

Date of Issuance February 5, 2010

WATER/RSK/PTL/OE2/jlj

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

**DIVISION OF WATER AND AUDITS**  
Water and Sewer Advisory Branch

**RESOLUTION W-4815**  
February 4, 2010

**RESOLUTION**

**(RES. W-4815), LAKE FOREST WATER COMPANY (LFWC). ORDER AUTHORIZING A SURCHARGE OF \$49.90 SEMI-ANNUALLY FOR THREE YEARS FOR RECOVERY OF PURCHASED WATER AND OTHER COSTS. ALSO, AUTHORIZING AN INCREASE OF \$53,107 OR 37.2% FOR PURCHASED WATER, POWER AND RATEBASE OFFSETS.**

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**SUMMARY**

By Advice Letter (AL) 40-W, filed on July 28, 2009, revised Advice Letter 40-W-A, filed November 20, 2009, and revised Advice Letter 40-W-B, filed on November 24, 2009, to correct errors in the rate base calculations in the original AL, LFWC, seeks the following: (1) To recover, through a surcharge of \$39.87 semi-annually for a period of three years, expenses of \$42,905 paid for water purchased during 2007 and 2008 when LFWC was unable to use surface water from Lake Tahoe due to California Department of Public Health (DPH) Compliance Order No. 01-09-98-ORD-002 dated October 28, 1998. (2) An expense offset to increase its purchased water costs in its annual rates from \$24,000 to \$75,499.40, thereby leading to a decrease in purchased power cost from \$12,000 to \$3,239, and a rate base offset of \$85,632 for water system improvements which would cause an increase in annual revenue of \$56,952 or 39.8%.

This Resolution grants a surcharge of \$49.90 semi-annually for a period of three years and an increase in gross annual revenue of \$53,107 or 37.2%. This increase will not result in a rate of return greater than the last authorized for LFWC.

**BACKGROUND**

LFWC is a class D water company and presently provides service to approximately 180 customers in the service area of Lake Forest adjacent to State Highway 28 and approximately 2 miles northeast of the community of Tahoe City, Placer County.

LFWC, in accordance with the Federal Surface Water Treatment Rule, had to stop using Lake Tahoe as a water source and, in compliance with the DPH order mentioned above had to seek an alternative water source. This it did by drilling a well; unfortunately, laboratory results indicated high levels of arsenic exceeding the existing maximum

contaminant level of 50 micrograms per liter. This then necessitated a temporary connection to the Tahoe City Public Utility District's (TCPUD) Water System, resulting in an increase in purchased water expenses for LFWC.

In Res. W-4635, the Commission authorized LFWC to collect a surcharge of \$55.37 per equivalent single-family unit per 6-month billing period over a 3-year period or until the amount of \$56,479.55 is fully recovered. This amount reflected purchased water costs due to the purchase of water from TCPUD during the period 2003 through 2006.

LFWC now requests recovery of its incremental<sup>1</sup> expenses for water purchased from TCPUD during the two-year period from January 1, 2007 to December 31, 2008 and legal expenses incurred in order to obtain a water source that complied with the DPH order. This resolution authorizes a semi-annual surcharge of \$49.90 for a period of three years to recover the accrued expense of \$53,893. However, the recovery of legal expenses incurred in 2008 for other purposes is not authorized by this resolution.

In its advice letter the water company relies on Res.W-4327 as authority to recover its purchased water expenses. That resolution authorized the following in its Ordering Paragraph No 1: "Each Class B, C and Class D water utility regulated by the Commission and subject to the provisions of the Department of Health Services' Division of Drinking Water and Environmental Management fees and regulations is authorized to establish a memorandum account in which to record payment of sampling, testing *and compliance costs*, which are not already covered in rates and which are incurred after the date of this resolution. Costs resulting from non-compliance and related fines shall not be included in this account." (Emphasis added.) Since this was a cost incurred for compliance with DPH Order 01-09-98-ORD-002, it fits within the categories covered by this Ordering Paragraph. However, Res. W-4327 also states in its Ordering Paragraph No.5 "These memorandum accounts shall remain open until the Commission cancels them or January 1, 2008, whichever occurs first." Therefore, that Resolution cannot cover any expenses for the second year from January 1, 2008 through December 31, 2008, since the authority granted expired on January 1, 2008.

Res. W-4327 also discussed several criteria that are normally considered in determining whether costs recorded in a water quality memorandum account can be recovered. These include that: (i) the costs are beyond the control of the utility; (ii) were not foreseeable and therefore not included in the company's last general rate case; and (iii) will be incurred prior to the company's next general rate case.

Although not mentioned by LFWC, there is also Res.W-4467 which authorized in its Ordering Paragraph No.2, "Class B, C, and D water utilities are authorized to establish

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<sup>1</sup> In other words, LFWC seeks to recover the amount of its purchased water expense that exceeds the amount allowed in its last GRC, while also reflecting the resulting savings in purchased power costs.

memorandum accounts to track changes in purchased water, purchased power, and pump tax". Thus the 2008 expenses for which LFWC seeks recovery here fit within the categories covered by this Ordering Paragraph of Res. W-4667, without the time restriction contained in Res. W-4327.

LFWC also requests authority under GO 96-B, Water Industry Rules 7.3.3(7), (8), and 8.4, and in accordance with Standard Practice U-27-W to increase its rates by \$56,952 or 39.8% for purchased water, power and rate base offsets. The utility's last GRC, Res. W-4625 dated January 8, 2007, authorized an increase of \$88,115 or 160.7% with a 12.75% return on rate base. The present rates became effective on December 31, 2008, by approval of Advice Letter (AL) 38-W which authorized a Consumer Price Index-Urban increase of \$5,106.00 or 4.1%.

### **NOTICE AND PROTESTS**

Notice of the proposed rate increase was mailed to customers on August 1, 2009. No protest was received.

### **DISCUSSION**

#### **Purchased Water Costs During 2007 & 2008**

The increase requested is for the purpose of recovering through a surcharge, on a dollar-for-dollar basis, incremental purchased water costs which LFWC incurred during January 1, 2007 to December 31, 2008.

This expense was incurred as a result of California Department of Public Health (DPH) Compliance Order No. 01-09-98-ORD-002 dated October 26, 1998, which required LFWC to provide an alternative water source to Lake Tahoe, as that water source did not meet the DPH surface water treatment rule and the Federal Surface Water Treatment Rule. LFWC opted to drill a well instead of doing the water treatment required for the water from Lake Tahoe, because of how exorbitant the cost of that treatment would be on a regular basis in comparison to the cost of drilling a well or purchasing water from the TCPUD. These treatment costs would be really unaffordable for a water system as small as LFWC.

As explained above, LFWC was authorized to establish a Water Quality Memorandum Account (WQMA) that would cover the 2007 expense and a Purchased Water Memorandum Account that would cover the 2008 expense.

While LFWC did establish a WQMA in the Preliminary Statement in its tariffs, the scope of that WQMA is somewhat narrower than what was authorized by Res. W-4327. More specifically, the WQMA contained in LFWC's tariffs covers "the fees not presently

included in rates that are associated with water testing and treatment costs mandated by the DHS<sup>2</sup>". The costs at issue here do not fall within that description. Res. W-4327, on the other hand, authorized the inclusion of DHS-required "sampling, testing *and compliance costs*, which are not already covered in rates" (emphasis added). As explained above, the purchased water costs at issue here were costs incurred in order to comply with a DHS order, and therefore were costs authorized to be included in a WQMA by Res. W-4327.

Under Res. W-4467 "Class B, C, and D water utilities are *authorized* to establish memorandum accounts to track changes in purchased water, purchased power, and pump tax" (emphasis added). To avail itself of this authority, LFWC should have filed an advice letter to add a purchased water memorandum account to its Preliminary Statement. (See, e.g., General Order 96-B, Water Industry Rule 7.3.2 (5), authorizing the filing of a Tier 2 advice letter for a "New Memorandum Account request".) LFWC, however, did not do so.

Accordingly, the Commission is faced with the question of how to handle reasonable and necessary expenses that a small water utility has incurred that were authorized to be included in a memorandum account where (i) the water utility has not established the memorandum account or (ii) the memorandum account established by the utility does not cover all of the expenses authorized to be included in such a memorandum account, thereby failing to cover the expenses at issue. More specifically the following facts are present here:

This resolution addresses a request for recovery of expenses by a small water company.

Small water companies are often not sophisticated in complying with regulatory procedures.

The water company was authorized to create a memorandum account to cover a limited class of expenses.

The water company failed to create the memorandum account or else created a memorandum account that was narrower in scope than what was authorized.

After the memorandum account was authorized, the water company incurred necessary expenses properly included in the kind of memorandum account that was authorized.

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<sup>2</sup> The California Department of Public Health (DPH) was known as the California Department of Health Services (DHS).

The expenses at issue are large in relation to the water company's overall revenue requirement.

It would be unjust not to let the water company recover these necessary expenses.

Given the presence of all these circumstances, we will not deny recovery of these expenses just because the water company failed to file an appropriate advice letter. Furthermore, we conclude that allowing recovery where all these circumstances are present would not constitute impermissible retroactive ratemaking. In reaching this conclusion we rely on the facts that (i) general ratemaking is not involved here, as the memorandum accounts at issue here tracked only limited classes of expenses, and (ii) it would be unjust under the circumstances described above to deny recovery of these necessary expenses.

To avoid continuing indefinitely the situation where LFWC needs to record expenses in a memorandum account that is not contained in the Preliminary Statement in its tariffs, we will direct LFWC to establish purchased water and purchased power memorandum accounts in its tariffs, and remove from the Preliminary Statement in its tariff the WQMA memorandum account which has expired..

The Division of Water and Audits (Division) has reviewed LFWC's expenditures of \$42,905 for purchased water and supporting invoices, which were provided to the staff, and has found them reasonable. In calculating the figure of \$42,905 for purchased water, LFWC subtracted from its purchased water costs not only the amount authorized for purchased water in its last GRC, but also the purchased *power* cost avoided by receiving water from TCPUD. Thus, the amount requested represents the actual incremental cost of the purchased water. Also, to be recovered as includable within a WQMA is \$10,988 of legal expenses incurred in obtaining this water, discussed in greater detail below. The Division has also reviewed the criteria discussed in Res. W-4327, and concludes that LFWC has met them. These expenses to purchase water from TCPUD and associated legal costs were beyond LFWC's control. Furthermore, these expenses were not foreseeable and therefore not included in the company's last GRC, because at that time efforts to provide a permanent water source through a well were being pursued. Finally, these expenses have not been recovered through any other mechanism either, and were incurred before LFWC's next GRC (which has not taken place yet).

The Division recommends a surcharge of \$49.90 per customer semi-annually for each rate category, for a period of three years. This surcharge will not result in a rate of return greater than the last authorized for LFWC. This surcharge is shown in the rate schedules attached as Appendix B. No interest is normally authorized for

memorandum accounts; however, interest on balancing accounts is authorized at the 90-day commercial paper rate. Accordingly, we will authorize LFWC to record the amount of \$53,893 in a Purchased Water Balancing Account and to begin accruing interest on that account as of the effective date of this resolution. LFWC will file an advice letter to reduce the surcharge, if need be.

### **Purchased Water And Power Offsets**

LFWC has requested approval of an expense offset to increase its purchase water costs in its annual rates from \$24,000 to \$75,499.40 and decrease the purchased power cost from \$12,000 to \$3,239. This offset would recover in rates the continuing cost of purchasing water from TCPUD.

In accordance with DPH Compliance Order No 01-09-98-ORD-002, LFWC has had to discontinue use of Lake Tahoe as a supply source. In order to provide a permanent alternative water source, LFWC embarked on drilling a well, which unfortunately, had high levels of arsenic and as a result of this the project was terminated. This has necessitated the purchase of water from the Tahoe City Public Utility District going forward on a continuing basis until an alternative permanent solution to TCPUD water is found.

As a result of LFWC's connection to TCPUD for its water supply, LFWC has realized a decrease in water pumping power costs, which has led to a total power cost decrease for the two years (January 1, 2007 to December 31, 2008) of \$16,584, which reflects an actual cost of \$7,416 down from \$24,000. On the other hand, the amount allowed for purchased water in the last GRC of \$24,000 has increased substantially since then to \$45,314 in 2007 and \$61,175 in 2008. Division has reviewed the current purchased water contract and recommends \$75,499.40 for year 2010 and going forward until there is a change in the LFWC's water supply source. At this time, LFWC is planning to drill another well in another location where there will be less likelihood of finding arsenic. Its most recent power costs of \$3,239 for 2008 should be used as LFWC's power costs going forward until there is a change in LFWC's water supply source.

### **Rate Base Offset**

LFWC has requested a rate base offset for various water system improvements since the last GRC through December 31, 2008, totaling \$85,632, but this resolution allows only \$73,844.

These plant additions were primarily done to comply with DPH Compliance Order No. 01-09-98-ORD-002 and they included the following: Chlorine monitoring equipment, rehabilitation of the redwood storage tank (supported by fire department), installation of isolation valves, and several new service lines.

A field inspection conducted by staff verifies that the following plant additions were prudent investments in compliance with DPH's order, or otherwise necessary. The \$73,844 in allowed plant additions are summarized below:

Aspen Intake Chlorine Analyzer	\$ 8,999
Isolation valves & service line replacements	\$ 3,818
Hillcrest line & PUD connection	\$ 4,168
Well sites investigation	\$ 2,018
CDHS Reports <sup>3</sup>	\$ 2,465
Service line replacements	\$ 527
Regulatory agency compliance	\$16,683
Water source SRF study	\$ 3,200
Distribution system improvements	\$15,566
Water supply Proposition 50 project	\$13,291
Old Mill tank rehabilitation	<u>\$ 3,110</u>
Total plant additions	<u>\$73,844</u>

The new rate base is shown in Appendix A.

LFWC originally requested a rate base offset of \$28,470 for regulatory agency compliance. \$11,788 of the regulatory agency compliance figure reflects legal fees that should be expensed rather than capitalized. However, as to these \$11,788 legal expenses LFWC has shown that they were reasonably incurred in order to comply with the DPH order. All but \$800 of these legal expenses were incurred in 2007 and therefore were authorized to be included in a WQMA by Res. W-4327. Therefore \$10,988 of the legal expenses will be recovered under the surcharge discussed above. The \$800 in 2008 for legal fees is not authorized for recovery by this resolution. \$16,682.75 of the regulatory agency compliance figure is for engineering fees that are properly capitalized. Accordingly, we are only allowing \$16,682.75 in capitalized regulatory agency compliance.

The total revisions authorized for LFWC for purchased water, power and rate base offsets are the following: revised power costs of \$3,239, revised purchased water costs of \$75,499.40, and the \$73,844 increase in rate base. The overall effect of these revisions

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<sup>3</sup> CDHS Reports: These were engineering reports necessary to make the required plant improvements.

requires a rate increase of \$53,107 or 37.2%. The rates needed to produce that increase in revenues are shown in Appendix B.

### COMMENTS

This is an uncontested matter pertaining to a water corporation. Accordingly, pursuant to PU Code 311(g) (3) there is no requirement for a public review and comment period.

### FINDINGS

1. By AL 40-W Lake Forest Water Company (LFWC) requests recovery of its purchased water expenses of \$42,905 incurred from January 1, 2007 to December 31, 2008 in order to comply with DPH Order No. 01-09-98-ORD-002.
2. LFWC also requests purchased water, power and rate base offsets. The requested amounts for the purchased water, power and rate base offsets are respectively purchased water costs of \$75,499.40, power costs of \$3,329 (a decrease), and a \$85,632 increase in rate base.
3. In accordance with the Federal Surface Water Treatment Rule and in compliance with DPH Order No. 01-09-98-ORD-002, LFWC had to discontinue using Lake Tahoe as a water source, as treating Lake Tahoe surface water would not be cost-effective for a small water company like LFWC.
4. In order to meet the above requirements and obtain an alternative water source, LFWC drilled a well which unfortunately, had high levels of arsenic and had to be terminated.
5. As a result of the above, LFWC has had to acquire its water supply from the Tahoe City Public Utility District on a continuing basis, until a permanent alternative is found.
6. The California Department of Public Health (DPH) used to be called the Department of Health Services (DHS).
7. LFWC cited the authority granted in Resolution W-4327 to recover the incremental costs of purchased water in 2007 and 2008. However, that resolution's authority to record costs in a Water Quality Memorandum Account (WQMA) expired on January 1, 2008. Furthermore, the WQMA that LFWC established in the Preliminary Statement of its tariffs did not cover all DHS-required compliance costs, although Resolution W-4327 authorized the inclusion of all such compliance costs. Accordingly, the WQMA that LFWC established did not cover the 2007 purchased water costs at issue here.

8. Since the authority for the Water Quality Memorandum Account (WQMA) expired on January 1, 2008, LFWC should remove this from the Preliminary Statement in its tariff.
9. The 2007 purchased water costs were incurred in order to comply with a DPH order, and therefore were costs authorized to be included in a WQMA by Res. W-4327.
10. LFWC also incurred legal costs in 2007 in order to obtain a water source that complied with the DPH order and therefore were costs authorized to be included in a WQMA by Res. W-4327.
11. LFWC has met the criteria discussed in Res. W-4327 for recovery of expenses recorded in a WQMA. The expense to purchase water from TCPUD and associated legal costs were beyond LFWC's control. These expenses were not foreseeable and therefore not included in the LFWC's last GRC, because at that time efforts to provide a permanent water source through a well were being pursued. These expenses were incurred before LFWC's next GRC.
12. Resolution W-4467 authorized LFWC to establish memorandum accounts to track changes in purchased water, purchased power, and pump tax.
13. The 2008 purchased water expenses for which LFWC seeks recovery fit within a memorandum account authorized by Res. W-4327.
14. LFWC did not establish the purchased water and purchased power memorandum accounts authorized by Res. W-4327.
15. The filing of an advice letter adding language to its Preliminary Statement is the normal method by which a water utility establishes a memorandum account that it has been authorized to establish.
16. The following facts are all present here:
  - (a) This resolution addresses a request for recovery of expenses by a small water company.
  - (b) Small water companies are often not sophisticated in complying with regulatory procedures.
  - (c) The water company was authorized to create a memorandum account to cover a limited class of expenses.

- (d) The water company failed to create the memorandum account or else created a memorandum account that was narrower in scope than what was authorized.
  - (e) After the memorandum account was authorized, the water company incurred necessary expenses properly included in the kind of memorandum account that was authorized.
  - (f) The expenses at issue are large in relation to the water company's overall revenue requirement.
  - (g) It would be unjust not to let the water company recover these necessary expenses.
17. Given the presence of all the circumstances described in the preceding finding, recovery of LFWC's purchased water expenses for 2007 and 2008 should be authorized, even though LFWC did not file appropriate advice letters to establish memorandum accounts that would cover these expenses. Furthermore, where all these circumstances are present there is no impermissible retroactive ratemaking because: (i) general ratemaking is not involved, as the memorandum accounts at issue here tracked only limited classes of expenses, and (ii) it would be unjust under these circumstances to deny recovery of these necessary expenses.
18. LFWC should file an advice letter to establish a purchased water memorandum account and a purchased power memorandum account, and to include those accounts in the Preliminary Statement in its tariffs, so as to avoid similar issues in the future.
19. \$42,905 is the incremental cost of purchased water during the period January 1, 2007 through December 31, 2008, and reflects both the increase in purchased water costs over the costs allowed in the last GRC, and the decreased power costs. This incremental cost is reasonable and has not been recovered through any other mechanism. In addition \$10,988 reflects reasonable legal expenses incurred in 2007 in order to ensure compliance with the DPH order.
20. This resolution does not authorize the recovery of legal expenses incurred in 2008 since the authority for the Water Quality Memorandum Account (WQMA) expired on January 1, 2008.
21. A semi-annual surcharge of \$49.90 for a period of three years should be authorized to recover this expense of \$53,893 (\$42,905 + \$10,988) for purchased water and legal expenses.

22. LFWC should be authorized to (i) record the amount of \$53,893 in a Purchased Water Balancing Account and (ii) begin accruing interest on that account as of the effective date of this resolution. LFWC should file an advice letter to reduce the surcharge, if necessary.
23. LFWC requests approval to increase its purchased water costs in its annual rates going forward from \$24,000 to \$75,499.40 and decrease the purchased power cost from \$12,000 to \$3,239 annually. These requests are reasonable.
24. LFWC requested a rate base offset for various water system improvements since the last GRC through December 31, 2008, totaling \$85,632. Of this amount, \$11,788 reflects legal fees that are not a capital expense. Deducting this amount from LFWC's requested rate base offset leaves \$73,844.
25. The plant additions in the amount of \$73,844 were prudent investments and were made for the purpose of complying with DPH's order, or were otherwise necessary.
26. The total purchased water, power and allowable rate base offsets require a rate increase of \$53,107 or 37.2%. The rates needed to produce that increase in revenues are shown in Appendix B.
27. LFWC should file purchased water and power offsets to reflect its revised costs promptly after it obtains a new water supply source.
28. The Commission finds, after investigation by the Division, that the rate increase of \$53,107 or 37.2% is just and reasonable.
29. The Division's recommended Summary of earnings (Appendix A) is reasonable and should be adopted.
30. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
31. This is an uncontested matter pertaining to a water corporation. Accordingly, pursuant to PU Code 311(g) (3) there is no requirement for a public review and comment period.

**THEREFORE IT IS ORDERED THAT:**

1. Lake Forest Water Company is authorized to transfer \$53,893 to a Purchased Water Balancing Account and shall record as a credit to that account the surcharge revenue collected pursuant to this resolution.

2. Lake Forest Water Company is authorized to file a Tier 1 Advice Letter within thirty days of the effective date of this resolution to put into effect Schedules: No. 1A, Annual Metered Service and No. 2A, Annual Flat Rate Service, as shown in Appendix B, and to concurrently cancel the presently effective rate schedules.
3. Lake Forest Water Company shall file a Tier 1 Advice Letter to remove any special condition in its tariffs within five days after expiration of the special condition.
4. Lake Forest Water Company shall add purchased water and purchased power cost memorandum accounts and a purchased water balancing account to its preliminary statement by filing an Advice Letter within thirty days of the effective date of this resolution.
5. Lake Forest Water Company shall remove the Water Quality Memorandum Account (WQMA) from its preliminary statement by filing an Advice Letter within thirty days of the effective date of this resolution.
6. Lake Forest Water Company shall file an Advice Letter for purchased water and power offsets to reflect its revised costs promptly after it obtains a new water supply source.
7. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at the Public Utilities Commission of the State of California on February 4, 2010; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
President

DIAN M. GRUENEICH

JOHN A. BOHN

TIMOTHY ALAN SIMON

NANCY E. RYAN

Commissioners

**Appendix A**  
**Lake Forest Water Company**  
**Summary of Earnings 2009**

<u>Category</u>	<u>Adopted Res. W-4625</u>	<u>Purchased Water, Power &amp; Rate Base Offsets</u>	<u>After Increased Revenues</u>
<b><u>Operating Revenues</u></b>		Percent Increase	37.2%
Flat Rate	141,952	52,735	194,687
Metered	1,000	372	1,372
Total	142,952	53,107	196,059
<b><u>Operating Expenses</u></b>			
Purchased Water	24,000	51,499	75,499
Power	12,000	-8,761	3,239
Other Volume Related Expenses	1,200		1,200
Employee Labor	12,000		12,000
Materials	2,500		2,500
Contract Work	3,300		3,300
Transportation Expense	2,400		2,400
Other Plant Maintenance Expense	1,200		1,200
Office Salaries	1,000		1,000
Management Salaries	10,000		10,000
Employee Pension and Benefits	1,600		1,600
Uncollectibles	1,500		1,500
Office Service & Rentals			0
Office Supplies & Expenses	1,500		1,500
Professional Services	4,800		4,800
Insurance	1,500		1,500
Regulatory Commission Exp.	2,500		2,500
Dept. Public Health Fees			0
General Expenses	1,200		1,200
<b>Total Operating Expenses</b>	84,200		126,938
<b><u>Deductions</u></b>			
Depreciation	6,120	1,456	7,576
Property Tax	95	906	1,001
Payroll Tax		0	
Taxes other than Income			
<b>Total Deductions</b>	6,215		8,577
<b>Total Expenses including Deductions</b>	90,415		135,515
<b>Net income before taxes</b>	52,537		60,543
<b>State Income Tax</b>	4,644		5,352
<b>Federal Income Tax</b>	7,184		8,279
<b><u>Net Revenue</u></b>	40,709		46,913
<b><u>Rate Base</u></b>			
Average Plant	379,205	73,844	453,049
Average Depr. Res.	68,221	25,142	93,363
Net Plant	310,984		359,686
Add: Materials and Supplies	0		0
Working Cash	8,300		8,300
Less: Contributions	0		0
Advances	0		0
<b>Rate Base</b>	319,284		367,986
<b><u>Rate of Return</u></b>	12.75%		12.75%

**APPENDIX B**

**Schedule No. 1A**  
**ANNUAL METERED SERVICE**

**APPLICABILITY**

Applicable to all flat rate water service billed on a semi-annual basis (6 months).

**TERRITORY**

The incorporated area known as Lake Forest Unit No. 1 and vicinity, located adjacent to Highway No. 28 and approximately 2 miles northeast of the community of Tahoe City, Placer County.

**RATES**

Quantity Rates:

All usage, per 100 cu. ft.	\$6.39	(I)
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Service Charge:

Per Year

For 5/8 x 3/4 - inch meter	\$513.91	(I)
For 3/4 - inch meter	\$569.87	(I)
For 1-inch meter	\$772.72	(I)
For 1 1/2 - inch meter	\$1,032.92	(I)
For 2 - inch meter	\$1,388.96	(I)
For 3 - inch meter	\$2,584.71	(I)
For 4 - inch meter	\$3,505.68	(I)

The service charge is a readiness-to-serve charge, which is applied to all metered service and to which is added the monthly charge computed at the Quantity Rate.

As authorized by the California Public Utilities Commission, all bills are subject to a 3-year surcharge of \$55.37 per equivalent single family unit per 6-month billing period or until the total amount in the account is recovered plus interest at the 90-day Commercial Paper Rate. This charge offsets the Department of Public Health compliance costs for water purchased from 2003 through 2006, as authorized by Resolution W-4635. (D)

As authorized by the California Public Utilities Commission, all bills are subject to a 3-year surcharge of \$49.90 per equivalent single family unit per 6-month billing period or until the total amount in the account is recovered plus interest at the 90-day Commercial Paper Rate. This charge offsets the additional costs for water purchased during the years 2007 and 2008, as authorized by Res. W-4815. (N)

(continued)

**APPENDIX B**

**Schedule No. 2A**  
**ANNUAL FLAT RATE SERVICE**

**APPLICABILITY**

Applicable to all flat rate water service billed on a semi-annual basis (6 months).

**TERRITORY**

The incorporated area known as Lake Forest Unit No. 1 and vicinity, located adjacent to Highway No. 28 and approximately 2 miles northeast of the community of Tahoe City, Placer County.

**RATES**

	Per Service Connection	
	<u>Per Year</u>	
1. For a single-family residential unit including premises	\$966.68	(I)
(a) For each additional single-family residential unit on the same premises and served from the same service connection	\$722.47	(I)
2. For motels or recreational vehicle parks, First Manager's Unit	\$966.68	(I)
(a) For each additional motel or vehicle unit on the same premises and served from the same connection	\$365.36	(I)
3. Single unit commercial units having minimum fixtures described as one hose bib or standpipe	\$722.47	(I)
4. Double commercial units with less than 1,500 sq. ft. having minimum fixtures in each unit	\$1,582.12	(I)
5. Intermediate commercial less than 2,000 sq. ft., 1" service lines, additional fixtures than minimum, additional uses such as landscaping, power/steam wash, or one living accommodation unit	\$1,704.48	(I)
6. Commercial warehouse buildings with office facilities, separate bays, less than 2,000 sq. ft.	\$1,704.48	(I)
7. Commercial warehouse buildings with office facilities, separate bays, more than 2,000 sq. ft.	\$2,406.69	(I)
8. Utility maintenance station, large commercial with one living accommodation, parks, beaches	\$2,406.69	(I)
(a) Each additional living unit	\$712.41	(I)

As authorized by the California Public Utilities Commission, all bills are subject to a 3-year surcharge of \$55.37 per equivalent single family unit per 6-month billing period or until the total amount in the account is recovered plus interest at the 90-day Commercial Paper Rate. This charge offsets the Department of Public Health compliance costs for water purchased from 2003 through 2006, as authorized by Resolution W-4635. (D)

As authorized by the California Public Utilities Commission, all bills are subject to a 3-year surcharge of \$49.90 per equivalent single family unit per 6-month billing period or until the total amount in the account is recovered plus interest at the 90-day Commercial Paper Rate. This charge offsets the additional costs for water purchased during the years 2007 and 2008, as authorized by Res. W-4815. (N)