

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 20, 2011

Draft Resolution W-4880
Agenda ID #10422

TO: All Interested Persons

Enclosed is draft Resolution W-4880 of the Division of Water and Audits authorizing a general rate increase for Twin Lake Enterprises, Inc. and to establish facilities fees. Draft Resolution W-4880 will be on the Commission's June 23, 2011 agenda. The Commission may act then on this resolution or it may postpone action until later.

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

Interested persons may submit comments on draft Resolution W-4880. An original of the comments, with a certificate of service, should be submitted to:

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

Interested persons must serve a written or electronic copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits. Interested persons may submit comments on or before June 13, 2011.

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

Persons interested in receiving comments submitted to the Division of Water and Audits may write to Michael Miller, email him at mml@cpuc.ca.gov, or telephone him at (415) 355-5584.

/s/ RAMI S. KAHLON

Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Draft Resolution W-4880
Certificate of Service
Service List

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4880
June 23, 2011

R E S O L U T I O N

(RES. W-4880), TWIN LAKES ENTERPRISES, INC. (TLE). ORDER AUTHORIZING A GENERAL RATE INCREASE (GRC), PRODUCING ADDITIONAL ANNUAL REVENUE OF \$33,698 OR 75.02% FOR TEST YEAR (TY) 2011 AND FACILITIES FEES.

SUMMARY

By Advice Letter (AL) 15, filed on December 7, 2010, TLE seeks to increase its rates for water service to recover increased operating expenses and earn an adequate return on its plant investment. For TY 2011, this Resolution grants an increase in gross annual revenues of \$33,698 or 75.02%, over current rates, which is estimated to provide a rate of return of 12.50%. Authority to establish facilities fees is also granted.

BACKGROUND

TLE, a Class D water utility, has requested authority 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 to increase its water rates by \$50,702 or 114.3%¹ for TY 2011, over the current rates. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. TLE's request was based on a rate of return of 13.50%.

The present rates became effective on January 1, 2011, by approval of AL 14, which authorized an interim rate increase of \$1,064² or 2.7%, subject to refund or increase to the rates established in this GRC. The last GRC for TLE was granted on October 20, 1993, pursuant to Res. W-3806, which granted an increase in revenues of \$19,955 or 102.5%.

¹ 114.3% is stated as the increase in the text of AL15. However, the rates in the filed tariff would have produced a 110.8% increase.

² \$1,064 is stated as the revenue increase in AL 14. However, the 2.7% correctly allowed due to the Consumer Price Index, would produce \$1,181 in additional revenue.

TLE serves approximately 162 customers in an area adjacent to Twin Lakes in Mono County, about 15 miles southwest of Bridgeport. The majority of the customers are seasonal, residing there only in warmer months. The TLE system is supplied from three wells with a total pumping capacity of 580 gallons per minute. The system has two storage tanks with a total capacity of 80,000 gallons. TLE's distribution system consists of 18,005 feet of 6-inch mains and 820 feet of 4-inch mains.

NOTICE AND PROTEST

AL 15 was served on December 2, 2010, in accordance with GO 96-B, including on adjacent utilities and persons on the general service list. On December 27, 2010, a notice of the proposed rate increase was mailed to each customer's permanent address and to the general service list. Six customer letters or emails questioning the rate increase were timely received and the utility replied. One letter was received supporting the increase. The Twin Lakes Property Owners Association (TLPOA) requested and was granted an extension of the protest period and timely filed its protest considering the extension. The utility replied to TLPOA's protest as well. Seven additional customer letters, two more letters from the TLPOA and two letters from the Twin Lakes Fire Safe Council were received after the comment period. The Division of Water and Audits (Division) has reviewed and considered the additional letters.

An informal public meeting was held on Thursday, March 17, 2011, at 6:00 PM at the Bridgeport Senior Center. Approximately twenty customers attended the meeting. Division staff explained the Commission procedures, while TLE representatives cited justification for the proposed rate increase. Division staff and the TLE representatives answered questions until approximately 7:20PM.

Much of the customer feedback, in both the letters and public meeting, appeared to be inspired by the 117% increase request. Some of the customers acknowledged that it had been 18 years since the last rate increase and that improvements had been made, so some increase was warranted. Additional issues include fire hydrant maintenance, fire hydrant spacing, water quality, and communication between the company and customers. The additional issues are included in the discussion below.

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

DISCUSSION

The Division made an independent analysis of TLE's operations. Appendix A shows TLE's and the Division's estimated summary of earnings at present and proposed rates

for TY 2010 and the Division's recommended rates for TY 2010. The Division informed TLE of how the methodologies and escalation rates it used differed from those used in TLE's request. TLE 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 TLE's operating expenses, excluding purchased power, contract work, insurance, office and management salaries, is based on data from years 2007-2009. For estimating purchased power costs, the Division used the twelve months of usage ending in October, 2010, and applied the Southern California Edison rates effective January 1, 2011. The quantities used to calculate purchased power are found in Appendix D. The Division estimate for contract work is an estimate based on the data years with \$4,500 added for fire hydrant maintenance. The Division used current actual costs for insurance, and accepted TLE's estimate for office³ and management salaries. For estimating all other expense categories Division escalated⁴ and averaged 2007-2009 expenses using factors from the November 30, 2010 escalation memorandum from the Division of Ratepayer Advocates. Division's estimate differed from TLE's in other volume related expenses, employee labor, office salaries and rental, and office supply and expense due to TLE's use of only one data year. Differences in materials, other plant maintenance, professional services, regulatory commission expense and general expenses are due both to TLE's use of only one data year and to rebooking of expenses to proper accounts by the Division.

TLE's rate base request included Allowance for Funds Used During Construction (AFUDC) applied to the plant accounts in years 2007 through 2010. The Division believes that AFUDC is not appropriate for a Class D water utility. Furthermore, TLE acknowledged that allowing AFUDC for a Class D utility would be a change in Commission policy. The Division excluded AFUDC from its estimate. The Division recommendation includes used and useful plant additions and applies the 2.25% depreciation rate ordered in the last GRC to arrive at the rate base shown in Appendix A.

³ TLE's initial request did not include office salaries, but it subsequently requested \$2,500.

⁴ Escalation was to 2011 dollars.

TLE requested a 13.50% rate of return. The current range recommended for rate of return for a Class D utility is 12.00% to 13.00%⁵, and Division based its analysis on 12.50%, the midpoint of the range. In Decision (D.) 92-03-093 effective April 30, 1992, the Commission adopted the Return on Margin (ROM) ratemaking as an alternate to the Return on Net Investment (Rate Base) method for calculating net revenue for Class C and Class D Utilities and required the Division to recommend the method that produces the higher net revenue result. The Division found that using the 24.89% rate of margin currently allowed⁶ would produce \$15,390, which is less than the \$16,778 calculated using rate of return on rate base method. Therefore, Division recommends revenues using the 12.50% rate of return.

TLE's rate structure consists of one schedule: Schedule No. 2AR, Annual Residential Flat Rate Service. The rates proposed by the Division are shown in Appendix B. At the recommended rates, the increase in revenue will be \$33,698 or 75.02% for TY 2011.

At the Division's recommended rates shown in Appendix B, annual rates will increase from \$277.29 to \$485.30, a difference of \$208.01 or 75.02%. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

The interim increase, subject to refund or increase to the rates set herein, was requested by AL 14 and became effective on January 1, 2011. Since this resolution will set a calendar year annual rate, the new rate will apply to all of 2011. TLE has only one billing remaining this year. Therefore, Division recommends a special condition, included in Schedule No. 2AR, Annual Residential Flat Rate Service, to allow the entire remaining balance for 2011 to be billed.

TLE requested by AL 15 to establish a facilities fee of \$5,000. Facilities fees for Class D utilities were established by Res. W-4110, on September 3, 1998. It authorized generic tariffs for facilities fees with maximum charges for each meter size. DWA believes the \$2,000 facilities fee applicable to establishing service with the smallest meter is appropriate for TLE's non-metered connections. However, Class D utilities have also been allowed to apply Consumer Price Index (CPI) increases to facilities fees each year. Therefore, Division recommends a facilities fee of \$2,678 based on inflating the

⁵ This recommendation is set forth in a March 1, 2011 memorandum to the Commission entitled Rates of Return and Rates of Margin for Class C and Class D Water Utilities.

⁶*Id.*

generically authorized \$2,000 fee to 2011 dollars. The recommended Schedule F, Facilities Fees, is included in Appendix B.

TLE requested by AL 15 to change to annual billing. There was no protest on this issue and Division recommends approval. The necessary changes have been made to the special conditions in the Schedule 2AR, Annual Residential Flat Rate Service, included in Appendix B.

TLE requested by AL 15 a late charge of \$10 which accrues each month a bill is delinquent. Most water utilities have a single late fee after which the risk of disconnection under Rule 11 provides incentive for payment. However, TLE bills are due in January and snow conditions often make disconnection impractical. Therefore, the Division recommends allowing the late fee to accrue monthly until such time that snow conditions reasonably allow disconnection under Rule 11. The Division also recommends updated special conditions which have previously been allowed for similarly situated utilities. The recommended Schedule No. LC, Late Payment Charge, is included in Appendix B.

TLE requested by AL 15 to increase its reconnection fee to \$35. Res. W-4035 dated April 9, 1997, allowed all Class D water utilities to charge \$25 for reconnection during business hours and \$40 outside of business hours. Division believes the \$35 request is reasonable in light of the fact that a \$25 charge was allowed fourteen years ago and no protest was received on this issue. Since a \$15 premium was authorized by Res. W-4035 for reconnection outside business hours, Division recommends that TLE be allowed to charge \$50 for this service. These charges are part of Rule 11 and, as will be discussed under compliance, several of TLE's rules need to be updated. Division recommends that TLE be allowed to file the new connection fees upon filing of all new rules required for compliance.

TLE installed eighteen fire hydrants over the last several years while it was replacing its distribution system. Hydrants were contributed by individual customers or groups of customers that desired and could afford them, without any written agreements as to maintenance. Staff informed TLE that GO 103-A requires the utility to be responsible for maintenance in the absence of written agreements to the contrary. TLE has arranged for a contractor to do the maintenance at a cost of \$4,500 per year. The Division believes this cost to be reasonable and has included it in rates.

The location of the fire hydrants is also at issue. The location of the hydrants was determined by the customers contributing them and the utility, not the local fire agency. Because of the way hydrants were contributed the spacing is not even, causing some customers to be underserved or potentially not served at all. GO 103-A requires (as did

GO 103) that the placement of the hydrants be specified by the fire agency responsible for their use for fire fighting. However, Bridgeport Fire Department has declined to require additional hydrants, at this time. Nonetheless, Division believes that the installation of more hydrants is likely and an expedited process for moving the costs into rates should be provided. To that end, Division recommends a memorandum account be authorized for maintenance to any additional hydrants installed after the date of this resolution and the authorization of a Tier 2 advice letter for the rate base offset associated with additional hydrants. Memorandum account treatment for maintenance of additional hydrants is appropriate since the number of new hydrants is currently unknown. TLE provided a detailed estimate totaling \$8,109 for the installation cost of fire hydrants. Division has evaluated the estimate and found it reasonable. Division recommends adopting \$8,109 as a cap for each additional hydrant based on TLE's estimate and allowing the cap to increase subject to CPI, since it is unknown when TLE will install the hydrants. Each hydrant will represent a substantial increase in rates (approximately 2.5%), so the Division recommends limiting the Tier 2 process to five hydrants per year and to hydrants located as specified by the local fire agency.

With respect to the authorization of the memorandum account discussed above, TLE is reminded of the following. Unless specified otherwise, authorization of a memorandum account does not mean that the Commission has decided that the types of costs to be recorded in the account should be recoverable in addition to the rates that have been otherwise authorized, e.g., in a general rate case. Instead, the utility shall bear the burden when it requests recovery of the recorded costs to show that: the costs have not been recovered through otherwise authorized rates; recovery of the types of costs recorded in the account—in addition to the otherwise authorized rates—is reasonable; the utility acted prudently when it incurred these costs; and the level of costs is reasonable. Thus, TLE is reminded that just because the Commission has authorized this memorandum account it does not mean that recovery of costs in the memorandum account from rate ratepayers will be approved.

Mono County Department of Public Health reports that TLE is in compliance with water quality requirements. However, at least some of the customers lack confidence in the water quality. Most water utilities are required to provide customers with an annual Consumer Confidence Report, but this requirement does not apply to TLE since it serves primarily part time residents.⁷ The Division recommends that facts regarding testing and water quality issues be reported to the customers annually.

⁷ Title 22, Section 64480(a) of the California Code of Regulations requires Consumer Confidence Reports for community water systems and nontransient-noncommunity water systems. TLE is a *transient* noncommunity water system as defined in section 64401.85 of the same title.

It was suggested at the public meeting that an annual public meeting be held to improve communication with customers. However, this represents substantial additional expense and it is difficult to set a suitable time for such a meeting due to most of the residents being part time. The Divisions believes a brief annual news letter, possibly consolidated with the aforementioned water quality report, would be a reasonable way to address this issue.

COMPLIANCE

The utility has been filing annual reports as required. However, staff encountered several instances of expenses booked to improper accounts. TLE needs to follow the Uniform System of Accounts for Class B, C, and D Water Utilities, as adopted by D.85-04-076. Also, TLE has not been reporting data on its wells in Schedule G - Sources of Supply and Water Developed Wells, and the Division recommends that the utility start providing this information beginning with its 2011 Annual Report and in all subsequent reports.

TLE needs to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current commission standards: Rules 3, Application for Service; 5, Special Information required on Forms; 7, Deposits; 9, Rendering and Payment of Bills; 10, Disputed Bills; and 11, Discontinuance and Restoration of Service; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.

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 May 20, 2011.

FINDINGS

1. TLE has requested authority to increase its water rates by \$50,702 or 114% for TY 2011.
2. AL 15 was served in accordance with General Order 96-B on December 7, 2010. On December 27, 2010, a notice of the proposed rate increase was mailed to each customer and to the general service list.
3. In reviewing TLE's request, the Division made an independent analysis of TLE's operations.
4. The Division used 12 months of actual power usage to estimate purchased power costs.
5. The Division estimate for contract work is an estimate based on the data years with \$4,500 added for fire hydrant maintenance.
6. The Division used current actual costs to estimate test year insurance.
7. The Division accepted TLE's estimate of office and management salaries.
8. For estimating all other expense categories, Division escalated and averaged using factors from the November 30, 2010 escalation memorandum from the Division of Ratepayer Advocates.
9. The Division excluded AFUDC from its estimate.
10. The Division recommendation includes used and useful plant additions and applies the 2.25% depreciation rate ordered in the last GRC.
11. The Division informed TLE of how the methodologies and escalation rates it used differed from those used in TLE's request. TLE now agrees with the Division's recommended revenue requirement.
12. The Division's recommended summary of earnings (Appendix A) are reasonable and should be adopted.
13. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
14. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
15. For TY 2011, it is appropriate to grant TLE an increase in gross annual revenues of \$33,698 or 75.02%, which is estimated to provide a rate of return of 12.50%.
16. The interim increase, subject to refund or increase to the rates set herein, was requested by AL 14 and became effective on January 1, 2011. Therefore the rates set by this resolution apply to all of 2011.

17. TLE should be allowed to establish a Facilities Fee of \$2,678.
18. TLE should be allowed to increase the reconnection charges in Rule 11 to \$35 during business hours and \$50 outside business hours when it files the updated rules ordered in this resolution.
19. TLE should be allowed to establish a memorandum account to track maintenance costs for any fire hydrants installed after the date of this resolution.
20. TLE's estimate of \$8,109 for the installation cost for each additional fire hydrant is reasonable.
21. TLE should be allowed to file a Tier 2 advice letter for the addition of up to five fire hydrants per year. The cap should be \$8,109 per hydrant subject to increase by the Consumer Price Index applied from the date of this resolution.
22. TLE should be ordered to follow Uniform System of Accounts for Class B, C, and D Water Utilities, as adopted by Decision 85-04-076.
23. TLE should be ordered to complete Schedule G - Sources of Supply and Water Developed Wells beginning with its 2011 Annual Report and in all subsequent annual reports.
24. TLE should be ordered to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current commission standards: Rules 3, Application for Service; 5, Special Information required on Forms; 7, Deposits; 9, Rendering and Payment of Bills; 10, Disputed Bills; and 11, Discontinuance and Restoration of Service; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Twin Lakes Enterprises, Inc., to file a supplemental advice letter with the revised rate schedule attached to this Resolution as Appendix B and concurrently cancel its presently effective rate Schedule No. 2AR, Annual Residential Flat Rate Service. The effective date of the revised schedule shall be five days after the date of filing.
2. The quantities (Appendix D) used to develop the Division's recommendations are adopted.
3. Twin Lakes Enterprises, Inc. is ordered to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current Commission standards: Rules 3, Application for Service; 5, Special Information required on Forms; 7, Deposits; 9, Rendering and Payment of Bills; 10, Disputed Bills; and 11, Discontinuance and Restoration of Service; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service. Rule 11

may incorporate a reconnection charge of \$35 during business hours and \$50 outside business hours.

4. Twin Lakes Enterprises, Inc. is authorized to establish a memorandum account to track maintenance costs for any fire hydrants installed after the date of this resolution. Twin Lakes Enterprises, Inc. shall have the burden of establishing that: the costs recorded in the memorandum account have not been recovered through otherwise authorized rates; recovery of the types of costs recorded in the account – in addition to the otherwise authorized rates – is reasonable; the utility acted prudently when it incurred these costs; and the level of costs is reasonable.
5. Twin Lakes Enterprises, Inc. is authorized to file a Tier 2 advice letter for the addition of up to five fire hydrants per year. These hydrants shall be located as specified by the local fire agency in accordance with General Order 103-A. The cap shall be \$8,109 per hydrant subject to increase by the Consumer Price Index applied from the date of this resolution.
6. Twin Lakes Enterprises, Inc. is ordered to follow Uniform System of Accounts for Class B, C, and D Water Utilities, as adopted by Decision 85-04-076.
7. Twin Lakes Enterprises, Inc. is ordered to complete Schedule G – Sources of Supply and Water Developed Wells beginning with its 2011 Annual Report and in all subsequent annual reports.

8. 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 June 23, 2011; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A
Twin Lakes Enterprises, Inc.

SUMMARY OF EARNINGS

Test Year 2011

Item	Utility Estimated		Branch Estimated		Recommended Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>OPERATING REVENUES</u>					
Flat Rates	\$44,921	\$96,192	\$44,921	\$94,705	\$78,619
Total Revenue	\$44,921	\$96,192	\$44,921	\$94,705	\$78,619
<u>OPERATING EXPENSES</u>					
Purchased Power	\$6,000	\$6,000	\$5,706	\$5,706	\$5,706
Other Volume Related Expenses	\$200	\$200	\$365	\$365	\$365
Employee Labor	\$2,738	\$2,738	\$3,082	\$3,082	\$3,082
Materials	\$400	\$400	\$2,408	\$2,408	\$2,408
Contract Work (Incl. fire hydrant maint.)	\$2,560	\$2,560	\$7,060	\$7,060	\$7,060
Water Testing	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400
Transportation	\$0	\$0	\$0	\$0	\$0
Other Plant Maintenance	\$10,532	\$10,532	\$0	\$0	\$0
Office Salaries	\$0	\$0	\$2,500	\$2,500	\$2,500
Management Salaries	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Employee Benefits	\$0	\$0	\$0	\$0	\$0
Uncollectibles	\$0	\$0	\$0	\$0	\$0
Office Services & Rental	\$5,157	\$5,157	\$6,626	\$6,626	\$6,626
Office Supplies and Exp	\$200	\$200	\$425	\$425	\$425
Professional Services	\$12,000	\$12,000	\$7,226	\$7,226	\$7,226
Insurance	\$3,500	\$3,500	\$4,342	\$4,342	\$4,342
Regulatory Comm Exp	\$1,500	\$1,500	\$1,090	\$1,090	\$1,090
General Expenses	\$0	\$0	\$1,403	\$1,403	\$1,403
Subtotal	\$52,187	\$52,187	\$49,634	\$49,634	\$49,634
Depreciation Expense	\$2,432	\$2,432	\$6,446	\$6,446	\$6,446
Taxes other than income	\$1,686	\$1,686	\$886	\$886	\$886
State Income Tax	\$800	\$3,526	\$800	\$3,336	\$1,914
Federal Income Tax	\$0	\$5,454	\$0	\$5,160	\$2,961
Total Deductions	\$57,105	\$65,285	\$57,766	\$65,463	\$61,841
NET REVENUE	-\$12,184	\$30,906	-\$12,845	\$29,243	\$16,778
<u>RATE BASE</u>					
Average Plant			\$286,505	\$286,505	\$286,505
Average Depreciation Reserve			\$152,281	\$152,281	\$152,281
Net Plant			\$134,224	\$134,224	\$134,224
Less: Contributions			\$0	\$0	\$0
Plus: Working Cash			\$0	\$0	\$0
Materials and Supplies			\$0	\$0	\$0
Rate Base	\$228,863	\$228,863	\$134,224	\$134,224	\$134,224
RATE OF RETURN	-5.32%	13.50%	-9.57%	21.79%	12.50%
RATE OF MARGIN	-21.34%	47.34%	-22.24%	44.67%	27.13%

(END OF APPENDIX A)

APPENDIX B
Sheet 1

Twin Lakes Enterprises, Inc.

SCHEDULE NO. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE
Test Year 2011

APPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

The unincorporated area including Twin Lakes Subdivision, located approximately 15 miles southwest of the town of Bridgeport near Mono Village, Mono County.

RATES

	<u>Per Service Connection</u> <u>Per Year</u>	
For a single-family residence, including premises:	\$485.30	(D) (I)

SPECIAL CONDITIONS

1. The above flat rate charges apply to service connections not larger than one-inch in diameter.
2. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. (C)
(D)
3. The opening bill for flat rate service shall be the established annual flat rate charge for service. Where the initial service is established after the first day of any billing period, the portion of such annual charge applicable to the current billing period shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth (1/365) of the number of days remaining in the billing period. The balance of the payment of the initial annual charge shall be credited against charges for the succeeding annual billing period.
4. Upon request any unused portion of the annual flat rate charge which has been prepaid by a customer is refundable if that customer terminates water service before the end of the prepaid period. Applicants for water service will be advised that they may submit a request for such refunds within 60 days after the customer has terminated service.

APPENDIX B
Sheet 2

Twin Lakes Enterprises, Inc.

SCHEDULE NO. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE
(continued)

SPECIAL CONDITIONS (continued)

- | | |
|--|-----|
| 5. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service. | (N) |
| 6. A late charge will be imposed per Schedule No. LC. | |
| 7. In the event a customer is discontinued for non-payment under Rule 11 and reconnected within 12 months, the customer will be charged the late charges which accrued before disconnection per Schedule No. LC, the reconnection charge per Rule 11 and all charges which would have been due under this tariff had the disconnection not occurred. | |
| 8. All bills are subject to the reimbursement fee set forth on Schedule No. UF. | (L) |
| 9. Advice Letter 14 established rates on Jan 1, 2011, subject to increase to those rates establish in the 2011 general rate increase. Therefore the annual rate above applies to all of 2011. | (N) |
| | (N) |

APPENDIX B
Sheet 3

Twin Lakes Enterprises, Inc.

SCHEDULE F

FACILITIES FEES
Test Year 2011

APPLICABILITY

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

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES

Initial Fee for each Service Connection: \$2,678

SPECIAL CONDITIONS

1. Facility fees are payable in addition to and do not limit any charges for extensions of mains that may be applicable under Rule 15, Main Extensions.
2. These fees are not subject to the Public Utility Commission Reimbursement Fee surcharge in Schedule UF.
3. These fees shall be used only for the repair and replacement or the installation of new infrastructure.
4. These fees shall be deposited in a separate trustee account and used only upon permission of the Division of Water and Audits or its successor.

(N)

(N)

APPENDIX B
Sheet 4
Twin Lakes Enterprises, Inc.

Schedule LC

LATE PAYMENT CHARGE
Test Year 2011

APPLICABILITY

Applicable to all water services.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES

Late Charge: A late charge of \$10.00 will accrue each month on unpaid balance subject to special conditions below.

SPECIAL CONDITIONS

1. The balance is unpaid and subject to a late charge if the bill is past-due, or delinquent, as defined in Rule 11, Section B.1.a.
2. The late charge shall be imposed each month on a delinquent bill until such time that the weather reasonably permits execution of discontinuance of service under Rule 11.

(N)

(N)

(END OF APPENDIX B)

APPENDIX C

Twin Lakes Enterprises, Inc.

COMPARISON OF RATES

TEST YEAR 2011

<u>Service</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
Annual Flat Rate	\$277.29	\$485.30	\$208.01	75.0%

(END OF APPENDIX C)

APPENDIX D

Twin Lakes Enterprises, Inc.
ADOPTED QUANTITIES
TEST YEAR 2011

Expenses:

1. Purchased power (Electric)

Vendor	Southern California Edison	
Schedule		PA-1
Effective Date of Rates		January 1, 2011
Number of Meters		2
Delivery Charge per KWH		\$0.04248
URG Generation		\$0.11298
DWR Generation		\$0.03952
Percentage DWR Generation		27.441%
Tax		\$0.00029
Combined Energy Charge		\$0.13559
Customer Charge \$/Meter/Month		\$44.09
Service Charge \$/hp/Month		\$2.20
Usage Meter Y278-003175		1,692
Horsepower Meter Y278-003175		30
Usage Meter 3416-030223		18,959
Horsepower Meter 3416-030223		40
Total Annual Usage kWh		20,651
Total Cost		\$5,706
Composite Energy Cost (\$/KWH)		\$0.27632

2. Flat Rate Service Connections:

162

3. Fire Hydrant Maintenance

\$4,500

4. Depreciation Rate

2.25%

5. Tax calculation:

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$78,619	\$78,619
2.	O & M Expenses	\$49,634	\$49,634
3.	Taxes Other Than Income	\$886	\$886
4.	Depreciation	\$6,446	\$6,446
5.	Interest Expense	\$0	\$0
6.	Taxable Income for State Tax	\$21,653	
7.	State Tax	\$1,914	
8.	Taxable Income for FIT		\$19,739
9.	Federal Income Tax		\$2,961
10.	Total Income Tax		\$4,875
	California Corporate Franchise Rate		8.84%
	Federal Income Tax Rate	\$1 to	\$50,000 15%

(END OF APPENDIX D)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution W-4880 on all parties in this filing o their attorneys as shown on the attached list.

Dated May 20, 2011, 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.

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DRAFT RESOLUTION W-4880**

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