

WATER/RSK/PTL/CCG/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4798
October 29, 2009

R E S O L U T I O N

**(RES. W-4798) THE SEA RANCH WATER COMPANY (TSRWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE
PRODUCING ADDITIONAL ANNUAL REVENUE OF \$444,660 OR
49.5% AND AN INCREASE IN RATES UNDER SCHEDULE F,
FACILITIES FEES FOR TEST YEAR 2009.**

SUMMARY

By Draft Advice Letter, filed on March 17, 2009, TSRWC seeks an increase in rates for water service to recover increased operating expenses and to provide an adequate rate of return. Via the same filing, TSRWC also requests authority to increase the current Facilities Fees contained under Schedule F. The Division of Water and Audits (Division) accepted this Draft Advice Letter as complete for filing on April 22, 2009.

This resolution grants a general rate increase in gross annual revenues of \$444,660 or 49.5% for Test Year 2009 and an increase in the Facilities Fee charge ranging from \$3,425 for new service with a 5/8-inch meter to \$85,625 for new service with a 4-inch meter. Although not part of TSRWC's original request, this resolution also modifies the Reserves Replacement Fund charge rate structure under Schedule R, Plant Improvement Fees. The gross annual revenues produced by the water service rates were estimated to provide an Operational Rate of Margin (ROM) of 23%.

BACKGROUND

TSRWC has requested authority under General Order 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase rates for water service to produce additional revenues of \$535,814 or 60.5%. TSRWC's request shows 2009 gross revenues of \$885,860 at present rates increasing to \$1,421,674 at proposed rates to produce a ROM of 23%. TSRWC's request also seeks to increase the Facilities Fee charge to reflect its adopted future capital improvement plan with a fee structure based on a proportionate meter size.

TSRWC's present rates became effective on April 15, 2009, pursuant to a Consumer Price Index increase of 0.1%, pursuant to Decision (D.) 92-03-093 effective April 30, 1992.

The last general rate increase became effective on June 16, 2005, pursuant to Resolution (Res.) W-4539, which authorized a rate increase of \$146,904 or 22.98% for Test Year 2004 and a ROM of 24%. The above mentioned resolution also established the original Facilities Fee tariff.

TSRWC, a California Corporation and a Class C water utility under the Commission's jurisdiction, is a fully-owned subsidiary of The Sea Ranch Association (TSRA), a non-profit mutual benefit corporation. The majority of TSRWC's customers are also voting members of TSRA.

As of December 31, 2008, TSRWC serves approximately 1,806 metered customers and two irrigation customers in the vicinity of The Sea Ranch - a coastal resort and residential development - located halfway between Point Reyes and Fort Bragg, bisected by State Highway 1, approximately 7 miles southeast of Gualala, Sonoma County. Approximately one-third of the residences at The Sea Ranch are occupied year round, with the balance used as vacation properties occupied primarily in the summer.

TSRWC pumps its water from wells situated near the South Fork of the Gualala River. The State Water Resources Control Board restricts TSRWC from pumping water when river flows fall below set limits, at which time the water supply source is switched to a 90-million gallon open reservoir owned by TSRWC. The reservoir is filled during times when the wells are in use and simultaneously feeding water to the system.

In addition to its Commission-regulated water service, TSRWC provides unregulated services through an agreement with the Sonoma County Water Agency (SCWA) to maintain and operate two of the agency's wastewater treatment plants. Sea Ranch also engages in other affiliate transactions, by assigning water utility employees with non-utility duties corresponding to TSRA and TSRA's On-Site Waste Disposal Zone (OSWDZ).

NOTICE AND PUBLIC MEETING

A notice of the proposed rate increase was mailed to each customer on May 7, 2009. Division received seventeen responses regarding the proposed rate increase. While some of the responses expressed concern over TSRWC's current rate structure, the majority were opposed to a rate increase. TSRWC responded to all comments through letters describing the current needs of the company and the reasons for the proposed increase. The Consumer Affairs Division has received no complaints on TSRWC in the last three years.

An informal public meeting was held on Saturday, June 13, 2009. The meeting started at 2:10 p.m. with approximately sixty people in attendance. The Commission's representative declared the meeting open and explained Commission rate-setting procedures, as well as the purpose of the meeting. TSRWC's representative explained the need for the rate increase with TSRWC's Chief Financial Officer providing assistance. The rest of the meeting consisted of comments and questions by the customers, which Division staff and TSRWC's representatives responded to. While the majority of customers in attendance expressed concern over the rate increase, some others commented on Schedule No. 1, General Metered Service's rate structure, which currently charges a 25% surcharge over the 5/8" x 3/4" meter service charge to those customers who require a 1-inch meter to meet Sonoma County's fire sprinkler requirements. Facilities Fees and Plant Replacement Fees were also discussed, even though TSRWC requested no changes to the latter of these fees. Customers expressed dissatisfaction with the Plant Replacement Fund fee structure as it bills those residential customers with fire sprinkler systems for a 1-inch meter instead of a 25% surcharge over the 5/8-inch x 3/4-inch meter, as is the case for Schedule No. 1, General Metered Service. Although some of those same customers are not satisfied with Schedule No. 1's rate structure, they do believe it to be at least fairer than the current rate structure for Schedule R, Plant Replacement Fund fee. TSRWC and Division staff answered questions and provided information as requested.

DISCUSSION

The Division made an independent analysis of TSRWC's summary of earnings and issued its report on August 2009. Appendix A shows TSRWC's and Division's estimates of the summary of earnings at present, requested, and recommended rates. TSRWC is in agreement with Division's estimates, recommended revenue requirement and the rates shown in Appendix B.

Staff reviewed operating revenues and expenses including purchased power, materials, contract work, water testing, other plant maintenance, office salaries, office services and rentals, office supplies and expenses, professional services, insurance, general expenses, depreciation, and taxes other than income. Staff verified the operating expenses by reviewing the company's supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

TSRWC uses utility facilities and employees to provide active non-tariffed services. To determine actual water related costs for those labor expenses common to water duties and unregulated/affiliate services provided to SCWA, TSRA, and the OSDZ, TSRWC requested that a cost allocation methodology - based on time spent by its employees performing each of the activities - be applied to the labor expenses. After review of

TSRWC's records by the Division, the shared labor expenses were determined to be payroll and payroll costs consisting of: 1) employee labor; 2) office salaries; 3) management salaries; 4) employee benefits; 5) worker's compensation; and 6) payroll taxes. The Division determined the allocation of labor expenses - shown in Appendix E - to be fair and reasonable. The allocation percentages included herein are for rate-making purposes only, and can be revised by the Commission should any conditions change. To prevent the water customers from subsidizing TSRWC's affiliate services, TSRWC should alert the Division if any changes take place which will affect the allocated percentages, including, but not limited to, non-regulated service contract terms, rate increases, and increased revenues from non-regulated services. TSRWC should report all gross expenses and revenues in its annual reports.

The provision of such "active"¹ affiliate services, as defined by Decision (D.) 00-07-018, July 6, 2000, requires TSRWC to, at a minimum, "list each active and passive investment and all revenues from aggregate non-tariffed offerings in their annual reports". TSRWC is also required to comply with the applicable rules for affiliate transactions, as established by D.00-07-018, July 6, 2000 and modified by D.03-04-028-, April 3, 2003 and D.04-12-023, particularly Rules 12, 15, 16, 22 and 23 which govern the cost allocation, pricing of service, and reporting of all service transactions between a water utility and the affiliate companies, in this case TSRA and its affiliate entities, which it has failed to do.

TSRWC's request includes hiring an additional operator. The Division assessed TSRWC's need, resulting from current understaffing and an increasing workload, and believes hiring an additional field employee to be prudent and justified. TSRWC requires all of its operators to possess the following three licenses: water treatment, water distribution, and wastewater treatment plant certification. If no eligible candidates possessing the operator licensing requirements mentioned above is available for the position, TSRWC may hire an operator-in-training instead, a position created by TSRWC for employees that do not meet all of the certification requirements of an operator but are working towards full certification. Due to the uncertainty of a hiring timeline and historical shortage of qualified candidates, the Division recommends that TSRWC be allowed to recover wages - exclusive of any overtime and compensation for on-call duties - for a new operator/operator-in-training through a labor expense offset, but only after hiring and payment of at least three full months of wages takes place. Pursuant to Res. W-4467, dated, April 22, 2004, TSRWC should track those eligible payroll expenses incurred, from the date of hiring, in a memorandum account so they

¹ D.00-07-018 adopted an Appendix A, which designated many potential non-tariffed offerings as either active or passive.

can be considered for future recovery. The expense offset is subject to Division's verification of the appropriate operator certification as required by the position. This cost shall also be subject to the cost allocation depicted in Appendix E and discussed above, where only 59.4% of the wages can be recovered through water rates.

TSRWC was informed of the Division's differing views of operating revenues and expenses and accepts Division's estimates as shown in Appendix A.

TSRWC has requested a ROM of 23%. TSRWC, at 1,816 service connections for Test Year 2009, is a Class C water utility for rate-making purposes. Division's Utility Audit, Finance and Compliance Branch (UAFCB) recommend a ROM of 23% and a Rate of Return from 12.00% to 13.00% for a Class C, 100% equity financed utility. There are two methods available for Division to utilize in the rate-making process: (1) Rate of Return and (2) ROM. In Res. W-4524 (March 17, 2005), the Commission adopted a revised set of standard practices for determining the profit for Class C and D water utilities using the Rate of Return and ROM methods. Both methods are to be used. Per D.92-03-093, dated March 31, 1992, the Division must recommend the method that produces the higher revenues. This ROM method gives small water utilities the opportunity to earn a more reasonable and appropriate revenue requirement when the utility has "little rate base". If only the Rate of Return Method was used, a utility with little or no rate base would earn little or no return. The UAFCB has recommended a ROM of 23% for Class C water utilities. The Rate of Return of 12.50% calculations yields allowable revenue of \$1,150,750, while ROM of 23% yields allowable revenues of \$1,342,998. The Division recommends \$1,342,998 in Test Year revenue. Class C utilities are allowed to recover up to 65% of fixed costs in their readiness to serve charge. The rates shown in the service charge rates depicted in Appendix B recover 65% of the utility's fixed costs.

TSRWC's current rate structure consists of Schedule No. 1, General Metered Service, Schedule No. 2, Irrigation Service (numbering of this schedule is corrected in this Resolution), Schedule No. F, Facilities Fees, and Schedule No. R, Plant Replacement Fees. At the recommended ROM the increase in revenue will be \$444,660 or 49.5%. The Division's recommendation is based on increasing the rates in the current Schedules No. 1 and No. 2 by 49.5% (the overall percentage increase) or \$ 444,660, resulting in the recommended ROM of 23%. The rates proposed by the Division are shown in Appendix B.

The Division analyzed the current rate structure considering the disparity between general metered and irrigation rates, to come up with a rate structure that would more closely eliminate any subsidizing of irrigation service through general service customers by fairly distributing applicable operational costs among all users. Since it is not possible to bring the irrigation quantity rates proportionate to general service rate levels without violating Division policy, the Division recommends that this gap

continue to be decreased through TSRWC's next general rate case (GRC), ultimately eliminating the irrigation schedule altogether.

Through TSRWC's Res. W- 4539, June 16, 2005, the Commission considered the situation faced by those customers required to have a larger meter size to accommodate the fire sprinkler system's fire flow requirement, as set by Sonoma County. To this end, the Commission added a condition to TSRWC's tariff specifying that those customers mentioned above be billed for the 5/8-inch x 3/4-inch meter service charge with a 25% surcharge in lieu of the full 1-inch meter service charge. The Commission recognizes the importance of equal treatment among comparable water companies, and therefore modeled this special condition after previous Commission determinations made for other comparable water utilities that encountered the same situation as TSRWC. We make no change to the rate structure as contained in Schedule 1, General Metered Service.

Although TSRWC originally sought no change to Plant Replacement Fees, TSRWC accepted customer suggestions and requested Commission authorization to revise this schedule and adopt the same meter ratios used to determine the service charge under Schedule 1, General Metered Service. The General Metered Service rate structure is different from current Plant Replacement Fee schedule in that it bills a 25% surcharge over the 5/8" x 3/4" meter service charge to those customers who require a 1-inch meter to meet Sonoma County's fire sprinkler requirements in lieu of the full 1-inch meter charge. The Division concurs with their request.

Ordering Paragraph 3 of D.91-04-068, April 24, 1991, grants class C utilities the authority to institute facilities fees as part of a GRC. TSRWC requested to increase charges under Schedule F, Facilities Fees, from the current flat fee per eligible new service connection, to one reflecting TSRWC's adopted future capital improvement plan and a fee structure based on a proportionate meter size. This fee was calculated by dividing the estimated costs to expand the system due to new customer demand by the number of projected future customers and distributing it per the meter ratios adopted for Schedule No. 1. The generic Facilities Fee schedule adopted by the Division through Res. W-4110, September 3, 1998, is based on meter size, making TSRWC's restructuring request for this schedule consistent with Division's policy and standard practice. The Division reviewed the projected customer growth, TSRWC's capital improvement plan and recommends the increase in Schedule F, Facilities Fees, as depicted in Appendix B. The Division recommends those funds collected to be placed in an interest-bearing account and be used only to build and replace plant. Facilities fees should be accounted for as Contributions-in-aid-of-Construction, and the balance should be reported in TSRWC's annual reports to the Commission. Any plant constructed with facilities fees currently included in rate base shall be removed from rate base, and further construction paid for by facilities fees shall not be included in rate base.

At the Division's recommended rates shown in Appendix B, the average monthly bill for a 5/8-inch metered customer using 67.4 units of water (1 unit = 100 gallons) would increase from \$39.55 to \$58.84, or 48.8%. A comparison of customer bills at present and recommended rates is included in Appendix C. The adopted quantities are shown in Appendix D.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

COMMENTS

PU 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, this draft Resolution was mailed to the utility and interested parties and made available for public comment on September 29, 2009. One comment was received that expressed concern over the rate of increase.

FINDINGS

1. TSRWC is a California corporation wholly owned by The Sea Ranch Association, a non-profit mutual benefit corporation.
2. TSRWC uses utility facilities and employees to provide active non-tariffed services under a contract with the Sonoma County Water Agency for operation and maintenance of the Agency's wastewater treatment plants at The Sea Ranch community.
3. TSRWC receives and provides services from and to the "Parent Company", which fall under the governance of "Affiliate Transaction Rules", pursuant to Division's Standard Practice U-21-W.
4. TSRWC allocates costs for employee labor, management, employee benefits, payroll taxes and worker's compensation insurance, to each activity as depicted in Appendix E. The allocation percentages included therein are for rate-making purposes only, and can be revised by the Commission should any conditions change. TSRWC should alert the Division if any changes take place which will

affect the allocated percentages, including, but not limited to, non-regulated service contract terms, rate increases, and increased revenues from non-regulated services.

5. TSRWC requires all of its operators to possess water treatment, water distribution, and wastewater treatment plant certification. An operator-in-training position with TSRWC does not require any certification.
6. TSRWC should be allowed to offset wages - exclusive of any overtime and compensation for on-call duties - for an additional operator/operator-in-training only after hiring and payment of at least three full months of wages takes place. Pursuant to Res. W-4467, dated, April 22, 2004, TSRWC should track those eligible payroll expenses incurred, from the date of hiring, in a memorandum account so they can be considered for future recovery.
7. The expense offset described herein is subject to Division's verification of the appropriate operator certification as required by the position. This cost shall also be subject to the cost allocation depicted in Appendix E and discussed herein, where only 59.4% of the wages can be recovered through water rates.
8. Division recommends that the gap in quantity rates between irrigation service and general metered service continue to be decreased through TSRWC's next general rate case, ultimately eliminating the irrigation service schedule altogether.
9. Division's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
10. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
11. The quantities (Appendix D) used to develop Division's recommendations are reasonable and should be adopted.
12. The facilities fee recommended by Division (Appendix C) is reasonable and should be adopted.
13. The rate increase recommended by Division is justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for The Sea Ranch Water Company, to file an advice letter incorporating the summary of earnings and

the revised schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate Schedules 1, General Metered Service; 2, Irrigation Service; R, Plant Replacement Fees; and F, Facilities Fees. Filing shall comply with General Order 96-B. The effective date of the revised schedule shall be five days after the date of its filing.

2. The Sea Ranch Water Company must alert the Division if any changes take place which will affect the allocated percentages contained under Appendix E of this resolution, including, but not limited to, changes in non-regulated service contract terms, rate increases, and increased revenues from non-regulated services.
3. The Sea Ranch Water Company may file a Tier 3 Advice Letter, pursuant General Order 96-B, Rule 7.6.2, Water Industry Rule 7.3.3(7) and Section 454 of the Public Utilities Code, to offset wages - exclusive of any overtime and compensation for on-call duties - for an additional operator only after hiring and payment of at least three full months of wages takes place. Pursuant to Resolution W-4467, dated, April 22, 2004, TSRWC must track those eligible payroll expenses incurred, from the date of hiring, in a memorandum account so they can be considered for future recovery.
4. The expense offset described above is subject to the Division of Water and Audits' verification of the appropriate operator certification as required by the position. This cost shall also be subject to the cost allocation depicted in Appendix E and discussed herein, whereby only 59.4% of the wages may be recovered through water rates.
5. Any revenues resulting from the provision of non-tariffed services by The Sea Ranch Water Company shall be shared with ratepayers, per Decision 00-07-018. Periodic reporting and auditing of the costs allocated to and the revenues derived from the non-tariffed services are also required, at the discretion of the Division of Water and Audits.
6. The Sea Ranch Water Company shall report all non-tariffed services and affiliate transaction services in its annual report to the Commission.
7. The Sea Ranch Water Company shall deposit all Plant Replacement Fees authorized herein within five days of receipt in a separate bank account paying interest; shall treat such fees as Contributions-in-Aid-of-Construction in accordance with Decision 85-04-076, Uniform System of Accounts for Class B, C, and D Water Utilities and Section 118 of the Internal Revenue Code; and shall report in its annual report to the Commission, the fees collected, withdrawals, interest, and balance in the account. The Sea Ranch Water Company shall not use these funds for the purpose of financing operating expenses as defined under the system of accounts.

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 October 29, 2009; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners

APPENDIX A
The Sea Ranch Water Company
SUMMARY OF EARNINGS
TEST YEAR 2009

<u>Item</u>	<u>Utility Estimated</u>		<u>Branch Estimated</u>		<u>Recommended Rates</u>
	<u>Present Rates</u>	<u>Requested Rates</u>	<u>Present Rates</u>	<u>Requested Rates</u>	
<u>Operating Revenue</u>					
Metered Rates	\$884,695	\$1,419,826	\$892,720	\$1,318,732	\$1,318,732
Irrigation Revenue	\$1,165	\$1,848	\$5,618	\$19,663	\$19,663
Unmetered Water Revenue	-	-	\$4,603	\$4,603	\$4,603
Total Operating Revenue	\$885,860	\$1,421,674	\$898,338	\$1,342,998	\$1,342,998
<u>Operating Expenses</u>					
Purchased Water	-	-	-	-	-
Purchased Power	\$55,885	\$55,885	\$55,248	\$55,248	\$55,248
Other Volume Related Expenses	\$16,912	\$16,912	\$15,982	\$15,982	\$15,982
Employee Labor	\$273,648	\$273,648	\$246,088	\$246,088	\$246,088
Materials	\$5,210	\$5,210	\$4,827	\$4,827	\$4,827
Contract Work	\$5,740	\$5,740	-	-	-
Water Testing	-	-	\$3,656	\$3,656	\$3,656
Transportation Expenses	\$17,585	\$17,585	\$17,980	\$17,980	\$17,980
Other Plant Maintenance	\$129,198	\$129,198	\$117,027	\$117,027	\$117,027
Office Salaries	\$38,425	\$38,425	\$38,425	\$38,425	\$38,425
Management Salaries	\$94,192	\$94,192	\$94,192	\$94,192	\$94,192
Employee Benefits	\$84,148	\$84,148	\$70,209	\$70,209	\$70,209
Uncollectibles Expense	\$890	\$1,420	\$1,343	\$1,343	\$1,343
Office Services & Rentals	\$10,723	\$10,723	\$9,934	\$9,934	\$9,934
Office Supplies & Expenses	\$22,296	\$22,296	\$20,657	\$20,657	\$20,657
Professional Services	\$28,088	\$28,088	\$18,756	\$18,756	\$18,756
Insurance	\$94,296	\$94,296	\$81,349	\$81,349	\$81,349
Regulatory Commission Expense	\$9,500	\$9,500	\$6,375	\$6,375	\$6,375
General Expenses	\$35,497	\$35,497	\$24,855	\$24,855	\$24,855
Subtotal	\$922,233	\$922,763	\$826,902	\$826,902	\$826,902
Depreciation	\$28,436	\$28,436	\$67,743	\$67,743	\$67,743
Taxes other than Income	\$82,560	\$82,560	\$78,043	\$78,043	\$78,043
Income Taxes	\$800	\$154,100	\$800	\$146,635	\$146,635
Interest	-	-	-	-	-
Total Deductions	\$1,034,029	\$1,187,859	\$973,488	\$1,119,324	\$1,119,324
Net Revenue/Operating Margin	(\$148,169)	\$233,815	(\$75,150)	\$223,674	\$223,674
<u>Rate Base</u>					
Average Plant	\$9,195,941	\$9,195,941	\$9,482,377	\$9,482,377	\$9,482,377
Ave. Accumulated Depreciation	\$3,640,595	\$3,640,595	\$3,443,987	\$3,443,987	\$3,443,987
Net Plant	\$5,555,346	\$5,555,346	\$6,038,390	\$6,038,390	\$6,038,390
Less Advances	-	-	-	-	-
Contributions	\$4,919,318	\$4,919,318	\$5,250,541	\$5,250,541	\$5,250,541
Plus Working Cash	\$153,706	\$153,263	\$128,609	\$128,609	\$128,609
Materials & Supplies	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Rate Base:	\$799,734	\$799,291	\$926,458	\$926,458	\$926,458
Rate of Margin					23.00%

APPENDIX B - (page 1 of 4)
The Sea Ranch Water Company

Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as The Sea Ranch, and vicinity, located approximately 7 miles Southeast of Gualala, Sonoma County.

RATES

Quantity Rate:

For each 100 gallons\$0.814 (I)

Service Charge	<u>Per Meter per</u> <u>BI-MONTHLY billing period</u>	
For 5/8 x 3/4 inch.....	\$62.78	(I)
For 1-inch for fire sprinkler	\$78.48	
For 3/4" inch.....	\$94.18	
For 1 inch.....	\$156.96	
For 1 inch for fire suppression	\$196.50	
For 1-1/2 inch.....	\$313.90	
For 2 inch.....	\$502.24	
For 3 inch.....	\$941.72	
For 4 inch.....	\$1,569.52	(I)

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

SPECIAL CONDITIONS

1. Any customer prior to resuming service within twelve months after such service was discontinued will be required to pay all service charges that would have been billed if service had not been discontinued.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
3. Any service to a residential customer who requires a 1-inch meter only because of fire flow requirements for a fire sprinkler system will be billed at the above 5/8 x 3/4 inch meter service charge plus a 25% surcharge.
4. Any service to a residential customer who requires a 2-inch meter only because of fire flow requirements to a fire suppression system will be billed at the above 1-inch meter service charge plus a 25% surcharge.
5. All bills shall be subject to the Plant Replacement Fee set forth in Schedule No. R.

APPENDIX B - (page 2 of 4)
The Sea Ranch Water Company

Schedule No. 3

IRRIGATION SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as The Sea Ranch, and vicinity, located approximately 7 miles Southeast of Gualala, Sonoma County.

RATES

Quantity Rate:

For each 100 gallons\$0.590 (I)

SPECIAL CONDITIONS

1. Irrigation service is interruptible at the discretion of the utility.
2. The customer shall bear all costs for the irrigation service and meter installation, including backflow devices if required. The service and equipment shall become the property of the utility upon commencement of deliveries.
3. Any customer prior to resuming service within twelve months after such service was discontinued will be required to pay all minimum charges which have been billed if service had not been discontinued.
4. The established billing cycle is bimonthly.
5. All bills are subject to the reimbursement fee set forth in Schedule No. UF and Plant Replacement Fee set forth in Schedule R.

APPENDIX B - (page 3 of 4)
The Sea Ranch Water Company

Schedule No. F

FACILITIES FEES

APPLICABILITY

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

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

RATES

Initial Fee Per Service Connection:

For	5/8 x 3/4 inch.....	\$3,425.	(C)
For	1-inch for fire sprinkler	\$4,281.	
For	3/4" inch.....	\$5,138.	
For	1 inch.....	\$8,563.	
For	1-inch for fire suppression	\$10,720.	
For	1-1/2 inch.....	\$17,125.	
For	2 inch.....	\$27,400.	
For	3 inch.....	\$51,375.	
For	4 inch.....	\$85,625.	(C)

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. Payments made under this schedule are not subject to the reimbursement fee set forth in Schedule No. UF.
3. Facilities fees authorized herein shall be deposited within five days of receipt in a separate bank account paying interest. (N) |
4. Facilities fees shall be treated as Contributions-in-Aid-of-Construction and follow the requirements as specified in the Internal Revenue Code Section 118 to qualify as such. |
5. Facilities fees shall be accounted for as Contributions-in-Aid-of-Construction in accordance with the Commissions' prescribed Uniform System of Accounts. In addition, the balance of facilities fees collected including interest shall be reported in utility's annual report to the Commission. |
6. The plant constructed with facilities fees shall be removed from rate base for rate-making purposes. (N) |

APPENDIX B - (page 4 of 4)
The Sea Ranch Water Company

Schedule No. R

PLANT REPLACEMENT FEES

APPLICABILITY

Applicable to all customers of the Utility in the territory served.

TERRITORY

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

RATES

		<u>PER METER PER MONTH</u>	
		<u>(BILLED BI-MONTHLY (N))</u>	
For	5/8 x 3/4 inch.....	\$6.70	
For	1-inch for fire sprinkler	\$8.38	(N)
For	3/4 inch.....	\$10.05	
For	1 inch.....	\$16.75	
For	1 inch for fire suppression	\$20.97	(N)
For	1-1/2 inch.....	\$33.50	
For	2 inch.....	\$53.60	
For	3 inch.....	\$100.50	
For	4 inch.....	\$167.50	

SPECIAL CONDITIONS

1. Replacement Fees are applicable to metered rate service for the size meter shown and are in addition to charges computed under Schedule No.1, General Metered Service.
2. Payments made under this schedule are not subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX C
The Sea Ranch Water Company

Rate Comparison
Test Year 2009

Per Service Connection Per BI-MONTHLY Period

Service Charge:	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
For 5/8 x 3/4-inch meters	\$ 38.50	\$ 62.78	63.1%
For 1-inch meters (Fire Sprinkler)	\$ 48.13	\$ 78.41	63.1%
For 3/4-inch meters	\$ 57.75	\$ 94.18	63.1%
For 1-inch meters	\$ 96.26	\$ 156.96	63.1%
For 1-inch meters (Fire Suppression)	\$ 120.34	\$ 196.50	63.3%
For 1-1/2-inch meters	\$ 192.54	\$ 313.90	63.0%
For 2-inch meters	\$ 308.06	\$ 502.24	63.0%
For 3-inch meters	\$ 557.58	\$ 941.72	68.9%
For 4-inch meters	\$ 926.67	\$ 1,569.52	69.4%
Quantity Charge:			
General Water Service All use, per 100 gallons . . .	\$ 0.602	\$ 0.814	35.2%
Irrigation Service All use, per 100 gallons. . . .	\$ 0.250	\$ 0.590	136.0%

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

<u>Usage Unit = 100 gal.</u>	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
0	\$ 38.50	\$ 62.78	\$ 24.28	63.1%
35	\$ 59.57	\$ 91.27	\$ 31.70	53.2%
67.4 (Average)	\$ 79.10	\$ 117.68	\$ 38.58	48.8%
105	\$ 101.71	\$ 148.25	\$ 46.54	45.8%
140	\$ 122.78	\$ 176.74	\$ 53.96	43.9%

APPENDIX D (page 1 of 2)
Sea Ranch Water Company

Adopted Quantities
Test Year 2009

Purchased Power

Pacific Gas and Electric Company

Total Usage kWh/Ccf Produced		2.9602
Sch A-1	Usage Percentage	15.10%
Sch A-10	Usage Percentage	84.90%
	Winter Demand KW	776
	Summer Demand KW	771
Effective Date of all Schedules		March, 2009
Composite Expense \$/kWh		0.1802
Total Pumped Ccf		103,517
Total kWh		306,431

Property Taxes \$50,128

Service Connections

Meter Size	Number of Customers
General Metered Service	
5/8 x 3/4-inch meters	1687
1" meter for Fire Sprinkler	97
3/4-inch meters	12
1-inch meters	8
Fire meter for Fire Suppression	0
1-1/2-inch meters	7
2-inch meters	2
3-inch meters	0
4 - inch meter	1
Irrigation Service	
5/8 x 3/4-inch meters	1
2-inch meters	1

Consumption 101,129 Ccf

APPENDIX D - (page 2 of 2)
Sea Ranch Water Company
Adopted Quantities
Test Year 2009

Tax Calculations

State Tax Rate:	8.84%
Federal Tax Rate:	15% for 1 st \$50,000 taxable income 25% for next \$25,000 taxable income 34% for next \$25,000 taxable income 39% above

Operating Revenues	\$ 1,342,998
Expenses	\$ 826,902
Taxes other than Income	\$ 78,043
Depreciation	\$ 67,743
Taxable Income for State	\$ 370,310
State tax	\$ 32,735
Taxable Income for Federal	\$ 337,574
Federal tax	\$ 113,900

APPENDIX E
Sea Ranch Water Company, Inc.

Labor Cost Allocation

The Sea Ranch Association	3.8%
Onsite Waste Disposal Zone	15.0%
Sonoma Count Water Agency	21.8%
The Sea Ranch Water Company	59.4 %