

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



December 12, 2006

Draft Resolution No. W-4628  
Agenda ID #6243

TO: Parties to Tahoe Park Water Company's General Rate Increase

This is the draft Resolution of the Water Division. This draft Resolution will not appear on the Commission's agenda for at least 30 days after the date it is mailed. The Commission may act then, 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 or modify it, or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

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

Sazedur Rahman  
Water Division, California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102  
Fax: 415-703-4426

Any comments on the draft Resolution must be received by the Water Division by January 2, 2007. Those submitting comments must serve a copy of their comments on 1) the service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Water Division, on the same date that the comments are submitted to the Water Division.

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 an appendix setting forth the proposed findings and ordering paragraphs. Replies to Comments are due on January 8, 2007.

Comments shall focus on factual, legal or technical errors in the draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Late submitted comments will not be considered.

/s/ KEVIN P. COUGHLAN  
Kevin P. Coughlan  
Director  
Water Division

Enclosures: Draft Resolution W-4628  
Certificate of Service  
Service List

WATER/SNR/MRB:jrb

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

WATER DIVISION

RESOLUTION W-4628

January 11, 2007

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

**(RES. W-4628), TAHOE PARK WATER COMPANY (TPWC). ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUE OF \$114,781 OR 55.6% IN 2007.**

**BY DRAFT ADVICE LETTER ACCEPTED ON APRIL 21, 2006**

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**SUMMARY**

This Resolution grants TPWC an increase in gross annual revenue of \$114,781 or 55.6%, for test year 2007. The increase will provide a 13.0% rate of return on rate base for Test Year 2007.

**BACKGROUND**

TPWC, by draft advice letter accepted on April 21, 2006, requested authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase overall rates for water service by \$172,000 (84.1%) in Test Year 2007. TPWC's request shows year 2006 gross revenue of \$205,458 at present rates increasing to \$377,364 at proposed rates to produce a 14% rate of return on rate base.

TPWC's present rates became effective on June 13, 2006 pursuant to Resolution W-4562, which authorized an increase in revenue of \$6,205 or 3.4%, to cover a Consumer Price Index increase and increased electric rates.<sup>1</sup> The last General Rate Increase was granted on January 5, 1995, pursuant to Resolution W-3905, which authorized an increase of \$11,950 or 10.28% in gross revenues. This resulted in an 11.55% return on the 1994 rate base.

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<sup>1</sup> In addition, a Safe Drinking Water Bond Act (SDWBA) surcharge was discontinued. A one-time surcharge was approved to reimburse the company for Department of Health Services fees for the years 2003 through 2005, and a one-time surcharge was approved to offset the increased cost of electric power for the last 5 years.

## **System Description**

TPWC is a Class C water utility and serves approximately 520 customers in two noncontiguous service areas near Lake Tahoe, approximately 2 miles south of Tahoe City. Considered separately, each of the two service areas (Tahoe Park Main service area [TPSA], with approximately 435 customers and Skyland-Nielsen Service Area [SNSA] with approximately 85 customers) would be Class D water utilities. The water company has grown by annexing smaller areas. The Skyland area and the Nielsen area at one time were separate mutual companies which requested service from Tahoe Park Water; later these two areas were joined by a main to become the Skyland-Nielsen service area. The SNSA is about one mile away from the TPSA.

The majority of connections in TPWC are residential, with 9 commercial customers and 3 connections to parks. TPWC currently has three flat rate tariffs: one for Tahoe Park Main, one for Skyland-Nielsen<sup>2</sup> and one for private fire service connections. TPWC also has a metered rate tariff, for Tahoe Park Main only. Most connections are flat rate, with 38 metered connections in the TPSA. One meter has recently been installed in the SNSA; the customer is being charged a flat rate until a metered rate tariff is approved for the SNSA.

Each district has one well to provide all its water. The wells were built to replace the former intakes from Lake Tahoe, as required by the Department of Health Services' Surface Water Treatment Rule, which was issued around 1995. The Rule requires that surface water cannot be provided without treatment which includes filtration, except in an emergency such as a fire. A spring in the TPSA, a former water source, has been abandoned.

In addition to wells, over 7,000 feet of 6" and 8" main have been added or have replaced other pipe since 1995. The two service areas have about 28,000 feet of mains.

Tahoe Park Main has an old 10,000-gallon redwood tank, a 40,000-gallon steel tank and a 4,000-gallon hydropneumatic tank at the Washoe well. Skyland-Nielsen has a 20,000-gallon redwood tank and a 2,000-gallon hydropneumatic tank at the Nielsen well. Since

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<sup>2</sup> The current Tahoe Park Main tariff is \$47.03 higher than the Skyland-Nielsen tariff and has a \$7.58 pumping zone adder. The current Skyland-Nielsen tariff has a \$40.24 pumping adder.

the system has inadequate storage to provide enough pressure or fire flow, the system operator is considering building a 200,000-gallon tank.

TPWC's maximum and average demands are unknown, because the system did not use production meters when pumping from Lake Tahoe. Water sales show that metered customers used about 38,000 Ccf last year. Staff's rough estimate of total production per year is about 200,000 Ccf, with a 3/4" X 3/4" meter customer using 415 Ccf per year.

### **System Ownership**

On February 28, 1997, Mr. Rick Dewante applied to purchase TPWC from David R. Robertson. Commission Decision 97-08-021 denied the application without prejudice. Mr. Dewante has been operating and managing the company since then. Branch considers Mr. Dewante to be the operator rather than the owner. He intends to reapply to the Commission in 2007 for ownership of TPWC.

### **General Office**

TPWC's general office is at 1759 Washoe Way, Tahoe City, CA 96145. Some TPWC records are kept in El Dorado, California, where Mr. Dewante has an office for another business.

### **DISCUSSION**

TPWC filed a draft advice letter accepted by the Water Branch of the Water Division (Branch) on April 21, 2006 requesting authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$172,000 or 84.1% in Test Year 2007, to provide sufficient income to pay operating and administrative expenses and to provide the operator of the utility with a return on equity commensurate with financial risk taken. TPWC's request shows gross revenues of \$205,458 at present rates, which would increase to \$377,364 at proposed rates.

The present rates were established on June 13, 2006 pursuant to Resolution W-4562, which authorized an offset rate increase based on the most recent Consumer Price Index; and on the increased electric rates of Sierra Pacific Power Company.

This report recommends a revenue increase of \$114,781 or 55.6% for Test Year 2007 resulting in total revenues of \$321,361. This would give a 13.0% return on rate base.<sup>3</sup>

### **Summary of Earnings**

The Branch made an independent analysis of TPWC's summary of earnings. Appendix A shows TPWC's and the Branch's estimates of the summary of earnings at present, requested, and recommended rates for Test Year 2007. The final column shows the revenues and expenses recommended by the Branch.

Branch's estimate of revenues at present rates is \$1,122 higher than TPWC's. Branch calculated revenues based on current tariff rates and customers, and excluded the Commission user fee because it is not revenue to the company.

Branch's estimate of revenues at proposed rates is \$56,003 lower than TPWC's because:

1. TPWC's estimate of rate base is about \$25,800 less than the Branch rate base;
2. TPWC's estimated operating expenses and deductions are about \$3,900 higher than Branch;
3. TPWC requests a 14.0% return on rate base while Branch recommends 13.0%;
4. TPWC's estimate of revenue includes the Commission user fee. Branch excludes it; and
5. TPWC's list of recoverable expenses includes \$47,630 of interest. Branch excludes it.

### **Operating Expenses**

#### Account 615 - Purchased Power

TPWC's estimated purchased power for 2007 is \$31,311. Power bills reviewed for 2005 add up to \$28,196, the amount of the Branch estimate. Pumping costs for SNSA customers in 2005 were \$14,082, averaging \$165.67 per connection. Costs for TPSA in 2005 were \$14,114, averaging \$33.69 per connection.

#### Account 630 - Employee Labor

TPWC's salaries as shown included payroll taxes. Branch figures use the same salaries without payroll taxes. Those are included in Taxes Other Than Income.

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<sup>3</sup> A 25% return on margin would be only \$51,351 and would give a return on rate base of only 5.8%.

Account 670 – Office Salaries

TPWC's salaries as shown included payroll taxes. Branch shows the same salaries without payroll taxes. Those are included with Taxes Other Than Income.

Account 671 – Management Salaries

TPWC's salaries as shown include payroll taxes. Branch shows those salaries without payroll taxes. Those are included with Taxes Other Than Income.

Account 682 – Professional Expenses

TPWC contracts with another firm for handling customer billing, payroll, payables, receivables, tax return preparation, and engineering services. This takes the place of having separate staff and office facilities to do this in Tahoe City. Branch accepts TPWC's estimate of \$16,000 per year for professional expenses.

Account 689 – General Expense.

TPWC's workpapers show an entry for Account 689 – "General Expense, Plus Interest". Under the Uniform System of Accounts, Account 689 is simply "General Expenses". Branch moved the interest portion of TPWC's estimate from Account 689 to Account 427 – Interest Expense, which is below the line and not used for ratemaking purposes.

Account 403 – Depreciation Expense

Branch calculated a combined depreciation rate for TPWC's depreciable plant in service, and found a net depreciable plant of \$967,916 (depreciable plant minus contributions and advances) as of February 28, 2006. Branch calculated a new combined depreciation rate for 2005-2006 of 2.236% on net depreciable plant. Branch's depreciation expense of \$22,901 is \$369 less than TPWC's expense.

Account 408 – Taxes Other Than Income

Branch's estimate is \$4,652 higher than that of TPWC because payroll taxes on employee labor, office salary, and management salary are included in Branch's estimate but not in TPWC's.

Account 409 – Income Taxes

The Branch estimate for taxes is \$6,249 less because Branch estimates a lower net income before taxes.

Account 427 – Interest Expense

Branch did not allow \$47,630 of interest expense as a deduction for ratemaking. Loans for which TPWC requested interest have not been approved by the Commission.<sup>4</sup> The loans consist of promissory notes by Rick Dewante acting for TPWC to other businesses owned by Mr. Dewante.

### **Rate Base**

Branch rate base is \$25,803 more than that of TPWC. Branch calculations show \$43,153 less for plant in service, primarily because TPWC had counted Skyland-Nielsen's plant in service twice. Branch shows \$7,271 less for contributed plant, and \$1,397 less for working cash. Branch shows \$68,522 less for depreciation reserve; TPWC did not deduct retired plant in service from the depreciation reserve and incorrectly included amortization of contributed plant. To estimate working cash, TPWC used one month's expenses and deductions minus power costs; Branch used 6 months' expenses minus advance payments for water service. Branch's estimate for working cash is \$6,837 less than TPWC's.

### **Plant-In-Service**

#### Intangible Plant

Branch disallowed \$4,701 of 1996 legal costs associated with system purchase and a lawsuit against Tahoe Area Regional Transportation. Per the Uniform System of Accounts this is an expense item and cannot be capitalized.

#### Structures

Branch disallowed \$37,980 from structures already included in individual accounts as Skyland-Nielsen plant in service, and subtracted \$500 for a pump house at Sierra Estates Beach which no longer exists.

#### Reservoirs, Tanks and Standpipes

Branch included \$4,160 for Skyland-Nielsen tanks not listed by TPWC and subtracted \$1,000 for a tank which was demolished with the Sierra Estates beach pump house.

#### Other Equipment

Branch disallowed \$2,000 of non-equipment plant.

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<sup>4</sup> The only loans for which Branch would recommend approval would be loans to construct utility plant. TPWC would be entitled to an 8% return on plant built on borrowed money rather than the recommended 13.0% on equity funded plant.

### **Annual Reports**

TPWC has not filed a regular Annual Report since 1995. A report covering the period from January 1, 1997 through December 31, 2005 was received on April 3, 2006. It is not complete or correct. TPWC's Annual Report for 2006 needs to show the correct adopted Plant-In-Service, and the correct list of storage facilities, water mains, meters and services, contributions, and depreciation reserve. TPWC must also file new service area maps for the tariff book, showing all lots served and excluded.

### **FIELD INVESTIGATION, NOTICE, CUSTOMER COMPLAINTS, AND PUBLIC MEETING.**

#### **Field Investigation**

On July 9, 2006, Branch inspected TPWC records in El Dorado, California. Records inspected included bills for equipment, for well drilling, for plant in service and for electrical power. On July 10, 2006, Branch looked at the entire service area and inspected well sites, lake water intakes, pumps, workshop and office.

#### **Notice To Customers**

On July 12, 2006, a Notice of Proposed Rate Increase was mailed to all customers announcing TPWC's request to increase water rates by 64.6% for the TPSA and by 223.8% for the SNSA. Proposed new rate schedules were included. The notice announced a public meeting for August 8, 2006.

#### **Customer Complaints**

Complaints were received at the public meeting, by mail, by e-mail, and by telephone. At the public meeting, customers focused on the unusually large amounts of the proposed increases and lack of communication from Mr. Dewante to customers. They said they would have liked smaller rate increases over the last ten years instead of a sudden extremely large increase. Other complaints included water quality problems, plumbing deterioration due to acidic water (high CO<sub>2</sub>), a water system outage of 4 days due to power company electrical failure, a lack of fire fighting capacity, and "a huge rate increase that goes on forever."

Protests received by mail, e-mail, and telephone included objections to the proposed amount of increase, complaints about outages and about water quality, and about inadequate communication from water company to customers. Some customers complained about the much higher proposed increase for Skyland-Nielsen residents.

### **Public Meeting**

A public meeting was held on August 8, 2006, between 6:00 PM and 9:30 PM. at the Fairway Community Center in Tahoe City. Attendees included Martin Bragen representing the Commission; Terry Macaulay representing the Drinking Water Program Services, District 9, of the California Department of Health Services (DHS); Rick Dewante representing Tahoe Park Water Company; his consultant, Gary Jennings; and about 50 water company customers.

Mr. Bragen opened the meeting, introduced the DHS representatives and TPWC representatives, and explained the purpose of the meeting and CPUC's role. He then had TPWC representatives explain the reasons for the requested rate increase. Following this, customers' questions were answered by TPWC representatives, Mr. Bragen and Ms. Macaulay.

In addition to complaints, water company customers said they wanted the system improved so an electrical power failure will not result in a water outage. Use of fixed generators, portable generators, storage tanks, and an emergency cross-connection to the Tahoe City Public Utilities District (PUD) were discussed.

Some customers objected to TPWC using well water instead of continuing to use water from Lake Tahoe. Mr. Dewante explained that the State Department of Health Services would no longer allow use of Lake Tahoe water without a filter system. Ms. Macaulay of DHS noted that lake water might contain giardia, bacteria, viruses, and other contaminants from animals or humans. A filter plant would be needed to remove contaminants. Mr. Dewante explained that a filter plant would need land, a trained operator, and maintenance.

Customers using water from the Nielsen well are concerned about their health. Dissolved copper and lead in the water at some homes stains sinks and washing machines and turns hair green.

The current Nielsen well was built to replace a previous well which had no screens and an inadequate pump. After it was built and put in service in 2005, excess carbon dioxide entered the well water making it slightly acidic. According to DHS, the acidity of the water is not a health problem. However, the acidity makes the water corrosive. It leaches copper and lead from customer service lines and plumbing; this causes the water quality problems inside customer houses. TPWC is working with a DHS consultant to find ways to correct the problem. The previous well was sealed and was removed from plant in service.

### **Rate Design**

TPWC proposes to increase SNSA flat rates by 223.8% and TPSA flat and metered rates by 64.6%. SNSA meter service charges would be 96.7% higher than TPSA rates. There would be no change in the rate for fire protection service. This rate design would have customers in each service area paying for improvements in their own area.

The SNSA and TPSA are not adjacent to each other, and the two water systems are not connected. The argument may be made that improvements made to one service area should not be paid for by customers of the other service area. However, in Resolution W-3905 of January 5, 1995, the Commission accepted the linking of the costs of the two service areas for ratemaking purposes. At that time, rate base, office expenses, maintenance and other expenses per customer except power costs were similar. Power costs for the SNSA were higher than for TPSA primarily due to SNSA's greater vertical distance from Lake Tahoe, the company's water source at that time. The Commission approved basic rates that were similar for 3/4" flat rate water customers in both service areas, but included a higher Pumping Zone Adder in SNSA for higher power costs.

Branch proposes that the Commission retain the linking of the costs and rate base of the two service areas for ratemaking purposes, as in 1995. Except for power, the office expenses, maintenance, and other expenses per customer are still similar. As plant improvements in TPSA are made in the future, rate base per customer will be similar in both service areas.

Branch proposes to retain cost linking for ratemaking purposes because without this linking, SNSA customers would have a much larger rate increase than TPSA. The water company has not had a general rate increase since January of 1995. Since then, SNSA has added about \$244,000 in rate base, primarily for a new well and new mains. Because the SNSA has only 85 customers, rates would have to increase from \$275.92 to \$817.75 per year for flat rate customers (a 196% increase) if the Skyland-Nielsen service area were treated as a separate unit for ratemaking purposes.

TPSA has added about \$492,000 in rate base since 1995, primarily for a new well and mains. Because TPSA has 435 customers, rates would increase from \$284.15 to \$428.42 per year for 3/4" flat rate customers, a 50.8% increase, if TPSA is treated as a separate unit for ratemaking purposes.

With rate bases for TPSA and SNSA combined, and flat rate customers of each service area paying the same rate and paying their own electricity costs, TPSA rates will increase from \$284.15 to \$471.46 per year for 3/4" flat rate customers, a 65.9% increase. Since the cost of electricity for SNSA customers is \$131.98 more per year than for TPSA customers, SNSA flat rates will increase from \$275.92 per connection to \$603.44 per connection. This will be a 119% increase.

The rate for private fire protection service will rise from \$118.30 to \$198.12, a 67.5% increase.

New metered rate schedules for SNSA would be added to the company's tariffs. The rates would be the same as TPSA metered rates plus an additional amount for pumping expense.

Branch proposes that rates for TPSA metered customers not be changed in this proceeding. Comparison of metered rates and flat rates in TPSA shows that the cost to metered customers is much higher than to flat rate customers. At current rates and average water usage, a customer with a ¾" meter pays \$626.46 per year for service charge plus water, while a flat rate customer with the same ¾" connection pays only \$284.15. At the Branch-proposed rates for Test Year 2007, the average metered customer with a ¾" meter will still pay \$626.46 per year, while a flat rate customer with the same ¾" connection will pay \$471.46.

TPWC should meter all its flat rate water customers in the future. Installation of meters will promote conservation of its water resources as well as provide TPWC with information on water losses. TPWC must submit a plan to meter all its flat rate customers at the time of its next general rate case filing.

### **Cost of Capital**

#### Rate Of Return on Rate Base

TPWC has requested a rate of return on rate base of 14.0%. Effective February 27, 2006, the Water Division's Utility Audit, Finance, and Compliance Branch (A&C) recommends a rate of return on rate base from 12.00% to 13.00% for 100%-equity-financed Class C water companies [those with 500 to 2,000 customers]. TPWC is a Class C water company with 520 active customers. The Water Branch of the Water Division recommends the maximum rate of return on rate base authorized for a Class C water company, 13.0%. With a rate base of \$878,694 this would require a net revenue of \$114,230 after expenses and deductions.

#### Rate Of Margin

A&C recommends a rate of margin of 23% for Class C water companies. For Class D water companies A&C recommends a rate of margin of 25%. The rate of margin is a percentage of the sum of operating expenses plus taxes and depreciation. A 25% rate of margin would be \$53,636.

#### Rate of Return on Rate Base Selected

As required by the Commission in Resolution W-4524 of March 17, 2005, both Rate of Return on Rate Base and Rate of Margin must be calculated. Decision 92-03-093 of

March 31, 1992 requires that Branch recommend the option which gives the water company the greater return. Rate of Return on Rate Base has been selected because it will provide the greater revenue to the utility.

### **SDWBA Overcollection**

On January, 2005, TPWC made its final payment on a Safe Drinking Water Bond Act (SDWBA) loan. By Resolution W-4562 of September 22, 2005, the Commission authorized termination of the SDWBA surcharge, required an audit of the SDWBA Trust Account, and ordered that TPWC reimburse its customers for any surcharge overages or overcollection when authorized by the Commission. An October 16, 2006 report by the A&C found that there was a balance in the Trust Account of \$20,231.04. The report recommended the balance, plus any interest accrued in the bank account until the time of distribution, be distributed back to the ratepayers.

### **COMMENTS**

Pursuant to PU Code Section 311(g)(1), this resolution is mailed to interested parties for a 30-day public review and comment.

### **FINDINGS**

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. It is reasonable to combine rate bases and expenses for the two service areas for ratemaking purposes.
3. The rate increase proposed by the Branch is justified and the resulting rates are just and reasonable.
4. The rates proposed by the Branch (Appendix B) are reasonable and should be adopted.
5. The quantities (Appendix D) used in preparation of this resolution are reasonable and should be adopted.
6. Repayment of customers for the overcollection of SDWBA surcharge, plus accrued interest, is just and reasonable.
7. TPWC has not filed a correct Annual Report since 1995, and the service area maps in the tariff book are not correct.
8. TPWC has 482 flat rate customers, and 38 customers with meters. The company should have a plan to meter all its flat rate customers.

**THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 to Tahoe Park Water Company, to file an advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate Schedules Nos. 1A, General Metered Service; 2RA-TP and 2RA-Sky, Residential Flat Rate Service; and 4, Private Fire Protection Service. The effective date of the revised schedules shall be five days after the date of filing.
2. Tahoe Park Water Company is authorized to increase its annual revenues by \$120,392 or 58.3% for test year 2007.
3. Rate bases and expenses except electricity for the Tahoe Park Main service area and Skyland-Nielsen service area shall be combined for ratemaking purposes.
4. Tahoe Park Water Company shall correct its Annual Reports to show the adopted quantities, the listing of storage facilities, water mains, meters and services, contributions and depreciation reserve. The next Annual Report is due by March 31, 2007.
5. Tahoe Park Water Company shall file new service area maps for the tariff book, showing all lots served and excluded, by March 31, 2007.
6. Tahoe Park Water Company shall give a surcredit to repay customers from the SDWBA Trust Account, until the balance of the overpayment plus interest is zero. Repayment shall be complete by July 31, 2008. Tahoe Park Water Company shall notify Water Branch when repayment has been completed.
7. Tahoe Park Water Company is ordered to submit a plan to meter all its flat rate customers at the time of its next general rate case filing.
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 January 11, 2007; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

**APPENDIX A  
TAHOE PARK WATER COMPANY  
SUMMARY OF EARNINGS  
TEST YEAR 2007**

	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	
<b><u>Operating Revenue</u></b>					
Flat Rates	\$149,346	\$274,305	\$147,797	\$257,455	\$257,455
Metered Rates	57,788	106,138	57,005	60,641	60,641
Other Revenue	1,778	3,265	1,753	3,265	3,265
CPUC Fees	(3,454)	(6,344)	--	--	--
Total	205,458	377,364	206,555	321,361	321,361
<b><u>Operating Expenses</u></b>					
Power	31,311	31,311	28,196	28,196	28,196
Other Volume Related	1,846	1,846	1,846	1,846	1,846
Employee Labor	25,099	25,099	22,770	22,770	22,770
Materials	9,224	9,224	9,224	9,224	9,224
Contract Work	5,314	5,314	5,314	5,314	5,314
Transportation Expense	5,637	5,637	5,637	5,637	5,637
Other Plant Maintenance	1,117	1,117	1,117	1,117	1,117
Office Salaries	3,458	3,458	3,116	3,116	3,116
Management Salaries	18,612	22,000	18,355	19,958	19,958
Employee Pen. & Ben.	4,149	4,149	4,149	4,149	4,149
Uncollectible Expense	1,107	1,107	1,107	1,107	1,107
Office Supplies Expense	4,436	4,436	4,436	4,436	4,436
Professional Services	13,028	16,000	16,000	16,000	16,000
Insurance	4,419	4,419	4,419	4,419	4,419
Regulatory Comm. Exp.	5,430	5,430	5,430	5,430	5,430
General Expense	2,714	2,714	2,714	2,714	2,714
Total Operating Expense	136,903	143,262	137,328	135,433	135,433
Depreciation Expense	23,270	23,270	22,901	22,901	22,901
Other Than Income Tax	3,947	9,981	14,483	14,483	14,483
Income Taxes	600	40,563	8,226	34,314	34,314
Total Deductions	177,112	217,075	181,043	207,130	207,130
Utility Operating Income	28,346	160,289	25,537	114,230	114,230
Interest Expense	(47,630)	(47,630)	0	0	0
Net Income	(19,284)	112,659	25,537	114,230	114,230
<b>RATE BASE</b>					
Average Plant	1,310,313	1,310,313	1,315,234	1,315,234	1,315,234
Avg. Accum. Deprec.	274,645	274,645	206,123	206,123	206,123
Net Plant	1,310,313	1,310,313	1,109,111	1,109,111	1,109,111
Add: Materials	10,000	10,000	10,000	10,000	10,000
Working Cash	19,253	20,147	13,310	13,310	13,310
Less: Contributions	203,717	203,717	194,977	194,977	194,977
Advances	58,750	57,281	58,750	58,750	58,750
<b>Rate Base</b>	803,923	804,817	878,694	878,694	878,694

<b><u>Rate Of Return</u></b>	0.86%	+14.0%	+2.91%	+13.0%	+13.0%
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Resolution W-4628  
Tahoe Park/Draft AL/SNR/MRB;jrb

**DRAFT**

January 11, 2007

(Continued)

**APPENDIX B  
PAGE 3  
TAHOE PARK WATER COMPANY**

**Schedule No. 1B  
(continued)**

**ANNUAL METERED Service**

**SPECIAL CONDITIONS (continued)**

2. The opening bill for metered service, except upon conversion from flat rate service, shall be established annual service charge and surcharge for the service. Where initial service is established after the first day of any year, the portion of such annual charge and surcharge applicable to the current year shall be determined by multiplying the annual charge and surcharge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge and surcharge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the annual charges and surcharge shall be due the customer.
3. The established billing cycle for water used is every six months. Meters will be read and quantity charges billed in accordance with this billing cycle, except that meters may be read and quantity charges billed during the winter season at greater intervals due to weather.
4. A one-time SDWBA over-collection refund will be made to each customer in proportion to the amounts collected before the surcharge was discontinued.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

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TAHOE PARK WATER COMPANY

Schedule No. 2RA - TP

ANNUAL RESIDENTIAL FLAT RATE Service

APPLICABILITY

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

TERRITORY

The unincorporated areas including Tahoe Park, Miramar Heights, and Tahoe Sierra Estates Subdivision, and vicinity, located adjacent to State Highway 89 approximately 1 to 2 miles south of the community of Tahoe City, Placer County.

RATES

Per Service Connection Per Year

For a single-family residential unit or small business served by a 3/4-inch or smaller service connection, including premises	\$471.46	(I)
For each additional single-family residential unit or small business establishment on the same premises and served from the same 3/4-inch or smaller diameter service connection.	\$377.17	(I)
For 1-inch diameter flat rate service	\$801.48	(I)

APPENDIX B  
PAGE 5  
TAHOE PARK WATER COMPANY

Schedule No. 2RA - Sky

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated areas including the Skyland and Nielsen Subdivision, and vicinity, located adjacent to State Highway 89 approximately 2 to 3 miles south of the community of Tahoe City, Placer County.

RATES

	<u>Per Service Connection Per Year</u>		
	<u>Base Charge</u>	<u>Pumping Adder</u>	
For a single-family residential unit or small business served by a 3/4-inch or smaller service connection, including premises	\$471.46	\$131.98	(I)
For each additional single-family residential unit or small business establishment on the same premises and served from the same 3/4-inch" or smaller diameter service connection	\$377.17	\$105.58	(N)       (N)
For 1-inch diameter flat rate service	\$801.48	\$237.56	(N)

Note: The pumping zone adder is an explicit part of the flat rate charge to reflect different pumping requirements in each of the service territories.

**APPENDIX B  
PAGE 6  
TAHOE PARK WATER COMPANY**

**Schedule No. 4**

**PRIVATE FIRE PROTECTION Service**

**APPLICABILITY**

Applicable to all water service furnished to private fire systems and to private fire hydrants.

**TERRITORY**

The unincorporated areas including Tahoe Park, Miramar Heights and Tahoe Sierra Estates Subdivision, and vicinity, located adjacent to State Highway 89 approximately 1 to 2 miles south of the community of Tahoe City, Placer County.

**RATES**

	<u>Per Service Per Year</u>	
For each inch of diameter of service connection	\$198.12	(I)

**APPENDIX C  
 TAHOE PARK WATER COMPANY  
 COMPARISON OF RATES**

METERED RATES

Tahoe Park Main .....	No Change
Skyland-Nielsen .....	First metered rate schedule. Rates are the same as Tahoe Park Main with electricity differential added.

FLAT RATES

	<u>Previous Rates</u>	<u>New Rates</u>	<u>Percent Increase</u>
Tahoe Park Main			
For a single-family residential unit or small business served by a 3/4-inch or smaller service connection, including premises	\$284.15	\$471.46	65.9%
For each additional single-family residential unit or small business establishment on the same premises and served from the same 3/4-inch or smaller service connection	\$228.44	\$377.17	65.1%
For 1-inch diameter flat rate service	\$473.84	\$801.48	69.1%
Per inch of diameter of service connection for private fire protection service	\$118.30	\$198.12	67.5%
Skyland-Nielsen			
For a single-family residential unit or small business served by a 3/4-inch or smaller service connection, including premises	\$275.92	\$603.44	118.7%
For each additional single-family residential unit or small business establishment on the same premises and served from the same 3/4-inch or smaller service connection	new	\$482.75	n/a
For 1-inch diameter flat rate service	new	\$1,025.85	n/a

**APPENDIX D  
 TAHOE PARK WATER COMPANY  
 ADOPTED QUANTITIES  
 TEST YEAR 2007**

Purchased Power	\$28,196
Property Tax	\$6,950
Management Salary	\$19,958

Service Connections

		Tahoe Park	Skyland-	
		Main	Nielsen	Total
Metered	5/8 X 3/4"	9	0	9
	3/4"	5	0	5
	1"	10	0	10
	1-1/2"	8	0	8
	2"	5	1	6
	3"	1	0	1
	Total	38	1	39
Flat Rate	3/4"	390	84	474
	Extra Units	39	0	39
	1-inch	4	0	4
Private Fire Protection		2	0	2
Total Inches =		16		

Income Tax Calculations

Operating Revenue	\$321,361
Operating Expenses	(\$135,433)
Depreciation	(\$22,901)
Other Than Income Taxes	(\$14,483)
Income Before Taxes	\$161,177
State Income Tax	\$13,131
Federal Income Tax	\$21,183
Total Income Taxes	\$34,314

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of draft Resolution No. W-4628 on all parties in these filings or their attorneys as shown on the attached list.

Dated December 12, 2006, at San Francisco, California.

/s/ JOSIE R. BABARAN  
Josie R. Babaran

NOTICE

Parties should notify the Water Division, Public Utilities Commission,  
505 Van Ness Avenue, Room 3106, San Francisco, CA 94102,  
of any change of address to insure that they continue to receive documents.  
You must indicate the Resolution number of the service list on which your  
name appears.

**TAHOE PARK WATER COMPANY  
General Rate Case Service List  
Draft Resolution No. W-4628**

Dale A. Brown  
Box 1303  
Tahoe City, CA 96145

Larry and Diane Bragg  
15971 Mt. Olive Rd.  
Grass Valley, CA 94545

Ken and Wanda Brent  
PO Box 823  
Homewood, CA 96141

Frank Brommenschenkel  
Frank B and Associates  
134 Davis St.  
Santa Paula, CA 93060

Lynn Clark  
Box 584  
Tahoe City, CA 96145

Harold L. Clark  
PO Box 978  
Crystal Bay, NV 89402

Rick Dewante  
Tahoe Park Water Co.  
PO Box 5627  
Tahoe City, CA 96145

Susan O. Elliott  
PO Box 6503  
Tahoe City, CA 96145

Rosemary T. French  
562 Noriega St.  
San Francisco, CA 94122

Libby Gregg  
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Homewood, CA 96141

Gary K. Jennings  
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Berkeley, CA 94710

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Sacramento, CA 95864

Terry Macaulay  
California Dept. of Health Services  
8955 Jackson Road, Suite 120  
Sacramento, CA 95826

Kevin and Jim Mauch  
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Tahoe City, CA 96145

Harry W. Philipp  
1339 - 42<sup>nd</sup> St.  
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Gerald Rockwell  
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Tahoe City, CA 96145

David John Rutter  
PO Box 5801  
Tahoe City, CA 96145

Dee Savasta  
Box 468  
Tahoe City, CA 96145

Georgia Santos  
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Los Altos, CA 94024

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Tahoe City, CA 96145

Tom Schimmer  
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Tahoe City, CA 96145

Robert E. Styles  
PO Box 7918  
Tahoe City, CA 96145

Sunnyside Resort  
**Attention: OX**  
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Tahoe City, CA 96145

Lee Van  
PO Box 89  
Tahoe City, CA 96145-0089

Rosie Walker  
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Sacramento, CA 95831

Rob Weston  
PO Box 126  
Homewood, CA 96141