STATE OF CALIFORNIA EDMUND G. BROWN JR., Governor

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

February 21, 2012

Draft Resolution W-4909
Agenda ID #11080

TO: All Interested Persons

Enclosed is draft Resolution W-4909 of the Division of Water and Audits approving a request by Spreckels Water Company's request for a general rate increase. 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 the draft Resolution W-4909. An original of the comments with a certificate of service, should be submitted to:

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

Division of Water and Audits, Third Floor
Attention: Rami Kahlon
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 March 12, 2012.

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 Carolina Contreras, email her at ccg@cpuc.ca.gov or telephone her at (415) 703-5090.

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

Enclosures: Draft Resolution W-4909
Certificate of Service
Service List

575585

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS **RESOLUTION NO. W-4909**
Water and Sewer Advisory Branch **March 22, 2012**

R E S O L U T I O N

(RES. W- 4909), SPRECKELS WATER COMPANY (SPRECKELS). ORDER AUTHORIZING A GENERAL RATE INCREASE (GRC), PRODUCING ADDITIONAL ANNUAL REVENUE OF $61,524 OR 34.64% FOR TEST YEAR (TY) 2011 AND $64,672 OR 27.04% FOR ESCALATION YEAR 2012.

SUMMARY

By Advice Letter (AL) 17 filed on September 9, 2011, as supplemented by AL 17-A on October 10, 2011, Spreckels seeks to increase its rates for water service to recover increased operating expenses and earn an adequate return on its plant investment. Spreckels also seeks authority to discontinue Schedule No. 2, Flat Rate Service, and to serve all customers on a metered basis. Spreckels proposes to implement a tiered rate structure.

For TY 2011, this Resolution orders an increase in gross revenues of $61,524 or 34.64%. For escalation year 2012, this resolution orders an increase in gross revenues of $64,672 or 27.04%. These revenue increases are estimated to provide a rate of return of 12.50% by 2012. The rate schedules to implement the 2011 increase and the escalation increase for year 2012 are set forth in Appendix B. This resolution also orders Spreckels to discontinue Schedule No. 2, Flat Rate Service, and to provide service to all customers under a Schedule No. 1, General Metered Service.

BACKGROUND

Spreckels, a Class D water utility, has requested authority under Rule 7.6.2 of General Order 96-B, and Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its rates by $300,848 or 252% over current rates for TY 2011. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. Spreckels is also requesting authority to implement tiered rates and serve all customers on a metered basis while discontinuing flat rate service presently provided to a portion of its customers.

Spreckels' present rates became effective over 19 years ago, on January 8, 1993, pursuant to Res. W-3742, which authorized a general rate increase producing additional annual revenue of $11,294 or 14.4% for TY 1993.

Spreckels is owned by Tanimura & Antle Supply Company (TASCO), a California Corporation providing agricultural services and products in the Salinas area. Pursuant to Decision (D.) 07-09-005, issued on September 6, 2007, TASCO received Commission authorization to acquire control of Spreckels.

Spreckels provides both metered and flat rate water service to 299 customers in the immediate vicinity of the unincorporated town of Spreckels, located about 4 ½ miles southwest of the City of Salinas in Monterey County. Almost a third of Spreckels customers receive metered water service, 73 of which are new service connections added to the system in 2008 when a new home subdivision was developed adjacent to Spreckels' service area. The remaining customers receive service on a flat rate basis. Spreckels also provides public and private fire protection services.

In 2007, Spreckels' supply source consisted of two wells: Wells Nos. 1 and 2. Although these wells combined provided sufficient capacity to supply both Spreckels' existing customer base and the new 73-home subdivision, they did not have sufficient capacity to provide the fire flows required by local fire suppression agency for the subdivision. To resolve the fire flow deficiency, the developer of the 73-home subdivision - Standard Pacific - entered into a fire flow provision agreement under which it agreed to contribute Well No. 3, to Spreckels' system. This well was at the time part of a private water system owned by the Spreckels Industrial Park (SPI), one of TASCO's subsidiaries, and used to supply its private enterprise with water service. The subdivision's developer paid TASCO for its well, and the developer in turn donated it to Spreckels.

In September 2008, following positive e-coli tests and subsequent inspections, the Department of Public Health (DPH) ordered Spreckels to abandon Well No. 1 and to speed up the consolidation of TASCO's private system – served by Well No. 3 – and the Spreckels system (i.e., Well No. 2). Well No. 1 has since been capped, and the systems have been consolidated. Spreckels is now supplied by Wells Nos. 2 and 3, with a capacity of 450 gpm and 1400 gpm, respectively. Water pumped from the wells is routed to three hydro pneumatic tanks with a capacity of 10,000 gallons each and distributed to customers by approximately 30,000 linear feet of piping of varying materials and sizes.

NOTICE, PROTESTS, AND PUBLIC MEETING

AL 17 was filed in accordance with General Order 96-B on September 9, 2011. A notice of the proposed rate increase and the associated public meeting was mailed to Spreckels' customers on September 9, 2011.

An informal public meeting was held on October 3, 2011, at 6:00 PM at the Spreckels Veterans Memorial Building in the town of Spreckels, California. Approximately fifteen people attended the meeting. The Division of Water and Audits (Division) staff explained the Commission's rate-setting procedures, while a Spreckels' representative reviewed the rate request. Division staff and Spreckels' representatives answered customer questions.

Much of the customer feedback received at the public meeting appeared to be inspired by the magnitude of the requested increase coupled with confusion over the current and proposed rate structures. The confusion was particularly apparent among the flat rate customers, with one customer requesting her water usage data in order to understand how their bills will be affected. Division staff learned that, although Spreckels installed water meters on all connections well over a year ago, it only provided flat rate customers with water usage data for a period of 5 months in 2010. Under the Division's direction, Spreckels mailed a newsletter to its customers with bill calculation examples using its proposed rate structure while also informing customers that their bills will, from then on, include water use data. It also included contact information for inquiries regarding water usage. This information is necessary for flat rate customers to understand the bill impacts of the proposed rates.

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

DISCUSSION

Division staff made an independent analysis of Spreckels' operations. The magnitude of Spreckels' current request to increase revenues by 252% stems largely from the absence of any rate increases for over 19 years. To mitigate the impact and lessen rate shock that Spreckels' request may have on its customers, Spreckels agreed to phase in its revenues over a two-year period. Appendix A shows Spreckels' and the Division's estimated summary of earnings at present, proposed, and recommended rates for TY 2011 and for escalation year 2012. Spreckels is in agreement with the Division's recommended revenue requirement and the rates shown in Appendix B.

The Division staff reviewed Spreckels' operating revenues and expenses including purchased power, other volume related costs, contract work, materials, other plant maintenance, office supplies and expenses, professional services, regulatory commission and general expenses. The Division verified the operating expenses by reviewing annual reports and supporting documents for substantiation and accuracy, and included only the amounts that were deemed reasonable.

The Division's estimate of Spreckels' operating expenses, excluding purchased power and contract work, is based on supported data available from years 2008-2010. Except for professional services, the main difference between the Division's and Spreckels' estimates is due to reclassification of expenses to the appropriate expense categories. The Division adjusted Spreckels' professional services expense request downward to include only future ongoing expenses at a level in-line with Spreckels' present operations. For its general expense estimate, the Division reclassified costs requested under this category, and excluded capital expenses from the recommended estimate. The Division accepted Spreckels' estimate as reasonable for purchased power and contract work since these expenses are in line with past Commission approved levels and these estimates are consistent with the past three years of recorded data.

The Division's present revenue estimate differs from Spreckels' own as the company failed to account for revenue from water sales to its parent company's private enterprise. Well No. 3 was owned by TASCO and supplied its own subsidiary, SPI, with water for its private enterprise. When Well No. 3 was transferred and dedicated to Spreckels in 2008, pursuant to the fire flow provision agreement with Standard Pacific, TASCO's private system and Spreckels public system were consolidated. Consequently TASCO, via its subsidiary, became a Spreckels' customer. The Division included the additional revenue due to Spreckels by SPI in its present revenue estimate.[1] Spreckels must appropriately record, report, and account for all the revenue due to it by TASCO.

No system improvements were reported in Spreckels' Annual Reports until 2007, when TASCO acquired Spreckels. After the acquisition, Spreckels consolidated with TASCO's private system, installed and repaired backflow prevention devices, metered all service connections on the system, including the service connection for TASCO's own subsidiary SPI, purchased a backup pump and variable frequency drive motor for Well No. 3, and in 2011 commenced a main replacement program. The Division reviewed Spreckels' rate base request and included only actual capital expense costs of

[1] The Division's present revenue estimate also included a rate assumption for connection sizes not presently listed in Spreckels tariffs. Those rates were calculated using Commission approved service connection size ratios.

used and useful plant in service. Unlike Spreckels request, the Divisions' rate base estimate includes plant retirements where feasible, accounts for cost of plant removal per regulatory accounting procedures, uses depreciated plant in service, and reflects the average of Test Year 2011 beginning and end of year values. The Division's recommendation applies a 2.5% depreciation rate which is the average of the range recommended for small water utilities. The recommended rate base is shown Appendix A.

Spreckels requested a rate of return of 12.22%. In D.92-03-093, effective April 30, 1992, the Commission adopted 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's Utility Audit, Finance and Compliance Branch currently recommends a Rate of Margin of 24.89% and a Rate of Return from 12.00% to 13.00% for TY 2011 for a Class D, 100% equity-financed utility. Using a return of 12.5%, which is the average of the recommended rate of return range, the Division determined that the Rate Base method produces the higher revenues of $303,800 compared with the Rate of Margin revenues of $189,900 at a Rate of Margin of 24.89%.

To mitigate the impact that this increase may have on its customers, Spreckels agreed to phase-in its revenues over a period of two years from 2011 through 2012 instead of one year as it originally proposed. To lessen customer rate shock and fulfill the intent of a gradual increase, Spreckels should not request recovery of a Consumer Price Index increase for years 2011 and 2012.

Spreckels' current rate structure consists of four schedules: Nos. 1, Metered Service; 2, Flat Rate Service; 4, Private Fire Protection; and 5, Public Fire Hydrant Service. Spreckels has requested to discontinue Schedule No. 2, Flat Rate Service, and to bill all customers on a metered basis. Spreckels request is consistent with the Commission and State of California's policies to advance metering of unmetered connections and to charge for the actual volume of metered water delivered. Spreckels should be ordered to discontinue Schedule No. 2, Flat Rate Service, and bill all customers on a metered basis.

Spreckels also requested authority to implement a tiered rate design based on the rate structure utilized by California Water Service Company (CWS) in the surrounding greater Salinas area and to cap its rates at those levels. Tiered rates, like those implemented by CWS, are designed for each particular service area's usage patterns and are intended to provide customers with price signals that encourage water conservation. Given that the majority of Spreckels customers are currently billed at a

flat rate, it would be premature to implement tiered rates when no cost of usage relationship has even been established among those customers. Considering the large rate of increase in question and the transition to metered rates, Spreckels should first transition flat rate customers to a uniform volumetric rate structure at the levels of its current metered schedule. If after the phase-in of the recommended revenue requirement Spreckels still wishes to implement tiered rates, it must obtain at least, if not more, 12-months worth of reliable customer water use data before it may file such a request with the Commission.

At the Division's recommended rates, the increases in gross revenues will be $61,524 or 34.64% for TY 2011, and $64,672 or 27.04% for escalation year 2012. These additional revenues are expected to provide a rate of return on rate base of 8.13% and 12.5% in TY 2011 and escalation year 2012, respectively. Excepting minor service charge ratio modifications to comply with the Division's rate design standards, Schedule No. 1, Metered Service, should be maintained at its present rate levels for TY 2011 as flat rate customers are transitioned to that schedule. At the recommended rates for TY 2011, shown in Appendix B, the bill for a 1" metered residential customer transitioning from flat rates and using 17 Ccf[2] will increase from $21.30 to $51.10, a difference of $29.80 or 139.9%, while the bill for a presently metered residential customer will not increase. In escalation year 2012, when all customers have been transitioned to metered rates, the bill for a 1" metered residential customer will see an increase from $51.10 to $59.29, a difference of $8.19 or 27.04%. Fire protection rates will not increase.

A comparison of customer bills at present, recommended TY, and escalation rates are shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D. Spreckels should be required to file a Tier 2 advice letter on or before November 20, 2012, for the escalation rates of 2012 shown in Appendix B. The escalation rates shall be made effective on January 1, 2013.

COMPLIANCE

Spreckels has no outstanding compliance orders. The utility has been filing annual reports as required. Ordering Paragraph 3.3 of D.07-09-005 required TASCO to "maintain Spreckels' books of accounts in accordance with the Commission's Uniform System of Accounts for Class D Water Utilities". Although TASCO has made some progress to comply with this requirement, improvement is still necessary. Spreckels must ensure that it maintains its books in accordance to that Ordering Paragraph. DPH reports that water quality meets standards. Spreckels should be required to file a Tier 1

[2] The average monthly consumption of a customer presently billed on a metered basis.

advice letter within 30 days from the effective date of this resolution revising the following rules in its tariff book to meet the current Commission standards: Title Page; Preliminary Statement; Rules 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 9, Rendering and Payment of Bills; 10, Disputed Bills; 11, Discontinuance and Restoration of Service; 20, Water Conservation; 21, Fire Protection; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.

COMMENTS

PU Code 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 February 21, 201. ____ customer comments were received. _____ comment was received from the utility.

FINDINGS

1. Spreckels Water Company (Spreckels) has requested authority to increase its water rates by $300,848 or 252% for Test Year 2011.

2. Spreckels also seeks authority to discontinue Schedule 2, Flat Rate Service, and to serve all customers on a metered basis.

3. Spreckels proposes to implement a tiered rate structure.

4. Advice Letter (AL) 17 was served in accordance with General Order 96-B on September 9, 2011. On September 9, 2011, a notice of the proposed rate increase was mailed to Spreckels' customers.

5. The present rates became effective over 19 years ago on January 8, 1993, pursuant to Resolution W-3742, which authorized a general rate increase producing additional annual revenue of $11,294 or 14.4% for Test Year 1993.

6. Spreckels has agreed to phase in its revenues over a two-year period.

7. Spreckels should not request recovery of the Consumer Price Index for years 2011 and 2012.

8. In reviewing Spreckels' request, the Division of Water and Audits made an independent analysis of Spreckels' operations.

9. Spreckels should be ordered to discontinue Schedule No. 2, Flat Rate Service, and to bill all customers on a metered basis.

10. Spreckels should first transition flat rate customers to a uniform meter rate structure at the levels of its current metered schedule before implementing a tiered rate structure.

11. If Spreckels still wishes to implement tiered rates in the future, it should obtain at least, if not more, 12 months' worth of reliable customer water use data.

12. For Test Year 2011, it is appropriate to grant Spreckels an increase in gross revenues of $61,524 or 34.64%, which is estimated to provide a rate of return on rate base of 8.13%.

13. For escalation year 2012, it is appropriate to grant Spreckels an increase in gross revenues of $64,672, or 27.04%, which is estimated to provide a rate of return on rate base of 12.5%.

14. The increase in gross revenues for Test Year 2011 and escalation year 2012 is estimated to provide a rate of return of 12.5% over the two-year period.

15. Spreckels is in agreement with the Division of Water and Audits' recommended rates.

16. The Division of Water and Audits' recommended earnings (Appendix A) are reasonable and should be adopted.

17. The rates recommended by the Division of Water and Audits (Appendix B) are reasonable and should be adopted.

18. The quantities (Appendix D) used to develop Division of Water and Audits' recommendations are reasonable and should be adopted.

19. Spreckels should be required to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following rules in its tariff book to meet the current Commission standards: Title Page; Preliminary Statement; Rules 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 9, Rendering and Payment of Bills; 10, Disputed Bills; 11, Discontinuance and

Restoration of Service; 20, Water Conservation; 21, Fire Protection; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.

20. Spreckels should be required to file a Tier 2 advice letter on or before November 20, 2012, for the escalation rate of 2012 shown in Appendix B. The escalation rates shall be made effective on January 1, 2013.

THEREFORE IT IS ORDERED:

1. Authority is granted under Public Utilities Code Section 454 to Spreckels Water Company to file a supplement to Advice Letter 17-A to make effective the revised schedules attached to this Resolution in Appendix B and concurrently cancels its presently effective Schedules Nos. 1, General Metered Service; and 2, Flat Rate Service. The effective date of the supplement to Advice Letter 17-A shall be five days after the date of filing.

2. The quantities (Appendix D) used to develop the Division of Water and Audits' recommendations are adopted.

3. Spreckels Water Company shall file a Tier 1 advice letter within 30 days from the effective date of this resolution to revise the following rules in its tariff book to meet the current Commission standard: Title Page; Preliminary Statement; Rules 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 9, Rendering and Payment of Bills; 10, Disputed Bills; 11, Discontinuance and Restoration of Service; 20, Water Conservation; 21, Fire Protection; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service. The advice letter shall become effective five days after the date of filing.

4. Spreckels Water Company shall file a Tier 2 advice letter on or before November 20, 2012, for the escalation year 2012 rates shown in Appendix B. The escalation rates shall become effective on January 1, 2013.

5. Spreckels Water Company shall not request recovery of the Consumer Price Index for years 2011 and 2012.

6. This resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on March 22, 2012; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A
Sheet 1
Spreckels Water Company
Summary of Earnings – Test Year 2011

Item	Utility Estimated Present Rates	Utility Estimated Requested Rates	Branch Estimated Present Rates	Branch Estimated Requested Rates	Recommended Test Year 2011 Rates
Operating Revenue					
Unmetered Water Revenue	$64,016	$0	$111,707	$0	$0
Metered Water Revenue	$53,945	$418,809	$64,477	$237,708	$237,708
Private Fire Protection	$1,207	$1,207	$1,420	$1,420	$1,420
Other Water Revenue	$150	$150	$0	$0	$0
Total Operating Revenue	$119,318	$420,166	$177,604	$239,128	$239,128
Operating Expenses					
Purchased Water	$0	$0	$0	$0	$0
Purchased Power	$15,000	$15,000	$15,000	$15,000	$15,000
Other Volume Related Expenses	$0	$0	$3,651	$3,651	$3,651
Employee Labor	$0	$0	$0	$0	$0
Materials	$3,753	$3,753	$0	$0	$0
Contract Work	$67,999	$67,999	$67,999	$67,999	$67,999
Water Testing	$0	$0	$1,170	$1,170	$1,170
Transportation Expenses	$0	$0	$0	$0	$0
Other Plant Maintenance	$29,677	$29,677	$24,178	$24,178	$24,178
Office Salaries	$0	$0	$0	$0	$0
Management Salaries	$0	$0	$0	$0	$0
Employee Benefits	$0	$0	$0	$0	$0
Uncollectibles Expense	$0	$0	$0	$0	$0
Office Services & Rentals	$0	$0	$0	$0	$0
Office Supplies & Expenses	$1,027	$1,027	$1,027	$1,027	$1,027
Professional Services	$20,646	$20,646	$2,339	$2,339	$2,339
Insurance	$0	$0	$0	$0	$0
Regulatory Commission Expense	$0	$0	$300	$300	$300
General Expenses	$9,973	$9,973	$3,739	$3,739	$3,739
Subtotal	$148,075	$148,075	$119,403	$119,403	$119,403
Depreciation	$65,216	$65,216	$25,745	$25,745	$25,745
Taxes other than Income	$808	$808	$0	$0	$0
Income Taxes	$0	$49,123	$7,307	$25,686	$25,686
Interest	$0	$0	$0	$0	$0
Total Deductions	$214,099	$263,222	$152,455	$170,834	$170,834
Net Revenue/Operating Margin	($94,781)	$156,944	$25,149	$68,293	$68,293
Rate Base					
Average Plant	$1,283,944	$1,283,944	$1,029,798	$1,029,798	$1,029,798
Ave. Accumulated Depreciation	$0	$0	$190,265	$190,265	$190,265
Net Plant	$1,283,944	$1,283,944	$839,533	$839,533	$839,533
Less Advances	$0	$0	$0	$0	$0
Contributions	$0	$0	$0	$0	$0
Plus Working Cash	$0	$0	$0	$0	$0
Materials & Supplies	$0	$0	$0	$0	$0
Rate Base:	$1,283,944	$1,283,944	$839,533	$839,533	$839,533
Rate of Return	**-7.38%**	**12.22%**	**3.00%**	**8.13%**	**8.13%**

APPENDIX A
Sheet 2
Spreckels Water Company
Summary of Earnings –Escalation Year 2012

Item	Utility Estimated Present Rates	Utility Estimated Requested Rates	Branch Estimated Present Rates	Branch Estimated Test Year 2011 Rates	Recommended Escalation 2012 Rates
Operating Revenue					
Unmetered Water Revenue	$64,016	$0	$111,707	$0	$0
Metered Water Revenue	$53,945	$418,809	$64,477	$237,708	$302,380
Private Fire Protection	$1,207	$1,207	$1,420	$1,420	$1,420
Other Water Revenue	$150	$150	$0	$0	$0
Total Operating Revenue	$119,318	$420,166	$177,604	$239,128	$303,800
Operating Expenses					
Purchased Water	$0	$0	$0	$0	$0
Purchased Power	$15,000	$15,000	$15,000	$15,000	$15,000
Other Volume Related Expenses	$0	$0	$3,651	$3,651	$3,651
Employee Labor	$0	$0	$0	$0	$0
Materials	$3,753	$3,753	$0	$0	$0
Contract Work	$67,999	$67,999	$67,999	$67,999	$67,999
Water Testing	$0	$0	$1,170	$1,170	$1,170
Transportation Expenses	$0	$0	$0	$0	$0
Other Plant Maintenance	$29,677	$29,677	$24,178	$24,178	$24,178
Office Salaries	$0	$0	$0	$0	$0
Management Salaries	$0	$0	$0	$0	$0
Employee Benefits	$0	$0	$0	$0	$0
Uncollectibles Expense	$0	$0	$0	$0	$0
Office Services & Rentals	$0	$0	$0	$0	$0
Office Supplies & Expenses	$1,027	$1,027	$1,027	$1,027	$1,027
Professional Services	$20,646	$20,646	$2,339	$2,339	$2,339
Insurance	$0	$0	$0	$0	$0
Regulatory Commission Expense	$0	$0	$300	$300	$300
General Expenses	$9,973	$9,973	$3,739	$3,739	$3,739
Subtotal	$148,075	$148,075	$119,403	$119,403	$119,403
Depreciation	$65,216	$65,216	$25,745	$25,745	$25,745
Taxes other than Income	$808	$808	$0	$0	$0
Income Taxes	$0	$49,123	$7,307	$25,686	$53,679
Interest	$0	$0	$0	$0	$0
Total Deductions	$214,099	$263,222	$152,455	$170,834	$198,827
Net Revenue/Operating Margin	($94,781)	$156,944	$25,149	$68,293	$104,973
Rate Base					
Average Plant	$1,283,944	$1,283,944	$1,029,798	$1,029,798	$1,029,798
Ave. Accumulated Depreciation	$0	$0	$190,265	$190,265	$190,265
Net Plant	$1,283,944	$1,283,944	$839,533	$839,533	$839,533
Less Advances	$0	$0	$0	$0	$0
Contributions	$0	$0	$0	$0	$0
Plus Working Cash	$0	$0	$0	$0	$0
Materials & Supplies	$0	$0	$0	$0	$0
Rate Base:	$1,283,944	$1,283,944	$839,533	$839,533	$839,533
Rate of Return	**-7.38%**	**12.22%**	**3.00%**	**8.13%**	**12.50%**

(END OF APPENDIX A)

APPENDIX B

Spreckels Water Company

SCHEDULE NO. 1

GENERAL METERED SERVICE
Test Year 2011

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Spreckels and vicinity, located approximately 4-1/2 miles southwest of the City of Salinas, Monterey County.

RATES

	Per Meter Per Month	
Quantity Rates:		
All water served, per 100 Cubic Feet	$ 0.8001	
Service Charge:		
For 5/8 x ¾ - inch meter	$ 15.00	
For 3/4 - inch meter	$ 22.50	
For 1- inch meter	$ 37.50	
For 1 1/2- inch meter	$ 75.00	(I)
For 2- inch meter	$120.00	
For 3- inch meter	$225.00	
For 4- inch meter	$375.00	
For 6- inch meter	$750.00	(I)

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

SPECIAL CONDITIONS

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

APPENDIX B

Spreckels Water Company

SCHEDULE NO. 1

GENERAL METERED SERVICE
Escalation Year 2012

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Spreckels and vicinity, located approximately 4-1/2 miles southwest of the City of Salinas, Monterey County.

RATES

	Per Meter Per Month	
Quantity Rates:		
All water served, per 100 Cubic Feet	$ 1.1276	(I)
Service Charge:		
For 5/8 x ¾ - inch meter	$ 16.05	(I)
For 3/4 - inch meter	$ 24.07	
For 1- inch meter	$ 40.12	
For 1 1/2- inch meter	$ 80.23	
For 2- inch meter	$128.37	
For 3- inch meter	$240.69	
For 4- inch meter	$401.15	
For 6- inch meter	$802.30	(I)

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

SPECIAL CONDITIONS

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

(END OF APPENDIX B)

APPENDIX C
Spreckels Water Company
COMPARISON OF RATES

A comparison of Spreckels' present rates and the Division's recommended rates is shown below:

TEST YEAR 2011

A Monthly bill comparison for a Residential customer with a 1-inch meter is shown below:

Usage CCF	Present Flat Rates	Recommended Rates	Amount Increase	Percent Increase
0	21.30	37.50	16.20	76.1%
10	21.30	45.50	24.20	113.6%
17*	21.30	51.10	29.80	139.9%
20	21.30	53.50	32.20	151.2%
30	21.30	61.50	40.20	188.7%

Usage CCF	Present Metered Rates	Recommended Rates	Amount Increase	Percent Increase
0	37.50	37.50	0.00	0.0%
10	45.50	45.50	0.00	0.0%
17*	51.10	51.10	0.00	0.0%
20	53.50	53.50	0.00	0.0%
30	61.50	61.50	0.00	0.0%

* Average metered residential monthly usage, Ccf.

ESCALATION YEAR 2012

A Monthly bill comparison for a residential customer with a 1-inch meter is shown below:

Usage CCF	2011 Test Year Rates	Recommended Rates	Amount Increase	Percent Increase
0	37.50	40.12	2.62	7.0%
10	45.50	51.40	5.90	13.0%
17*	51.10	59.29	8.19	27.04%
20	53.50	62.67	9.17	17.1%
30	61.50	73.95	12.45	20.2%

(END OF APPENDIX C)

* Average metered residential monthly usage, Ccf

APPENDIX D
Spreckels Water Company
ADOPTED QUANTITIES – TEST YEAR 2011

1. Purchased Power	
Total Cost	$ 15,000
2. Water Sales in Ccf	113,105
3. Service Connections - Meter Size	
5/8 x 3/4"	2
3/4"	0
1"	278
1-1/2"	1
2”	12
3”	4
4”	2
6”	0
Total Metered	299

Adopted Tax Calculation Test Year 2011

1. Operating Revenues	$239,128
2. Expenses	$119,403
3. Depreciation	$ 25,745
4. Taxable Income for State Tax	$ 93,980
5. State Tax (min 800)	$ 8,308
6. Taxable Income for FIT	$ 85,672
7. Federal Tax	$ 17,378

Adopted Tax Calculation Escalation Year 2012

1. Operating Revenues	$303,800
2. Expenses	$119,403
3. Depreciation	$ 25,745
4. Taxable Income for State Tax	$158,652
5. State Tax (min 800)	$ 14,025
6. Taxable Income for FIT	$144,627
7. Federal Tax	$ 39,655

(END OF APPENDIX D)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution W-4909 on all parties in this filing or their attorneys as shown on the attached list.

Dated February 21, 2012, 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.

575585

SERVICE LIST
DRAFT RESOLUTION W-4909

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