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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION NO. W-4837  
August 12, 2010

R E S O L U T I O N

**(RES. W-4837), CALIFORNIA UTILITIES SERVICE, INC. (CUS)  
ORDER AUTHORIZING A GENERAL RATE INCREASE,  
PRODUCING ADDITIONAL ANNUAL REVENUE OF \$723,777  
OR 88.4% FOR TEST YEAR (TY) 2010.**

**SUMMARY**

By Draft Advice Letter, filed on September 25, 2009, CUS seeks to increase its rates for sewer service to recover increased operating expenses and earn an adequate return on its plant investment. The Division of Water and Audits (Division) accepted this draft advice letter as complete for filing on October 16, 2009. CUS filed Advice Letter 42 (AL) on May 6, 2010, for the proposed new rates.

For Test Year 2010, this resolution grants an increase in gross annual revenues of \$723,777 or 88.4%, which is estimated to provide a return of margin of 21.7%.

**BACKGROUND**

CUS, a Class C sewer utility, has requested authority under Section VI of General Order 96-B, Rule 7.6.2 and Section 454 of the Public Utilities Code to increase its sewer rates by \$981,402 or 120% for test year 2010. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. CUS' request shows 2010 gross revenues of \$817,599 at present rates, increasing to \$1,799,000 at proposed rates. CUS is requesting a return on margin of 23%.

The present rates became effective on October 1, 2009, by approval of AL 41, which authorized an interim rate increase of \$806 or 0.1%, subject to refund or increase of the rates established in this GRC. The last general rate case for CUS was granted on May 2, 2002, pursuant to Res. W-4329 which granted an increase in revenues of \$109,320 or 18.7% for TY 2002.

CUS is a Class C privately-owned public utility providing sewer service to approximately 1,100 residential customers in an incorporated area of Monterey County along Salinas-Monterey Highway 68. CUS is one of two utilities owned by Patricia

Adcock. The other utility, Alco Water Service, provides water service to about 8,800 customers. The two utilities share the same administrative office, office equipment and billing expenses, office salaries, office utilities, and those expenses are allocated to each utility. CUS sewer system consists of:

A Sewage Collection and Transmission System which runs westerly about ten miles parallel to the Salinas-Monterey Highway 68 from the treatment plant site adjacent to the Salinas River. The collection system is comprised of mains that vary in size from 6" to 12" diameter.

A Waste Water Treatment Plant located in the south bank of the Salinas River and with a design capacity of 300,000 gallons per day, permitted by the State Water Resources Control Board. The treatment plant consists of one aerobic digester, two Sequential Batch Reactor (SBR) chambers, one chlorine contact chamber, and a sludge drying bed. All of these structures are made from concrete.

CUS owns approximately 112 acres of sprayfields, located adjacent to the sewage treatment plant. CUS also has two storage ponds; one is used to store treated effluent during times of wet weather when it cannot be applied to the sprayfields; the other pond provides emergency storage of effluent to the plant and is used only as emergency backup in the event that the wastewater treatment plants were to become temporarily inoperable.

CUS is also requesting balancing account treatment for the payment of required regulatory permit fees to the State Water Resources Control Board (SWRCB) and the Monterey Bay United Air Pollution Control District (MBUAPCD). Division concurs balancing account treatment is appropriate.

CUS has received numerous customer inquiries regarding the suspension of billing for sewer services due to claimed vacancy of residences. CUS' position is that it has held itself out to provide service to its customers, its facilities are in place and ready and willing to provide service to the customer and CUS has certain costs and expenses that must be paid regardless of whether the customer uses the service. In order to be as fair as possible, CUS proposes to add special conditions to its tariff that if approved by the Commission would apply to vacant residences and the resulting non-use of sewer facilities. A review of the utilities records indicate there were many vacancies and the special conditions as described in the tariff provides relief to those customers. The Division agrees with the special conditions as described in the tariff.

CUS also proposed the construction of 11 manholes and the installation of 2,480 feet of 8-inch line for a total of \$424,500.

### **NOTICE AND PROTEST**

A notice of the proposed rate increase was mailed to each customer on October 26, 2009. Advice Letter #42 was served as required by GO 96-B. The Division and CUS received over one hundred letters protesting the proposed increase. The utility has responded to all protests. The Division reviewed the protests to the rate increase and reduced the utility's expense estimates.

An informal public meeting was held on Thursday, November 19, 2009, at the Fox Theater located in Salinas, CA. The meeting started at 6:30 p.m. with about 80 people in attendance. Mr. Peter Liu, the Project Manager, declared the meeting open and explained the Commission procedures, as well as the purpose of the meeting. Mr. Marino Rodriguez, Chief Financial Officer of CUS, made a presentation to explain the need for the rate increase. Mr. Tom Adcock, President, Mr. Edward Alexander, Chief Plant Operator, and Mr. Gary Varga, an attorney representing CUS, were also present to provide assistance and answer questions. The rest of the meeting consisted of comments and questions by the customers, which Mr. Liu and CUS' representatives responded to.

### **DISCUSSION**

The Division made an independent analysis of CUS' operations. Appendix A shows CUS' and the Division's estimated summary of earnings at present, proposed, and recommended rates for TY 2010. CUS is in agreement with the Division's recommended rates as shown in Appendix B.

The Division staff reviewed operating revenues and expenses, including purchased power, other volume related, employee labor, materials, contract work, transportation, other plant maintenance, office salaries, management, employee pension and benefits, uncollectible expense, office services and rentals, office supplies and expenses, professional services, insurance, regulatory and general expenses, depreciation, and taxes other than income taxes. Staff verified the operating expenses by reviewing supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

CUS filed for a general rate increase based on taking the average of the three-year periods (2006-2008) recorded expenses and applying a 2% inflation factor for non-labor and a 5% inflation factor for labor.

The Division accepted CUS' general approach for estimating their operating expenses, excluding purchased power, insurance, taxes other than income, uncollectible expense, and salaries, which was based on taking the average of the three recorded years (2006-2008) and applying a 2% non-labor escalation factor for 2010.

The Division disallowed CUS' 5% labor allocation factor because the most current monthly escalation factor for labor provided by the Division of Ratepayer Advocates (DRA) for 2010-2014 indicates that in 2010 the labor inflation is a negative .3%. CUS used an allocation factor of 13.6% for allocation of office salaries which was based on these two factors: (1) number of connections, and (2) direct expenses allocation method.

The Division staff audited actual bills for expenses to make its estimates, and where bills were not available relied on the company's annual reports (the company used projections for expenses where actual bills were not available). The Division and CUS' differences are due to the following:

Purchased Power

CUS' estimate of \$59,720 was based on the 2008 power consumption segregated by summer and winter. The Division arrived at its estimate of \$55,196 by averaging the total kilowatt-hour (kWh) for the years 2008 and 2009 and applying that average to the 2009 cost per kWh.

Employee Labor

CUS request of \$269,650 includes an additional wastewater treatment operator trainee. The Division upon review of the request allowed \$242,373, which included the request for an additional waste treatment operator trainee, but reduced the field employees from three to two full-time employees and one part time.

Transportation Expenses

The Division's estimate of \$136,188 allowed all the lease payments for the equipment rental and included \$20,000 for fuel and repairs of the rented equipment. CUS' estimate of \$151,875 was higher because its estimate of lease payment and fuel costs and repairs was higher. CUS accepted the Division's estimate.

Other Plant Maintenance Expense

The Division disallowed the \$8,114 SWRCB fees and the \$520 MBUAPCD fees because these expenses will be recovered through a balancing account. In addition, the Division allowed only for the training costs of \$1,500 for the new employee and disallowed \$1,500 for current employees.

Management Salaries

The Division disallowed \$36,375 for the second management person. CUS is a class C utility with 1,100 customers; the Division did not find salaries for a second manager prudent and recommends \$35,000.

Employee Pension and Benefits

The difference between the Division and CUS is to the adjustments made in accordance with the salaries allowed.

Uncollectibles

The Division accepted the percentage of uncollectibles but adjusted their estimate in accordance with the proposed revenues.

Insurance

The Division reviewed the insurance bill and adjusted the workman's compensation insurance in accordance with the proposed salaries and recommends \$104,746.

Depreciation

The difference between the Division and CUS is due to the difference in plant in service.

Taxes Other Than Income

The difference is due to the difference in the proposed payroll tax and franchise taxes.

Average Plant and Average Accumulated Depreciation

The Division estimate of average plant is \$4,520,507 and \$2,609,427 for accumulated depreciation. The difference is due to CUS' proposal for the construction of 11 manholes and installation of 2,480 feet of 8-inch line for a total of \$424,500 additions to their plant. Since this proposed new construction is not used and useful, the \$424,500 was disallowed.

These projects are needed and are a prudent investment, and the utility has provided a reasonable estimate of the total cost of the construction; therefore the utility can proceed with the construction and file an Advice Letter Tier 2 for a ratebase offset with a cap of \$424,500 when the new construction is used and useful.

Contributions

The Division based its estimate of \$1,115,072 by analyzing the contributions as reported on the annual reports since the last general rate case.

Rate of Margin

CUS requested a Rate of Margin of 23%. CUS is a Class C sewer utility with approximately 1,100 connections. The Division's Utility Audit, Finance & Compliance Branch (UAFCB) recommends a rate of return range from 11.75% to 12.75% (midpoint 12.5%) for a Class C utility. Two methods are available for the Division to utilize in the rate-making process: (1) Rate of Return, and (2) Rate of Margin. Per Decision 92-03-093, dated March 31, 1992, the Division must recommend the method that produces the higher revenues. UAFCB has recommended a rate of margin of 21.7% for Class C water and sewer utilities. Division has determined that the Rate of Margin produces the higher revenues of \$1,542,182 compared with a 12.5% Rate of Return revenue of \$1,282,730 and therefore, Division recommends the 21.7% Rate of Margin method.

CUS' rate structure consists of two schedules: Schedules 1, General Flat Rate Service and Schedule 2, Inclusion Fees. The rates proposed by the Division are shown in Appendix B. At the recommended rate of margin the increase in revenue will be \$723,777 or 88.4% for TY 2010.

At the Division's recommended rates shown in Appendix B, the bill for a typical monthly flat rate residential customer would increase from \$60.87 to \$114.70 or 88.4% increase. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required. However, CUS should file a Tier 1 advice letter updating its Title Page; Rules 1, Definitions; 2, Description of Service; 5, Special Information Required on Forms; 7, Deposits; 8, Notices; 9, Rendering and Payment of Bills; 10, Disputed Bills; 11, Discontinuance and Restoration of Service; 13, Temporary Service; 14, Continuity of Service; and Rule 21, Commercial, Institutional and Industrial Wastes; and Forms 1, Application for Sewer Service; 2, Customer's Deposit Receipt; and 3, Bill for Service.

COMMENTS

Public Utilities Code Section 311(g) (1) generally requires that resolutions must be served on all parties and be subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft Resolution was mailed to all parties for comment on July 13, 2010.

One email comment and two written comments were received. The email comment request CPUC not to allow the increase requested. One written comment is from the Coalition of Toro Area Homeowners Association (CTAHA) that comments on the rate of return and rate of margin method, and the employee pension & benefit. CTAHA requests that the Commission adopt the rate of return method and reduce the employee pension & benefit to \$125,190. As discussed earlier, per Decision 92-03-093, dated March 31, 1992, the Division must recommend the method that produces the higher revenues. The rate of margin method produces higher revenues. Division reviewed the employee pension & benefit and found \$195,435 is reasonable. Another comment is from the utility for typographical error, which has been corrected.

### FINDINGS

1. CUS currently serves approximately 1,100 residential customers in an incorporated area of Monterey County along Salinas-Monterey Highway 68.
2. CUS has requested authority to increase its rates by \$981,402 or 120% for Test Year 2010.
3. CUS' present rates became effective on October 1, 2009, by approval of Advice Letter 41, which authorized an interim rate increase of \$806 or 0.1%, subject to refund or increase of the rates established in this GRC.
4. A notice of the proposed rate increase was mailed to each customer on October 26, 2009. Advice Letter 42 was served as required by GO 96-B.
5. The Division and CUS received over one hundred letters protesting the proposed increase. The utility has responded to all protests. The Division reviewed the protests to the rate increase and reduced the utility's expense estimates.
6. The last general rate increase was granted on May 2, 2002, pursuant to Res. W-4329, which granted an increase in revenues of \$109,320 or 18.7% for Test Year 2002.
7. CUS filed for a general rate increase based on taking the average of the three year periods (2006-2008) recorded expenses and applying a 2% inflation factor for non-labor and a 5% inflation factor for labor.
8. The Division accepted CUS' 2% non-labor inflation factor but disallowed CUS' 5% labor allocation factor because the most current monthly escalation factor for labor provided by the Division of Ratepayer Advocates for 2010-2014 indicates that in

2010 the labor inflation is a negative 0.3%. CUS now agrees with the Division's inflation rates.

9. The Division used annual reports for expenses, when actual bills were not available.
10. Except as described in this resolution, we find the company's estimates to be reasonable.
11. CUS has requested that it be allowed balancing account treatment for the payments of required regulatory permit fees to the State Water Resources Control Board and the Monterey Bay Unified Air Pollution Control District.
12. CUS proposes to add special conditions to its tariff that if approved by the Commission would apply to vacant residences and the resulting non-use of sewer facilities. A review of the utility's records indicate there were many vacancies and the special conditions as described in the tariff provide relief to those customers.
13. CUS' proposal for the construction of 11 manholes and installation of 2,480 feet of 8-inch line for a total of \$424,500 plant additions is reasonable.
14. CUS should be allowed to file a Tier 2 Advice Letter when the new construction is used and useful with a cap of \$424,500.
15. The Division's recommended summary of earnings (Appendix A) are reasonable and should be adopted.
16. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
17. CUS is in agreement with the Division's recommended revenue requirement and the rates shown in Appendix B.
18. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
19. CUS should file a Tier 2 Advice Letter within 60 days from the effective date of this resolution to collect, over an eighteen-month period, the under-collected revenues from the interim rate date to the effective date of the new rates.

20. CUS should file a Tier 1 Advice Letter within 60 days from the effective date of this resolution revising the following rules in its tariff book to meet the current Commission sample forms: Title Page; Rules 1, Definitions; 2, Description of Service; 5, Special Information Required on Forms; 7, Deposits; 8, Notices; 9, Rendering and Payment of Bills; 10, Disputed Bills, 11, Discontinuance and Restoration of Service; 13, Temporary Service; 14, Continuity of Service; and Rule 21, Commercial, Institutional and Industrial Wastes; and Forms 1, Application for Sewer Service; 2, Customer's Deposit Receipt; and 3, Bill for Service.

**THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 to California Utilities Service, Inc., to file a Tier 1 Advice Letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and Schedule 2, Inclusion Fees. The effective date of the revised schedule shall be five days after the date of filing.
2. The quantities (Appendix D) used to develop the Division's recommendations are adopted.
3. California Utilities Service, Inc. is granted balancing account treatment for the payments of required regulatory permit fees to the State Water Resources Control Board and the Monterey Bay Unified Air Pollution Control District.
4. California Utilities Service, Inc. is authorized to file a Tier 2 Advice Letter for a ratebase offset with a cap of \$424,500 when the construction of the 11 manholes and the installation of 2,480 feet of 8-inch line are used and useful.
5. California Utilities Service, Inc. is authorized to file a Tier 2 Advice Letter within 60 days from the effective date of this resolution to collect, over an eighteen-month period, under-collected revenues from the interim rate date to the effective date of the new rates.
6. California Utilities Service, Inc. shall file a Tier 1 Advice Letter within 60 days from the effective date of this resolution revising the following rules in its tariff book to meet the current Commission sample forms: Title Page; Rules 1, Definitions; 2, Description of Service; 5, Special Information Required on Forms; 7, Deposits; 8, Notices; 9, Rendering and Payment of Bills; 10, Disputed Bills; 11, Discontinuance and Restoration of Service; 13, Temporary Service; 14, Continuity of Service; and Rule 21, Commercial, Institutional and Industrial Wastes; and Forms 1, Application for Sewer Service; 2, Customer's Deposit Receipt; and 3, Bill for Service.

7. 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 August 12, 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  
 CALIFORNIA UTILITIES SERVICE, INC.  
 SUMMARY OF EARNINGS**

Test Year 2010

	Utility Estimated Present Rates	Proposed Rates	Division Estimated Interim Rates	Proposed Rates	Division Recommended Rates
<b><u>Operating Revenues</u></b>					
Total revenues	\$817,599	\$1,799,000	\$818,405	\$1,832,441	\$1,542,182
<b><u>Operating Expenses:</u></b>					
Purchased power	59,720	59,720	55,196	55,196	55,196
Other volume related	6,617	6,617	6,617	6,617	6,617
Employee labor	269,650	269,650	242,373	242,373	242,373
Materials	10,810	10,810	10,810	10,810	10,810
Contract work	62,519	62,519	62,519	62,519	62,519
Transportation	151,875	151,875	136,188	136,188	136,188
Other plant maintenance	55,556	55,556	45,421	45,421	45,421
Office salaries	80,311	80,311	80,311	80,311	80,311
Management	75,322	75,322	35,000	35,000	35,000
Employee pension & benefit	228,447	228,447	195,435	195,435	195,435
Uncollectible expense	1,390	3,057	1,390	3,115	2,622
Office services & rentals	3,000	3,000	3,000	3,000	3,000
Office supplies & expenses	37,619	37,619	37,619	37,619	37,619
Professional services	12,595	12,595	12,595	12,595	12,595
Insurance	111,579	111,579	104,746	104,746	104,746
Regulatory expense	600	600	600	600	600
General expenses	4,424	4,424	4,424	4,424	4,424
Total operating expenses	1,172,034	1,173,701	1,034,244	1,035,969	1,035,475
Depreciation expense	52,161	52,161	43,424	43,424	43,424
Taxes other than income	69,527	89,388	61,175	81,456	75,651
State taxes	800	39,871	800	59,369	34,267
Federal income taxes	-	141,379	0	208,155	120,144
Total deductions	1,294,522	1,496,500	1,139,643	1,428,373	1,308,961
<b>Net Revenue</b>	(476,923)	302,500	(321,238)	404,068	233,221
<b>Rate Base</b>					
Average Plant	4,748,009	4,748,009	4,520,507	4,520,507	4,520,507
Aver. Acc. Dep.	2,608,796	2,608,796	2,609,427	2,609,427	2,609,427
Net Plant	2,139,213	2,139,213	1,911,080	1,911,080	1,911,080
Less: Advances	-	-	-	-	-
Contributions	1,102,608	1,102,608	1,115,072	1,115,072	1,115,072
Deferred income taxes	51,540	51,540	51,540	51,540	51,540
Plus: Materials & supplies	-	-	-	-	-
Working Cash	-	-	-	-	-
Rate Base	985,065	985,065	744,468	744,468	744,468
Rate of Return	(48.42)%	30.71%	(43.15)%	54.28%	31.33%
Rate of Margin		23.0%			21.7%

**(END OF APPENDIX A)**

**APPENDIX B**  
**CALIFORNIA UTILITIES SERVICE, INC.**

Schedule No. 1  
**GENERAL FLAT RATE SERVICE**  
Test Year 2010

APPLICABILITY

Applicable to all sewer service.

TERRITORY

An area midway between the cities of Salinas and Monterey. In the vicinity of and along State Highway 68, Monterey County.

RATES

Per Month

All service per single dwellings and or Business units, except as follows	\$ 114.70	(I)
Toro Park School	1,638.30	
Corral de Tierra Country Club	936.30	(I)

SPECIAL CONDITIONS

1. Bills will be rendered in advance of the period for which service will be provided.
2. The above rates for individually named customer are based upon an equivalent number of single-family residential service connections. Customers so classified may appeal the classification to the Commission under the provisions of Rule No. 10, Disputed Bills.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
4. A late charge will be imposed per Schedule No. LC.
5. In accordance with Section 2714 of the Public Utilities Code and PUC Resolution No. W-3976, if a tenant in a rental unit leaves owing the utility, service to subsequent tenants in that unit will, at the Utility's option, be furnished on the account of the landlord or property owner.

**APPENDIX B**  
**CALIFORNIA UTILITIES SERVICE, INC.**

Schedule No. 1  
(continued)

**GENERAL FLAT RATE SERVICE**

Test Year 2010

SPECIAL CONDITIONS (continued)

6. A customer claiming vacancy of their residence for a period of time will be allowed 90 days from the last billing date following the period of claimed vacancy to notify the utility. The period of vacancy must include the entire period(s) covered by the sewer bills for which the customer desires to not be charged. (N)
7. The customer will have 15 additional days, from the date of notification, to provide CUS with a copy of water bill(s) that show zero water usage during the vacancy period. The water bill(s) provided must include the entire period(s) covered by the sewer bill(s) for which the customer desires to not be charged.
8. If zero water usage is demonstrated for the entire period(s) covered by the sewer bill(s) for which the customer desires not to be charged then a vacant residential rate will apply. The vacant residential rate is equivalent to 50% of the utility's current tariff, in effect at the time for the period(s) covered by the sewer bill(s) during the vacancy. Any surcharges or surcredits in effect during the vacant rate billing period will not be discounted or prorated.
9. If there is any water usage during the period(s) covered by the sewer bill(s), the customer is responsible for the full amount of the monthly sewer bill, even if such water usage is claimed to be used for purposes other than residential.
10. If the customer does not have water bills to show zero water usage for the entire period(s) covered by the sewer bill(s) because the customer is not individually meter for water usage, the customer is responsible for the full amount of the sewer bill(s).
11. If CUS is unable to confirm that there was zero water usage during the entire sewer billing period(s) covered by the customer's request, the reversal of sewer charges or the request not be charged for sewer charges due to claimed vacancy request will be denied claimed vacancy request will be denied.
12. The vacant residential rate will be allowed for a maximum of six months per calendar year.
13. The above considerations are for residential customers only and do not apply to other customer category. (N)

**APPENDIX B-1**  
**CALIFORNIA UTILITIES SERVICE, INC.**

Schedule No. 2  
**INCLUSION FEES**  
Test Year 2010

APPLICABILITY

Re: Decision No. 87-05-033

All new service connections, served by California Utilities Service, Inc. in its service area located midway between the cities of Salinas and Monterey, Monterey County.

INCLUSION FEES

PER SERVICE CONNECTION

Real Estate Developers, Builders and Individuals	\$ 7,544.00 (I)
Individuals owning a single lot within the service area that existed prior to May 13, 1987	\$ 810.00 (I)

“A real estate developer or builder for the purposes of this rule shall include any individual, associate of individuals, partnership, or corporation that at any time divided a parcel of land within the service area of this utility into two or more portions.”

(For clarification, refer to Paragraph 7 of Order in Decision 87-05-033).

**(END OF APPENDIX B)**

**APPENDIX C**  
**CALIFORNIA UTILITIES SERVICE, INC.**

**COMPARISON OF RATES**

Test Year 2010

**FLAT RATE SERVICE**

**Per Service Connection Per Month**

	<b><u>Interim</u></b>	<b><u>Proposed</u></b>	<b><u>Percent</u></b>
	<b><u>Rates</u></b>	<b><u>Rates</u></b>	<b><u>Increase</u></b>
All service per single dwellings and/or Business units, except as follows	\$ 60.87	\$ 114.70	88.4%
Toro Park School	\$ 868.68	\$1,638.30	88.6%
Corral de Tierra Country Club	\$ 496.44	\$ 831.30	88.6%

**INCLUSION FEES**

**PER SERVICE CONNECTION**

Real Estate Developers, Builders and Individuals	\$4,004.00	\$7,544.00	88.4%
Individuals owning a single lot within the service area that existed prior to May 13, 1987	\$ 430.43	\$ 810.00	88.2%

**(END OF APPENDIX C)**

**APPENDIX D  
 CALIFORNIA UTILITIES SERVICE, INC.**

**ADOPTED QUANTITIES  
 Test Year 2010**

1. Purchased Power	\$ 55,196
2. kWh	343,157
3. Uncollectibles	\$ 2,622
4. Taxes other than Income	\$ 75,651

Service Connections

Flat Rate	
Single dwelling	1,098
Toro Park School	1
Corral de Tierra	1
Total	1,100

**INCOME TAX CALCULATIONS  
 Test Year 2010**

<u>Line</u> <u>No.</u>	<u>Item</u>	<u>State</u> <u>Tax</u>	<u>Federal</u> <u>Tax</u>
1.	Operating Revenues	\$1,542,182	\$1,542,182
2.	Operating Expenses	\$1,035,475	\$1,035,475
3.	Depreciation	\$ 43,424	\$ 43,424
4.	Taxes Other Than Income	\$ 75,651	\$ 75,651
5.	State Taxable Income	\$ 387,632	\$ 387,632
7.	State Tax (@8.84%)	\$ 34,267	\$ 34,267
		=====	=====
5.	Federal Taxable Income		\$ 353,365
6.	Federal Income Tax		\$ 120,144
7.	TOTAL STATE AND FEDERAL INCOME TAX		\$ 154,411