8,878 in California Department of Public Health User Fees not presently included in rates is reasonable and consistent with the policy outlined in Resolution W-4698 dated July 31, 2008.
51. Fruitridge Vista Water Company should be authorized to impose a one-time surcharge per customer of \$1.92 to amortize the \$8,878 balance in its User Fee Balancing Account.
52. Fruitridge Vista Water Company should provide a plan, to be filed in its next general rate case and no later than January 2013, for upgrading those 2-inch pipes that functionally operate as mains.
53. As part of its next general rate filing to be filed no later than January 2013, Fruitridge Vista Water Company should provide data from its pressure recorders to show that it is meeting minimum fire flow requirements.
54. Fruitridge Vista Water Company needs to update the following tariff schedules in its tariff book consistent with the Division of Water and Audits' tariff rules template when supplementing Advice Letter No. 91: Rules Nos. 5, Special Information Required on Forms; 9, Rendering and Payment of Bills; 10, Disputed Bills, and 11, Discontinuance and Restoration of Service.

**THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 to Fruitridge Vista Water Company to file a Tier 1 advice letter supplementing Advice Letter No. 91 by incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective Schedules 1, Metered Service; 2, Flat-rate Service; 4, Fire

FVWC/ALS 91 and 92/RSK/JB5/TS2/jlj

Protection Service, and 9, Metered Construction Service. The effective date of the revised rate schedules shall be five days after the date the supplement to Advice Letter No. 91 is filed.

2. The request in Advice Letter No. 92 is granted. Fruitridge Vista Water Company is authorized to recover, through a one-time surcharge per customer of \$1.92, the \$8,878 balance in the User Fee Balancing Account for California Department of Public Health Fees for the period July 1, 2008 through June 30, 2009.
  
3. Fruitridge Vista Water Company is authorized to recover the net balance, as of August 31, 2009, of \$76,490 in its Purchased Power Balancing Account and charge metered customers \$0.0447 per hundred cubic feet over 12 months and flat-rate customers \$1.01 per month over 12 months.
4. Fruitridge Vista Water Company is authorized to file, when the work is completed and the facilities are used and useful, a Tier 2 advice letter for a rate base offset to recover well costs for construction of Well No. 18. These cost estimates are capped at \$1,173,891.
5. Fruitridge Vista Water Company shall, as part of its supplement to Advice Letter No. 91, an update the following tariff rules in its tariff book consistent with the Division of Water and Audits' tariff rules template: Rules Nos. 5, Special Information Required on Forms; 9, Rendering and Payment of Bills; 10, Disputed Bills; and 11, Discontinuance and Restoration of Service.
6. Fruitridge Vista Water Company shall file its next general rate case for Test Year 2013 no later than January 2013.
7. Fruitridge Vista Water Company shall include a plan for upgrading those 2-inch pipes that functionally operate as mains in its next general rate case, which is to be filed no later than January 2013.
8. As part of its next general rate filing, Fruitridge Vista Water Company shall provide data from its pressure recorders to show that it is meeting minimum fire flow requirements.
9. 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 23, 2010; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director

## Appendix A

Fruitridge Vista Water Company  
Summary of Earnings Test Year 2010

<u>Item</u>	<u>Utility Estimated</u>		<u>Branch Estimated</u>		<u>Recommended Rates</u>
	<u>Present Rates</u>	<u>Requested Rates</u>	<u>Present Rates</u>	<u>Requested Rates</u>	
<b><u>Operating Revenue</u></b>					
Flat Rates	\$ 1,058,360	\$ 1,517,477	\$ 1,058,360	\$ 1,517,477	\$ 1,420,250
Metered Rates	\$ 868,770	\$ 1,245,629	\$ 868,770	\$ 1,245,629	\$ 945,048
Private Fire Protection	\$ 11,203	\$ 16,063	\$ 11,203	\$ 16,063	\$ 13,725
Other Water revenues	\$ -	\$ -	\$ -	\$ -	\$ 554
<b>Total</b>	<b>\$ 1,938,333</b>	<b>\$ 2,779,169</b>	<b>\$ 1,938,333</b>	<b>\$ 2,779,169</b>	<b>\$ 2,379,576</b>
<b><u>Operating Expenses</u></b>					
Purchased Water	\$ 22,511	\$ 22,511	\$ 2,196	\$ 2,196	\$ 2,196
Purchased Power	\$ 209,949	\$ 209,949	\$ 203,043	\$ 203,043	\$ 203,043
Other Volume Related Expenses	\$ 26,918	\$ 26,918	\$ 24,917	\$ 24,917	\$ 24,917
Employee Labor	\$ 311,943	\$ 311,943	\$ 274,595	\$ 274,595	\$ 292,838
Materials	\$ 61,853	\$ 61,853	\$ 61,853	\$ 61,853	\$ 61,853
Contract Work	\$ 151,942	\$ 151,942	\$ 116,392	\$ 116,392	\$ 116,392
Transportation Expenses	\$ 80,569	\$ 80,569	\$ 74,562	\$ 74,562	\$ 74,562
Other Plant Maintenance	\$ 48,040	\$ 48,040	\$ 48,040	\$ 48,040	\$ 48,040
Office Salaries	\$ 159,376	\$ 159,376	\$ 97,180	\$ 97,180	\$ 147,495
Management Salaries	\$ 238,012	\$ 238,012	\$ 144,214	\$ 144,214	\$ 238,012
Employee Benefits	\$ 213,955	\$ 213,955	\$ 127,104	\$ 127,104	\$ 144,559
Uncollectibles Expense	\$ 5,856	\$ 5,856	\$ 4,667	\$ 4,667	\$ 5,294
Office Services & Rentals	\$ 65,265	\$ 65,265	\$ 60,620	\$ 60,620	\$ 60,620
Office Supplies & Expenses	\$ 56,866	\$ 56,866	\$ 56,866	\$ 56,866	\$ 56,866
Professional Services	\$ 53,000	\$ 53,000	\$ 35,054	\$ 35,054	\$ 35,054
Insurance	\$ 89,026	\$ 89,026	\$ 77,863	\$ 77,863	\$ 77,863
Regulatory Commission Expense	\$ 13,000	\$ 13,000	\$ 4,786	\$ 4,786	\$ 14,358
General Expenses	\$ 7,500	\$ 7,500	\$ 3,804	\$ 3,804	\$ 3,804
<b>Subtotal</b>	<b>\$ 1,815,581</b>	<b>\$ 1,815,581</b>	<b>\$ 1,417,753</b>	<b>\$ 1,417,753</b>	<b>\$ 1,607,765</b>
Depreciation	\$ 134,712	\$ 134,832	\$ 139,016	\$ 139,016	\$ 139,016
Taxes other than Income	\$ 78,569	\$ 78,569	\$ 50,299	\$ 50,299	\$ 75,063
Income Taxes	\$ 304,052	\$ 304,052	\$ 130,306	\$ 113,900	\$ 202,456
<b>Total Deductions</b>	<b>\$ 2,332,914</b>	<b>\$ 2,333,034</b>	<b>\$ 1,737,375</b>	<b>\$ 1,720,969</b>	<b>\$ 2,024,299</b>
<b>Net Revenue</b>	<b>\$ (394,581)</b>	<b>\$ 446,135</b>	<b>\$ 200,958</b>	<b>\$ 1,058,200</b>	<b>\$ 355,277</b>
<b><u>Rate Base</u></b>					
Average Plant	\$ 18,504,907	\$ 18,504,907	\$ 17,924,140	\$ 17,924,140	\$ 17,924,140
Ave. Accumulated Depreciation	\$ (3,295,261)	\$ (3,295,261)	\$ (3,584,231)	\$ (3,584,231)	\$ (3,584,231)
<b>Net Plant</b>	<b>\$ 15,209,646</b>	<b>\$ 15,209,646</b>	<b>\$ 14,339,909</b>	<b>\$ 14,339,909</b>	<b>\$ 14,339,909</b>
<u>Less:</u> Advances	\$ 40,979	\$ 40,979	\$ 38,381	\$ 38,381	\$ 38,381
Contributions	\$ 10,775,299	\$ 10,775,299	\$ 9,973,254	\$ 9,973,254	\$ 9,973,254
Deferred Income taxes	\$ 280,989	\$ 280,989	\$ 332,107	\$ 332,107	\$ 332,107
Deferred Investment Tax Credit	\$ 24,417	\$ 24,417	\$ 22,274	\$ 22,274	\$ 22,274
<u>Plus:</u> Working Cash	\$ 151,298	\$ 151,298	\$ (45,770)	\$ (45,770)	\$ 5,102
Materials & Supplies	\$ 31,538	\$ 31,538	\$ 31,538	\$ 31,538	\$ 31,538
<b>Rate Base:</b>	<b>\$ 4,270,798</b>	<b>\$ 4,270,798</b>	<b>\$ 3,959,661</b>	<b>\$ 3,959,661</b>	<b>\$ 4,010,533</b>
<b>Rate of Return</b>	<b>-9.24%</b>	<b>10.45%</b>	<b>5.08%</b>	<b>26.72%</b>	<b>8.86%</b>

**APPENDIX B**

**FRUITRIDGE VISTA WATER COMPANY**

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento.

RATES

Per Meter Per Month

Quantity Rate:

All Water used per 100 cu.ft. ....	\$0.8243	(I)
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Service Charge:

For 5/8 x 3/4 inch meter	\$ 8.27	(I)
For 3/4-inch meter	\$ 12.41	
For 1-inch meter	\$ 20.68	
For 1 1/2-inch meter	\$ 41.36	
For 2-inch meter	\$ 66.17	
For 3-inch meter	\$124.08	
For 4-inch meter	\$206.79	
For 6-inch meter	\$413.59	(I)

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

SPECIAL CONDITIONS

1. A late charge will be imposed per Schedule LC.
2. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in the unit will, at the company's option, be furnished on the account of the landlord or property owner.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
4. A portion of each service charge will be deposited in a separate trustee account and shall be used only for payment of principal and interest associated with the buy-in fee for rights purchase water from the City of Sacramento as adopted by the Commission in D.06-04-073. The portion of each service charge that will be deposited in a separate trustee account shall be as follows: for each 5/8" x 3/4" meter, \$1.25; 3/4" meter, \$1.88; 1" meter, \$3.13; 1 1/2" meter, \$6.25; 2" meter, \$10.00; 3" meter, \$18.75; 4" meter, \$31.25; and 6" meter, \$62.50.
5. All bills are subject to the surcharge set forth in Schedule No. DHS.
6. The net balance of \$76,490 in the purchased power balancing account as of August 31, 2009 will be recovered through a surcharge of \$0.0447 per Ccf for the metered customers over 12 months. .
7. The balance of \$8,878.24 in the User Fee Balancing Account will be recovered through a one-time surcharge of \$1.92. This charge offsets the Department of Public Health fee billed to Fruitridge Vista Water Company for the period July 1, 2008 through June 30, 2009.

APPENDIX B

FRUITRIDGE VISTA WATER COMPANY

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento

RATES

Per Service Connection Per Month

1. For a single residential unit, including premises not exceeding 10,000 square feet in area	\$30.15	(I)
a. For each additional single family unit on the same premises and served from the same service connection	\$18.92	(I)
b. For each 100 square feet of premises in excess of 10,000 sq. ft.	\$0.43	(I)
2. For each automobile service station, including car wash rack, where service connection is not larger than one inch in diameter	\$62.28	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.
2. If the utility so elects, a meter shall be installed and water serviced under Schedule No. 1, Metered Service.
3. The net balance of \$76,490 in the purchased power balancing account as of August 31, 2009 will be recovered through a surcharge of \$1.01 per month for flat-rate customers over 12 months.
4. The balance of \$8,878.24 in the User Fee Balancing Account will be recovered through a one-time surcharge of \$1.92. This charge offsets the Department of Public Health fee billed to Fruitridge Vista Water Company for the period July 1, 2008 through June 30, 2009.
5. All bills are subject to the surcharge set forth in Schedule No. DHS.
6. A portion of each service charge will be deposited in a separate trustee account and shall be used only for payment of principle and interest associated with the buy-in fee for rights purchase water from the City of Sacramento as adopted by the Commission in D.06-04-073. The portion of each service charge that will be deposited in a separate trustee account shall be as follows: each single residential unit \$1.65; each additional single family unit \$0.99; for each 100 sq. ft. of premises in excess of 10,000 sq. ft. \$0.01; and each automobile service station \$3.30.
7. A late charge will be imposed per Schedule LC
8. In accordance with section 2714 of the Public Utilities code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in the unit will, at the company's option, be furnished on the account of the landlord or property owner.
9. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

**FRUITRIDGE VISTA WATER COMPANY**

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento

RATES

Per Month

For each inch of diameter of service connection	\$ 6.15	(I)
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SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and cost paid by the applicant. Such payment shall not be subject to refund
2. The minimum diameter for fire protection shall be 4 inches. And the maximum shall not be more than the diameter of the water main to which the service is connected.
3. 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.
4. 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 the 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.
5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operations of the system.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPENDIX B

FRUITRIDGE VISTA WATER COMPANY

Schedule No. 9

METERED CONSTRUCTION SERVICE

APPLICABILITY

Applicable to all water service furnished for construction water.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units, Sandra Heights, Pacific Terrace Units, Bowling Green Units, and all immediately adjoining territory in Sacramento County including all territory contiguous to the southerly limits of the City of Sacramento

RATES

Quantity Rate

Per 100 cu. ft.	\$0.8243	(I)
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Minimum charge

Per Meter Per Day

For all sized of meter.....	\$8.24	(I)
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The minimum charge will entitle the customer to the quantity of water which that minimum charge will purchase at the quantity rate.

SPECIAL CONDITIONS

1. Applicant for metered construction service shall deposit with the utility a sum equal to 120% of the cost of the meter. This deposit is refundable upon return of the meter to the utility in good working condition.
2. Construction water service under this schedule will be furnished only when surplus water is available over the requirements for domestic service and under conditions which will not adversely affect domestic service. The utility will be the sole judge as to the availability of such surplus water.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C

FRUITRIDGE VISTA WATER COMPANY

ADOPTED QUANTITIES

Test Year 2010

Expenses:

1. Purchased power (Electric)

Vendor	Sacramento Municipal Utility District (SMUD)
Schedules	GSS and GSN
Effective Date	9/1/2009
Total cost (\$)	\$203,045
kWh Used	1,758,404
SMUD <b>Summer</b> Rate Schedule - GSS	
Customer Charge (per month)	\$18.00
Over 20 kWh demand, /kWh	\$6.00
Minimum Demand Charge	-
1st 7,300 kWh, /kWh	\$0.007824
Over 7,300 kWh,/kWh	\$0.09050
Solar Surcharge/kWh	\$0.00100
State surcharge /\$ revenue	\$0.00160
SMUD <b>Winter</b> Rate Schedule - GSS	
Customer Charge (per month)	\$18.00
Over 20 kW demand, /kW	\$6.00
Minimum Demand Charge	-
1st 7,300 kWh, /kWh	\$0.09805
Over 7,300 kWh/kWh	\$0.08040
Solar Surcharge/kWh	\$0.00100
State surcharge /\$ revenue	\$0.000160
SMUD <b>Summer</b> Rate Schedule - GSN	
Customer Charge (per month)	\$7.25
Over 20 kWh demand, /kWh	-
Minimum Demand Charge	-
1st 7,300 kWh,/kWh	\$0.11170
Over 7,300 kWh,/kWh	\$0.11170
Solar Surcharge/kWh	\$0.00100
State surcharge /\$ revenue	\$0.00160
SMUD <b>Winter</b> Rate Schedule - GSN	
Customer Charge (per month)	\$7.25
Over 20 kW demand, /kW	-
Minimum Demand Charge	-
1st 7,300 kWh,/kWh	\$0.11170
Over 7,300 kWh,/kWh	\$0.11170
Solar Surcharge/kWh	\$0.00100
State surcharge /\$ revenue	\$0.00016

APPENDIX C

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FRUITRIDGE VISTA WATER COMPANY

ADOPTED QUANTITIES

Test Year 2010

2. Purchased Water	\$2,196
3. Insurance Expenses	\$77,863
4. Ad Valorem Taxes	\$23,171
5. Payroll Taxes	\$51,892
Social Security	\$50,380
Federal Unemployment	\$672
State Unemployment	\$840
6. Number of Service Connections:	
Metered Rate	
5/8 x 3/4 inch meter	0
3/4-inch meter	4
1-inch meter	352
1-1/2 inch meter	160
2-inch meter	164
3-inch meter	29
4-inch meter	10
6-inch meter	<u>4</u>
Total	<u>723</u>
Flat Rate	3,810
7. Total Water Production	1,848,063 Ccf
8. Total Water Sales-Metered Customers	733,958 Ccf
9. Unaccounted for water	7.5%

APPENDIX C

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FRUITRIDGE VISTA WATER COMPANY

ADOPTED QUANTITIES

Test Year 2010

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$2,379,576	\$2,379,576
2.	O & M Expenses	\$1,607,765	\$1,607,765
3.	Taxes Other Than Income	\$75,063	\$75,063
4.	Depreciation and Interest	\$202,958	\$202,958
5.	Taxable Income for State Tax	\$493,791	
6.	State Tax	\$43,651	
7.	Taxable Income for FIT		\$450,140
8.	Federal Income Tax		\$158,804
9.	Total Income Tax		\$202,456
	California Corporate Franchise Rate	8.84%	
	Federal Income Tax Rate		
	On first \$50,000 of taxable income	15%	
	On next \$25,000 of taxable income	25%	
	On next \$25,000 of taxable income	34%	
	On next 235,000 of taxable income	39%	

(END OF APPENDIX C)

## CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution W-4842 on all parties in this filing or their attorneys as shown on the attached list.

Dated August 25, 2010, at San Francisco, California.

\_\_\_\_\_/s/ JOSIE L. JONES

Josie L. Jones

### NOTICE

Parties should notify the Division of Water and Audits, Third 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.

**SERVICE LIST**  
**DRAFT RESOLUTION W-4842**

Martin De La Torre  
4432 Lantana Avenue  
Sacramento, CA 95824

James Park  
6505 Wesley Avenue  
Sacramento, CA 95824

Joyce Bayer  
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