

WATER/RSK/PTL/AAS/jlj

DIVISION OF WATER AND AUDITS
Water & Sewer Advisory Branch

RESOLUTION NO. W-4794
November 20, 2009

RESOLUTION

**(RES. W-4794), RURAL WATER COMPANY (Rural).
ORDER AUTHORIZING A GENERAL RATE REDUCTION IN
ANNUAL REVENUE OF \$116,871 OR 17.4% RELATIVE TO
CURRENT APPROVED GROSS REVENUES.**

SUMMARY

Per Draft Advice Letter filed on April 16, 2007, Rural requested an increase of \$120,941 or 17.5% in annual gross revenue for Test Year 2007 to recover operating expenses and earn an adequate return on its plant improvement. A Consumer Price Index increase was approved in connection with the general rate increase (GRC) request by Res. W-4654 dated July 12, 2007.

The utility agreed to process GRC applications for both Rural Water Company and Cypress Ridge Sewer Company simultaneously and establish the Test Year (TY) as 2008.

For Test Year 2008, this Resolution orders a decrease in gross revenues of \$116,871 or 17.4% which is estimated to provide a Rate of Margin (ROM) of 19%.

BACKGROUND

Rural, a Class C water utility, has requested authority under Section VI of General Order 96-B, Rule 7.6.2 and Water Industry Rule 7.3.3 (5), and Section 454 of the Public Utilities Code to increase its rates by \$120,941 or 17.5%. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return.

The last general rate increase for Rural was on December 8, 1992, by Res. W-3714 which authorized a 14.2% rate of return.

Rural's present rate became effective on July 3, 2007, by approval of Advice Letter (AL) 56, which authorized an interim rate increase in gross annual revenues of \$15,741 or 2.4% subject to refund or increase pending the outcome of the GRC, per Res. W-4654.

Rural currently serves 877 residential metered customers, 17 commercial, 6 industrial/schools and 21 irrigation connections (see Appendix D for a breakdown by meter sizes) in San Luis Obispo County. The majority of customers are full-time residents, being a mixture of retired or working individuals.

NOTICE AND PROTESTS

A notice regarding the general rate increase was mailed to each customer on October 3, 2008. A Public Meeting was held in Arroyo Grande on November 5, 2008. Over 200 people attended. Numerous complaints were received at and after the public meeting.

Copies of the Division of Water and Audits (Division) staff report were sent to attendees who provided email or street addresses. Two replies were received. An additional reply was received from the attorney hired by the Cypress Ridge Homeowners Association (CROA) who is also representing the interests of the Rural customers.

DISCUSSION

The Division's Utility Audit, Finance and Compliance Branch (UAFCB) made an independent audit of Rural's operations. The Division's staff report incorporated the audit findings.

Appendix A shows Rural's and the Division's estimated summary of earnings at present, proposed, and recommended rates for TY 2008.

The Division reviewed operating revenues and expenses including purchased power, employee labor, materials, contract work, water testing, transportation expenses, other plant maintenance, office salaries, office supplies and expenses, insurance, general expenses, depreciation, and taxes other than income. The Division verified the operating expenses by reviewing supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

Two methods are available for the Division to utilize in the rate-making process: (1) Rate of Return (ROR), and (2) Rate of Margin. 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 rate of margin methods. Both methods are to be used. Per Decision (D.) 92-03-093, dated March 31, 1992, the Division must recommend the method that produces the higher revenues. In the rate of margin method, the utility's revenue requirements is defined as the sum of its operating and maintenance expenses, depreciation, income and other taxes, multiplied by the rate of margin.

No Rate of Return calculation was made since Rural has no substantial rate base. Therefore, Division recommends the 19% ROM which produces the revenues of \$554,765. The decrease in revenue will be 11,871 or 17.4%.

Rural's current rate structure consists of two schedules: Nos. 1, Metered Service, and 2R, Residential Flat Rate Service. At the recommended rate of margin the decrease in revenue from approved rates will be \$116,871 or 17.4% for TY 2008.

At the Division's recommended rates shown in Appendix B, the monthly bill for the typical metered residential customer would decrease from \$89.62 to \$81.93. A comparison of customer bills for adopted and recommended rates is shown in Appendix C. The projections and tax calculations are shown in Appendix D.

CONSERVATION

A two-tiered rate structure is proposed to achieve water conservation. The first tier quantity of 33 Ccf per month was based upon the lowest average mid-year level of water consumption in 2008.

SUMMARY OF EARNINGS

Staff performed an investigation of Rural's books and formulated a summary of earnings for TY 2008. Appendix A contains estimates for operating revenues, operating expenses, and rate base at present, proposed, and recommended rates for the TY. The basis for each recommended estimate is explained in the sections that follow. Appendix B contains the tariff schedules at the recommended rates.

Operating Revenues

According to the last GRC TY of 1992, Rural stated for rate design purposes 237 connections and therefore the required revenue was spread over those connections. Operating revenues are now based upon a customer base of 921 connections.

Operating Expense

Staff performed a comprehensive investigation of expenses. The basis for each expense estimate is explained below.

The utility shared certain expenses with Cypress until 2008 when Cypress established itself as an independent utility. The accounts in prior years' Annual Reports share power, office services and rentals and office expense and the manager's duties.

Power

The expenditure for recorded 2008 was \$198,876 which is the Division recommended expense.

Other Volume Related Expenses

Volume related expense increases have been recorded at a rate of 29% per year. This is considered unreasonable. The Division recommended expense for other volume related expenses is \$7,395 which is the three year average.

Contract Work

The recorded 2008 amount was \$98,612. UAFCB recommends that this category be reduced by \$5,472 for meter reading where \$19/hour is considered reasonable instead of \$38/hour that was billed. An additional adjustment of \$7,200 is made to exclude a \$600 monthly charge for "Service and Maintenance" which lacks documentation and justification. UAFCB recommends \$85,940.

CROA suggests that \$0 should be allocated to meter reading based upon sighting children riding with and helping an adult with the task. This disregards payment to the adult. Rural considers meter reading as a high-tech job. This is unconvincing. Division agrees with UAFCB and recommends \$85,940.

Transportation

The recorded 2007 amount was \$8,196. These costs are being brought under control as indicated by the \$5,465 cost recorded in the 2008 Annual Report. UAFCB recommends that all transportation costs be eliminated on the basis of poor documentation and the absence of employee labor. Division recommends the expense for transportation to be \$1,320 based on 200 miles per month as a reasonable target for future expenditures.

Other Plant Maintenance Expenses

The 2007 reported amount is \$93,700. UAFCB recommends reclassifying expenditures for pumps, paving and a fire hydrant ($\$41,246 + \$4,300 + \$4,062 = \$49,608$) as Plant-in-Service. Division agrees and has reduced the 2007 expenditure accordingly to \$44,092 ($\$93,700 - \$49,608$).

With this adjustment the average cost for this category for the last three years is \$43,759 which is the Division recommended TY expense.

Office Salaries

The requested amount is \$9,000. This account includes the salaries of all employees whose time is utilized in billing, collecting, record keeping, or general office work. This has been outsourced to Multi-Task Business Services, Inc. and allocated by the company under Office Supplies and Expenses Account No. 681. Therefore the funds allocated to this account are \$0.

In addition, UAFCB points out that pursuant to the Uniform System of Accounts, the Office Salaries account shall not include the salaries of the manager, owner, or principal stockholders.

Management Salaries

Customer satisfaction is an important indicator of management capability. The public meeting is a good indicator of the overall management quality. The quality of the management has an impact on the salary.

218 ratepayers showed up at the public meeting and many of them complained about the service. In addition, over 30 written complaints about the rate case were received by Division.

UAFCB recommends allowing 10% of the 2007 reported amount of \$90,000, or \$9,000. Division agrees and recommends \$9,000.

CROA suggests that only \$250 should be allocated to management as punitive because of mismanagement. Rural argues that the \$9,000 allocation is low and hurts potential sale and does not consider projecting the \$25,000 allowance in 1992 to the present by Cost-of-Living increases. The Division continues to agree with the UAFCB recommendation of \$9,000.

Employee Pension and Benefits

The requested amount for this category is \$42,550. UAFCB considers this personal in nature since it pertains only to the shareholders and should not be allocated to the ratepayers on the basis that they do not benefit from them. Division agrees with UAFCB and recommends the amount allocated to be zero.

Office Services and Rentals

UAFCB reviewed the invoices and recommends expense for office services and rentals of \$14,033 for 2007. Division recommends the three-year average of \$14,857.

Office Supplies and Expenses

The requested amount is \$9,553. Division recommends the three year average of \$10,380.

Professional Services

The requested amount is \$59,649. The UAFCB recommended TY expense for legal services is \$0. These services were for incorporation of Cypress and are not a continuing expense. In addition, there is no authorization from the Commission to establish a memorandum account for this expense. Therefore, the Division agrees with UAFCB and recommends \$0 for legal expenses.

Part of the consultant costs for 2007 are associated with the Commission (\$5,000) and have been reclassified as Regulatory Expense. The Division's readjusted expense for 2007 Professional Services expense is \$59,649 - \$9,008 - \$5,000 for a total of \$45,641. Similarly, Division has readjusted the 2008 cost to \$64,411 by reclassifying the \$10,000 Commission expense as Regulatory Expense. Division recommends the three-year average of \$48,533 for this category.

Insurance

UAFCB reviewed the insurance policies. Division agrees with the recommended expense of \$5,553.

Regulatory Commission Expense

Based on expenses incurred by Rural in the past, Division forecasts \$2,783 for this category.

General Expense

The requested amount is \$1,425. The Division recommended expense for general expenses is \$619 based on the 2008 Annual Report.

Depreciation Expense

Division recommends the 2008 recorded amount of \$14,075 per Annual Report Schedule B.

Taxes Other Than Income Taxes

Division recommends expense for taxes other-than-income of \$4,219 (property tax of \$2,667 + license taxes of \$1,552).

Utility Plant

The average Utility Plant in service for 2008 as recorded on Schedule A-1 of the Annual Report was \$4,403,624. Division recommends adding the reclassified Other Plant Maintenance Expenses of \$49,608 for a total of \$4,453,232.

Rate of Return and Rate of Margin

The utility requested a ROM of 20%. For 2008, the UAFCB recommended rates for a Class C utility (like Rural) are 12% to 13% for ROR and 19% for ROM. Based on this information, Division used a 19% ROM and did not apply the ROR since there is no rate base.

Rate Design

Rural claims that the meter service charge must be set at 65% of fixed costs. Division recommends 50% of fixed costs with the remainder for quantity charges to encourage water conservation.

Other Concerns

Rural makes a plea for considering lack of past increases that it blames on the Commission for not prodding the utility to request them without providing further explanation. Division believes this lacks merit.

CROA expresses concern that the owner will sell the sewer company and keep the water company. Therefore, they want a threat of receivership to force sale. Division believes this is unmerited. In addition CROA wants the Commission to open an investigation of past loans. Division finds that the loans have been repaid and review of the past activity is not warranted.

CROA suggests that Rural be re-evaluated under GO-103A which was adopted on September 10, 2009. This Resolution is for Test Year 2008. Therefore, we will defer it to the next GRC.

Rural's interim rate increase was effective July 3, 2007 subject to refund and the final GRC outcome is a 17.4% rate reduction. Therefore, Rural is required to refund the over-

collected revenues from July 3, 2007 to the effective date of this resolution to the customers over a 12 month period.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required. The California Department of Public Health reports that water quality meets standards. Rural needs to update the following tariffs: Title Page; Schedule UF; Surcharge to Fund Public Utilities Reimbursement Fee; Rules 3, Application for Service; 5, Information Required on Forms; 7, Deposits; 10, Disputed Bills; 20, Water Conservation, and 21, Fire Protection; Form 2, Customer's Deposit Receipt; and 3, Bill for Service.

COMMENTS

Public Utilities Code Section 311 (g) (1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this resolution was mailed to the utility and a list of people who complained at the public meeting and by letter or email and made available for public comment on September 19, 2009.

Comments received in writing in response to the Notice or the staff report was considered and, where relevant, are reflected in this Resolution. Comments on the draft Resolution were received from only Rural and the CROA attorney. Division reviewed the comments and recommends that within a 90-day period from the effective date of this resolution Rural and its customers should provide the Division with details of their water quality problems. The Division should then recommend to the Commission any corrective action merited.

FINDINGS

1. Rural Water Company is a Class C water utility currently providing water service to 873 residential metered customers, 17 commercial, 6 industrial/schools and 21 irrigation connections in San Luis Obispo County. (see Appendix D for a breakdown by meter sizes)
2. Rural's present rate became effective on July 3, 2007, by approval of Advice Letter (AL) 56, which authorized an interim rate increase in gross annual revenues of \$15,741 or 2.4% subject to refund or increase pending the outcome of the GRC.
3. A notice regarding the general rate increase was mailed to each customer on October 3, 2008.

4. A Public Meeting was held in Arroyo Grande on November 5, 2008. Over 200 people attended. Numerous complaints were received at and after the public meeting.
5. The last general rate increase for Rural was on December 8, 1992, by Res. W-3714 which authorized a 14.2% rate of return.
6. The Division's Utility Audit, Finance and Compliance Branch made an independent audit of Rural's operations. The Division's staff report incorporated the audit findings.
7. Since there is no Flat Rate Service that tariff schedule should be discontinued.
8. No Rate of Return calculation was made since Rural has no substantial rate base. Therefore, Division recommends the 19% ROM which produces the revenues of \$554,765. The decrease in revenue will be 11,871 or 17.4%.
9. The Division's recommended earnings (Appendix A) are 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. Within a 90-day period from the effective date of this resolution Rural and their customers should provide the Division with details of water quality problems. The Division should then recommend to the Commission any corrective action merited.
13. Rural should be required to file an advice letter within 60 days from the effective date of this resolution to refund over-collected revenues from August, 2007 to the effective date of this resolution as a surcredit for a 12-month period.
14. Rural needs to update the following tariffs: Title Page; Schedule UF, Surcharge to Fund Public Utilities Reimbursement Fee; Rules 3, Application for Service; 5, Information Required on Forms; 7, Deposits; 10, Disputed Bills; 20, Water Conservation, and 21, Fire Protection; Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.

THEREFORE IT IS ORDERED THAT:

1. Rural Water Company, shall file an advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution in Appendices A and B, and concurrently cancel its presently effective Schedules 1, Metered Service; and 2, Residential Flat Rate Service. The effective date of the revised rate schedules shall be five days after the date of the filing.

APPENDIX A
Rural Water Company
Summary of Earnings - Test Year 2008

	Utility Estimated		Division Estimated		Division Recommended ROM Rates
	Present Rates	Requested Amounts	Tariff Rates	Proposed Rates	
Operating Revenues:					
Water Sales	\$ 727,536	\$ 875,836	\$ 671,616	\$ 875,836	\$ 554,745
Operating Expenses:					
Purchased Power	\$ 198,876	\$ 216,155	\$ 198,876	\$ 198,876	\$ 198,876
Other Vol. Rel. Exp.	\$ 8,827	\$ 7,801	\$ 7,395	\$ 7,395	\$ 7,395
Contract Work	\$ 85,940	\$ 99,219	\$ 85,940	\$ 85,940	\$ 85,940
Transportation	\$ 5,465	\$ 8,532	\$ 1,320	\$ 1,320	\$ 1,320
Other Plant Maintenance	\$ 38,743	\$ 97,542	\$ 43,759	\$ 43,759	\$ 43,759
Office salaries	\$ 11,500	\$ 9,369	\$ -	\$ -	\$ -
Management	\$ 152,500	\$ 93,690	\$ 9,000	\$ 9,000	\$ 9,000
Employee Pension & Bnfts	\$ 60,544	\$ 44,295	\$ -	\$ -	\$ -
Office Services & Rentals	\$ 17,782	\$ 14,608	\$ 14,857	\$ 14,857	\$ 14,857
Office Supplies & Exp	\$ 12,288	\$ 9,553	\$ 10,380	\$ 10,380	\$ 10,380
Professional Svcs	\$ 54,411	\$ 51,597	\$ 48,533	\$ 48,533	\$ 48,533
Insurance	\$ 5,519	\$ 5,781	\$ 5,553	\$ 5,553	\$ 5,553
Regulatory Comm Exp.	\$ 21,612	\$ 10,497	\$ 2,783	\$ 2,783	\$ 2,783
General Expenses	\$ 619	\$ 1,484	\$ 619	\$ 619	\$ 619
Total Operating Expenses	\$ 674,626	\$ 670,123	\$ 429,015	\$ 429,015	\$ 429,015
Depreciation Expense	\$ 14,075	\$ 14,376	\$ 14,075	\$ 14,075	\$ 14,075
Taxes other than income	\$ 13,451	\$ 9,832	\$ 4,219	\$ 4,219	\$ 4,219
CA Franchise Tax	\$ 800	\$ 12,288	\$ 9,174	\$ 9,174	\$ 9,174
Federal Income Taxes	\$ 1,356	\$ 30,350	\$ 14,075	\$ 14,075	\$ 14,075
Interest Expense	\$ 972	\$ -	\$ -	\$ -	\$ -
Total Deductions	\$ 705,280	\$ 736,969	\$ 470,558	\$ 470,558	\$ 470,558
Net Revenue	\$ 22,256	\$ 138,867	\$ 201,058	\$ 405,278	\$ 84,187
Rate Base:					
Avg Plant	\$4,403,624	\$4,403,624	\$ 4,456,222	\$ 4,456,222	\$ 4,456,222
Avg Accum Dep	\$ (1,650,525)	\$(1,585,330)	\$ (1,650,525)	\$ (1,650,525)	\$ (1,650,525)
Net Plant	\$ 2,753,100	\$ 2,818,294	\$ 2,805,698	\$ 2,805,698	\$ 2,805,698
Less: CIAC	\$(3,936,536)	\$(2,550,997)	\$ (3,936,536)	\$ (3,936,536)	\$ (3,936,536)
Plus: Materials & Supplies		\$2,500	\$ -	\$ -	\$ -
Working Cash	\$47,333	\$55,844	\$ 47,333	\$ 47,333	\$ 47,333
Rate Base	\$ (1,136,104)	\$ 323,141	\$ (1,083,506)	\$ (1,083,506)	\$ (1,083,506)
Rate of Return	\$ -	\$ -	\$ -	\$ -	\$ -
Rate of Margin	3%	20%	45%	91%	19%

(END OF APPENDIX A)

APPENDIX B

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered service.

TERRITORY

The unincorporated area known as Tract 151 and vicinity, located approximately 2 miles southeast of the community of Oceano, San Luis Obispo County.

RATES

Quantity Rates (per month):

First 33 hundred cubic feet (Ccf)	\$1.38 per Ccf	(R)
All water in excess of 33 Ccf	\$1.93 per Ccf	(I)

Service Charge:

	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meters	\$ 7.53	(R)
For 3/4 -inch meters	\$11.30	(R)
For 1-inch meters	\$18.83	(R)
For 1-1/2 inch meters	\$37.65	(I)
For 2-inch meters	\$60.24	(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. All bills are subject to the Reimbursement fee set forth in Schedule No. UF.

APPENDIX C
(Page 1 of 2)
Rural Meter Revenue Calculation for Test Year 2008

ROR

Average Authorized ROR = 12%

$$\text{ROR} = \text{Net Revenue} / \text{Rate Base} = 0.12 = \text{Net Revenue} / \$1,136,104$$

$$\text{Net Revenue} = \$0$$

ROM

$$\begin{aligned} \text{Revenue Requirement} &= (\text{O\&M} + \text{Depreciation} + \text{Income Tax} + \text{Other Tax}) \\ &\quad + \text{ROM} (\text{O\&M} + \text{Depreciation} + \text{Income Tax} + \text{Other Tax}) \\ &= \$466,897 + 0.19 \times \$443,090 \\ &= \$551,084 \end{aligned}$$

Comparison of Rates for Test Year 2008

709 of the 921 connections are for 3/4 inch meters

For these customers in the month of July using 46 Ccf (when it is estimated over 30% of water is above nominal) the comparison would be for a typical usage:

<u>Present Svc Charge</u>	<u>Present Qty Rate</u>	<u>Present Total</u>	
\$14.36	\$1.636 x 46 Ccf = \$75.26	\$89.62	
<u>New Svc Charge</u>	<u>New Nom Qty</u>	<u>Excess Qty</u>	<u>New Total</u>
\$11.30	\$1.38 x 33 Ccf = \$45.54	\$1.93 x 13 Ccf = \$25.09	\$81.93

APPENDIX C
(Page 2 of 2)
Quantity and Service Charge Calculations for TY 2008

Rural Water Meter Rates																																					
Actual Fixed Cost = Adopted revenue - other revenues - power - chemicals - taxes																																					
= \$555,607 (revenue) - \$198,876 (power) - 19,588 (taxes)																																					
= \$ 337,143																																					
For Class C utility (up to) 65% Fixed Cost allocated to service charge = \$ 219,143 for 65%																																					
= \$ 134,857 for 40% ✓																																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2">Per 2008 Annual Report:</th> <th colspan="2"></th> </tr> <tr> <th>Size</th> <th>Meters</th> <th colspan="2">Connection Charge/ Month</th> </tr> <tr> <td>5/8"</td> <td>169</td> <td colspan="2">\$7.53</td> </tr> <tr> <td>3/4"</td> <td>709</td> <td colspan="2">\$11.30</td> </tr> <tr> <td>1"</td> <td>19</td> <td colspan="2">\$18.83</td> </tr> <tr> <td>1-1/2"</td> <td>0</td> <td colspan="2">\$37.65</td> </tr> <tr> <td>2"</td> <td>24</td> <td colspan="2">\$60.24</td> </tr> <tr> <td>Total</td> <td>921</td> <td colspan="2"></td> </tr> </table>						Per 2008 Annual Report:				Size	Meters	Connection Charge/ Month		5/8"	169	\$7.53		3/4"	709	\$11.30		1"	19	\$18.83		1-1/2"	0	\$37.65		2"	24	\$60.24		Total	921		
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169*x + 709*1.5x + 19*2.5x + 24*8x = 1472 x																																					
x = \$ 90.39 / year @ 40% fixed cost																																					
= \$ 7.53 / month for 5/8" meters																																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2"></td> <td align="right">Usage</td> <td></td> </tr> <tr> <td colspan="2">at 60%: Quantity Rates = Revenue - Fixed Cost Allocation =</td> <td>\$ 399,454</td> <td>346,542 Ccf (in 2008)</td> </tr> <tr> <td colspan="2">Single Tier Rate =</td> <td>\$ 1.15</td> <td>per Ccf</td> </tr> </table>								Usage		at 60%: Quantity Rates = Revenue - Fixed Cost Allocation =		\$ 399,454	346,542 Ccf (in 2008)	Single Tier Rate =		\$ 1.15	per Ccf																				
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Single Tier Rate =		\$ 1.15	per Ccf																																		
Usage Quantities (2008)																																					
		Nom & Below	Above Nom																																		
Jan	15702	15702																																			
Feb	13985	13985																																			
Mar	24532	24532																																			
Apr	28224	28224																																			
May	41509	30625	10884																																		
Jun	40101	30625	9476																																		
Jul	44735	30625	14110																																		
Aug	34926	30625	4301																																		
Sep	30625	30625	0																																		
Oct	33852	30625	3227																																		
Nov	24542	24542																																			
Dec	13809	13809																																			
	346542	304544	41998																																		
Conservation Rates (with expectation of 20% decrease in consumption)																																					
Nom charge (304544) + 1.4 *Nom charge (41998) = \$ 501,643																																					
Nominal Charge = \$ 1.38 per Ccf																																					
Conservation charge (above 30,625/921=33 ccf/mo/connection) = \$ 1.93 per Ccf																																					

APPENDIX D
Rural Water Company
Adopted Quantities - Test Year 2008

Purchased Power

Pacific Gas & Electric
 Effective Date January 1, 2006
 Schedule No. A-1, Small General Service

Cypress Ridge Sewer and Rural Water power charges are split on PG&E	<u>Total kWh</u>	<u>Total Cost</u>
Account #4715993741 26.9% and 73.1%.	71,244	\$ 46,587
For Account # 2074690830	886,480	\$135,759
For Account # 4674994412	96,278	<u>\$ 16,530</u>
		<u>\$198,876</u>

Service Connections

5/8"	169
3/4"	709
1"	19
2"	<u>24</u>
	921

Consumption (2008) 346,542 Ccf

Tax Calculations

Federal Tax Rate: 15%
 CCFT: 8.84%

<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
Operating Revenue	\$ 551,084	\$ 551,084
O&M Expense	\$ 429,015	\$ 429,015
Taxes Other than Income	\$ 4,219	\$ 4,219
Depreciation	\$ 14,075	\$ 14,075
Interest	\$ 0	\$ 0
 Taxable Income for CCFT	 \$103,775	
 CCFT	 \$ 9,174	
 Taxable Income for FIT		 \$ 94,601
FIT		\$ 14,190
 Total Income Tax		 \$ 23,364

(END OF APPENDIX D)