

DWA/RSK/PTL/MML/jlj

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4850
November 19, 2010

R E S O L U T I O N

**RES. W-4850, AGATE BAY WATER COMPANY (ABWC). ORDER
AUTHORIZING A GENERAL RATE INCREASE (GRC), PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$30,777 OR 9.57% FOR TEST
YEAR (TY) 2010.**

SUMMARY

By Advice Letter (AL) 31, filed on June 1, 2010, ABWC seeks to increase its rates for water service to recover increased operating expenses and earn an adequate return on its plant investment. For TY 2010, this Resolution grants an increase in gross annual revenues of \$30,777 or 9.57%, over current rates, which is estimated to provide a rate of return of 12.25%.

BACKGROUND

ABWC, a Class C water utility, has requested authority under Rule 7.6.2 of General Order 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by \$64,016 or 20.43% for TY 2010. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. ABWC's request shows 2010 gross revenues of \$313,286 at previous (May 2010) rates, increasing to \$377,302 at proposed rates. ABWC is requesting a rate of return of 12.75%.

The present rates became effective on June 1, 2010, by approval of AL 30, which authorized an interim rate increase of \$8,458.72 or 2.7%, subject to refund or increase to the rates established in this GRC. The last GRC for ABWC was granted on April 27, 2006, pursuant to Res. W-4598, which granted an increase in revenues of \$51,459 or 23.10%.

ABWC serves approximately 596 customers in Agate Bay View and Agate Bay Shore Subdivisions and vicinity, located on the north shore of Lake Tahoe in Placer County. The ABWC system is supplied from a spring and from Lake Tahoe. The capacity of the spring is approximately 175 gallons per minute (gpm) and the treatment plant can process lake water at 225 gpm. The system has two tanks with a total capacity of

350,000 gallons. ABWC's distribution system consists of 50,353 feet of mains ranging from 1 ½-inch to 8-inch.

NOTICE AND PROTEST

On June 1, 2010, a notice of the proposed rate increase was mailed to each customer and to the service list. Two customer letters were timely received and the utility responded. The initial notice did not announce a public meeting. An announcement for the public meeting was sent July 16, 2010 and three additional letters were received. The company was not required to respond to these letters as the comment period had expired. However, the Division of Water and Audits (Division) has considered all the comments, and the draft resolution was sent to everyone who sent written comments.

The written comments addressed the need for metering, a perceived inequity in requiring full-time service charges to part-time residents, and objection to the size of the increase. The company's response to the two letters addresses these issues noting that it has proposed a metering program in response to the new state requirement, that most of the utility's expenses are year round regardless of whether customers are present, and listing several expense areas that have recently increased. One letter cited financial hardship associated with the current economic downturn. Additionally, one customer called the Division to express concern that the service charge in both the existing and proposed rates is not commensurate with the size of the service connection.

An informal public meeting was held on Wednesday, August 11, 2010, at 6:00 PM at the North Tahoe Conference Center located in Kings Beach, CA. Two customers attended the meeting. Division staff explained the Commission procedures, while ABWC's representatives cited justification for the proposed rate increase. The customers' primary concern was that meters should be installed so billing could be based on usage. One customer requested and was sent the draft resolution.

In setting rates in this resolution, we have balanced the financial requirements of ABWC with the rate concerns of its customers.

DISCUSSION

The Division made an independent analysis of ABWC's operations. Appendix A shows ABWC's and the Division's estimated summary of earnings at present and proposed rates for TY 2010 and the Division's recommended rates for TY 2010. ABWC agrees with the Division's recommended revenue requirement, shown in Appendix A, and the Division's recommended rates, shown in Appendix B. The Division recommends that the Commission approve the rate increases and resulting rates shown in Appendix B.

The Division's estimate of ABWC's operating expenses, excluding purchased power and other volume related expenses, is based on data years 2007-2009. For estimating purchased power costs, the Division determined 2009 annual usage and applied the Sierra Pacific Power Company rates that became effective January 1, 2010. The quantities used to calculate purchased power are found in Appendix D. For estimating other volume related expenses the Division used the 2009 data year and adjusted for inflation. The 2009 data year is used in both cases to correspond to the use of 2009 water production to calculate rates. The Division used current actual costs for test year employee salaries and insurance. For all other expense categories Division escalated and averaged using factors from the June 30, 2010 escalation memo from the Division of Ratepayer Advocates.

The Division examined ABWC's rate base calculation. ABWC included planned capital projects totaling \$121,000 as test year additions in its request. The Division included only actual TY additions through September 16, 2010 of \$16,102. The remaining projects include updating instrumentation in the treatment plant, ongoing mains replacement, and installation of meter pits. The Division believes these projects are necessary and recommends that ABWC be allowed to file two Tier 2 rate base offset advice letters, before its next GRC, as the new plant becomes used and useful. Under General Order 96-B, Water Industry Rule 7.3.3 (8), the scope of the projects and a budget cap must be pre-approved to allow Tier 2 treatment. The Division recommends the Commission approve the projects and budget caps given in Appendix D, Item 6.

The current recommended range for rate of return for a Class C utility is 11.75% to 12.75%. The Division has based its recommendation on the midpoint, 12.25%, in accordance with the standard practice. In Decision (D.) 92-03-093 effective April 30, 1992, the Commission adopted the Return on Margin (ROM) ratemaking as an alternate to the Return on Net Investment (Rate Base) method for Class C and Class D Utilities and recommended that the Division use the method that produces the higher result. The Division found that using the 21.70% rate of margin currently allowed would result in net revenue lower than the \$78,526 calculated using rate of return on rate base. Therefore Division recommends revenues using the 12.25% rate of return.

ABWC's rate structure consists of four schedules: 1, General Metered Service; 2A, Annual Flat Rate Service; 2AL, Limited Annual Flat Rate Service; and 4, Fire Protection Service. Currently no customers received service under the metered tariff. ABWC plans to move to metering in compliance with Public Utilities Code 781. The charges for larger connections in the current flat rate tariff do not increase at the same rate as standard meter size charges. ABWC proposed to bias the rate increase to the larger connections as an intermediate step in shifting to metering. The Division proposal for the flat rate tariffs is based on the utility's methodology. As a result, customers with larger connections will experience a greater increase. However, no customer will

receive over 200% of the system average rate increase in conformance with the policy found in Paragraph 45 of Standard Practice U-3-SM. The Division proposed meter rates conform to the meter size ratios. The rates proposed by the Division are shown in Appendix B. At the recommended rates, the increase in revenue will be \$30,777 or 9.57% for test year 2010.

At the Division's recommended rates shown in Appendix B, a 3/4-inch annual flat rate residential customer's bill will increase from \$537.86 to \$588.03, an increase of \$50.17 or 9.3%. Customers with larger connections will see an 18.5% 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.

ABWC should be authorized to file an advice letter within 30 days from the effective date of this Resolution to collect over a twelve-month period the under-collected revenues from the interim rate date to the effective date of the new rates.

COMPLIANCE

The utility has been filing annual reports as required.

ABWC needs to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current commission standards: Title Page, Schedule UF, Surcharge to Fund PUC Reimbursement Fee, Preliminary Statement; Rules 2, Description of Service; 3, Application for Service; 5, Special Information required on Forms; 10, Disputed Bills, and Form 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 draft Resolution was mailed to the utility and protestants and made available for public comment on October 20, 2010. No comments were received.

FINDINGS

1. ABWC has requested authority to increase its water rates in its ABWC by \$64,016 or 20.43% for TY 2010.
2. In reviewing ABWC's request, the Division made an independent analysis of ABWC's operations.

3. The Division used the Sierra Pacific Power Company's power rates that became effective January 1, 2010.
4. The Division used 2009 data for the other volume related expenses account.
5. For all other expense categories Division escalated and averaged using factors from the June 30, 2010 escalation memo from the Division of Ratepayer Advocates.
6. The Division recommends that ABWC be authorized to file two Tier 2 rate base offset advice letters, before its next GRC, for the projects listed in Appendix D, Item 6.
7. The present rates were established on June 1, 2010, pursuant to Advice Letter No. 30, which authorized an interim rate increase of \$8,458.72 or 2.7%, subject to refund or increase to the rates established in this GRC.
8. The Division's recommended summary of earnings (Appendix A) are reasonable and should be adopted.
9. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
10. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
11. For TY 2010, it is appropriate to grant ABWC an increase in gross annual revenues of \$30,777 or 9.57%, which is estimated to provide a rate of return of 12.25%.
12. ABWC should be authorized to file an advice letter within 30 days from the effective date of this Resolution to collect over a twelve-month period the under-collected revenues from the interim rate date to the effective date of the new rates.
13. ABWC should be ordered to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current commission standards: Title Page, Schedule UF, Surcharge to Fund PUC Reimbursement Fee, Preliminary Statement; Rules 2, Description of Service; 3, Application for Service; 5, Special Information required on Forms; 10, Disputed Bills, and Form 3, Bill for Service.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Agate Bay Water Company, to file a supplemental advice letter with the revised rate schedules attached to this Resolution as Appendix B and concurrently cancel its presently effective rate Schedules 1, General Metered Service; 2A, Annual Flat Rate Service; 2AL, Limited Annual Flat Rate Service; and 4, Fire Protection Service. 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. Agate Bay Water Company is authorized to file two Tier 2 rate base offset advice letters, before its next GRC, for the projects listed in Appendix D, Item 6.
4. Agate Bay Water Company is authorized to file an advice letter within 30 days from the effective date of this Resolution to collect over a twelve-month period the under-collected revenues from the interim rate date to the effective date of the new rates.
5. Agate Bay Water Company is ordered to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following forms and rules in its tariff book to meet the current commission standards: Title Page, Schedule UF, Surcharge to Fund PUC Reimbursement Fee, Preliminary Statement; Rules 2, Description of Service; 3, Application for Service; 5, Special Information required on Forms; 10, Disputed Bills, and Form 3, Bill for Service.
6. 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 November 19, 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
Agate Bay Water Company

SUMMARY OF EARNINGS
Test Year 2010

Item	Utility Estimated		Branch Estimated		Recommended Rates
	Previous Rates	Requested Rates	Current Interim Rates	Requested Rates	
<u>OPERATING REVENUES</u>					
Flat Rates	\$311,647	\$375,092	\$320,062	\$375,092	\$350,683
Private Fire Protection	\$1,639	\$2,210	\$1,683	\$2,210	\$1,839
<u>Total Revenue</u>	\$313,286	\$377,302	\$321,745	\$377,302	\$352,522
<u>OPERATING EXPENSES</u>					
Purchased Power	\$7,927	\$7,927	\$8,787	\$8,787	\$8,787
Other Volume Related Expenses	\$9,206	\$9,206	\$8,280	\$8,280	\$8,280
Employee Labor	\$28,962	\$28,962	\$28,962	\$28,962	\$28,962
Materials	\$11,248	\$11,248	\$9,499	\$9,499	\$9,499
Contract Work	\$33,590	\$33,590	\$32,979	\$32,979	\$32,979
Transportation	\$9,943	\$9,943	\$9,957	\$9,957	\$9,957
Other Plant Maintenance	\$1,919	\$1,919	\$1,798	\$1,798	\$1,798
Office Salaries	\$18,456	\$18,456	\$18,456	\$18,456	\$18,456
Management Salaries	\$24,601	\$24,601	\$24,601	\$24,601	\$24,601
Employee Benefits	\$17,619	\$17,619	\$17,619	\$17,619	\$17,619
Uncollectibles	\$0	\$0	\$0	\$0	\$0
Office Services & Rental	\$11,825	\$11,825	\$12,371	\$12,371	\$12,371
Office Supplies and Exp	\$14,313	\$14,313	\$14,438	\$14,438	\$14,438
Professional Services	\$6,236	\$6,236	\$6,270	\$6,270	\$6,270
Insurance	\$10,127	\$10,127	\$10,127	\$10,127	\$10,127
Regulatory Comm Exp	\$1,950	\$1,950	\$1,876	\$1,876	\$1,876
General Expenses	\$2,859	\$2,859	\$4,220	\$4,220	\$4,220
Subtotal	\$210,781	\$210,781	\$210,238	\$210,238	\$210,238
Depreciation Expense	\$30,944	\$30,944	\$29,528	\$29,528	\$29,528
Taxes other than income	\$15,837	\$15,837	\$15,837	\$15,837	\$15,837
State Income Tax	\$4,926	\$8,707	\$6,689	\$11,318	\$6,689
Federal Income Tax	\$7,620	\$18,778	\$11,703	\$16,557	\$11,703
<u>Total Deductions</u>	\$270,107	\$285,047	\$273,996	\$283,478	\$273,996
<u>NET REVENUE</u>	\$43,179	\$92,255	\$47,749	\$93,824	\$78,526
<u>RATE BASE</u>					
Average Plant	\$1,156,580	\$1,156,580	\$1,104,131	\$1,104,131	\$1,104,131
Average Depreciation Reserve	\$440,928	\$440,928	\$471,164	\$471,164	\$471,164
<u>Net Plant</u>	\$715,652	\$715,652	\$632,967	\$632,967	\$632,967
Less Advances	\$0	\$0	\$0	\$0	\$0
Contributions	\$0	\$0	\$0	\$0	\$0
Materials and Supplies	\$8,063	\$8,063	\$8,063	\$8,063	\$8,063
<u>Rate Base</u>	\$723,715	\$723,715	\$641,030	\$641,030	\$641,030
<u>RATE OF RETURN</u>	5.97%	12.75%	7.45%	14.64%	12.25%

(END OF APPENDIX A)

APPENDIX B
Agate Bay Water Company, Inc.

SCHEDULE NO. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

RATES

Quantity Rate	Per Meter <u>Per Month</u>	
Per 100 cu. Ft.	\$ 1.60	(I)
Service Charge:		
For 3/4-inch meters	\$ 28.62	(I)
For 1-inch meters	\$ 47.71	
For 1-1/2-inch meters	\$ 95.41	
For 2-inch meters	\$ 152.66	(I)

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX B
Agate Bay Water Company, Inc.

SCHEDULE NO. 2A
ANNUAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

RATES

Annual Flat Rate

For a single-family residential unit, including premises.
Residential use, payable in advance on or before
January 1 of each year

Served through a	3/4-inch	\$587.84	(I)
	1-inch	\$672.34	
	1 1/4 inch	\$718.57	
	1 1/2 inch	\$756.33	
	2-inch	\$836.81	(I)

For each additional single-family residential Unit on the same premises and served from the same service connection		\$411.28	(I)
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SPECIAL CONDITIONS

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum metered charge for the same period shall be made on or about that same day.

(continued)

APPENDIX B
Agate Bay Water Company, Inc.

SCHEDULE NO. 2A
(continued)

ANNUAL FLAT RATE SERVICE

SPECIAL CONDITIONS (CONTINUED)

2. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance payable in two equal installments. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods. Where a resident has failed to pay the first half of the annual charge due January 1, service will be discontinued and will not be restored until the total annual charge has been paid.
3. The opening bill for flat rate service shall be established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

(D)

4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPENDIX B
Agate Bay Water Company, Inc.

SCHEDULE NO. 2AL
LIMITED ANNUAL FLAT RATE SERVICE

APPLICABILITY

Applicable to flat rate service only to the Sun Club furnished on an annual basis.

TERRITORY

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

RATES

Annual Flat Rate

Recreation Private Club use, five services plus one swimming pool,
payable in advance on or before January 1 of each year \$1,807.22 (I)

SPECIAL CONDITIONS

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1. Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period of time has been paid in advance, refund of the prorated difference such flat rate payment and the minimum meter charge for the same period shall be made on or about the same.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPENDIX B
Agate Bay Water Company, Inc.

SCHEDULE NO. 4
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Agate Bay and vicinity, on the northwest shore of Lake Tahoe, Placer County.

RATES

Per Service Connection
Per Month

For each inch of diameter of service connections	\$ 12.02	(I)
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SPECIAL CONDITIONS

1. The facilities for service connection to a privately-owned fire protection system will be installed by the utility or under the utility's direction and the cost paid by the applicant. Such cost will not be subject to refund. The facilities paid for will be the sole property of the applicant.
2. The minimum diameter for the private service connection will be 4 inches. The maximum diameter will not be larger than the diameter of the water main to which the service is connected.
3. If a main of adequate size to serve a private fire protection system in addition to all other normal service does not exist adjacent to the premises to be served, then a new main from the nearest existing main of adequate capacity will be installed by the utility and the cost paid by the applicant. Such cost will not be subject to refund. The main where located in the public right-of-way or utility easement will be the sole property of the utility.

(continued)

APPENDIX B
Agate Bay Water Company, Inc.

SCHEDULE NO. 4
(continued)

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (CONTINUED)

4. Service hereunder is for private fire protection systems to which no connections other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction and maintained to the satisfaction of the utility. The service connection facilities are subject to the control of the utility, with right to alter, repair, replace and the right to remove upon discontinuance of service. The customer is required to maintain, repair, and to provide for the required periodic inspection of system. Failure to comply with this provision may be grounds for the utility's discontinuance of the service to the premises without liability to the utility.
5. The service connection will include the installation of a detector check valve with meter or other similar device acceptable to the utility for protection against theft, leakage, or waste of water. If the utility and its duly authorized agents have the right of access to and within the premises for all purposes related to said facility, the requirement for a detector check valve and meter may be waived.
6. For water delivered for other than fire protection purposes, charges will be made therefore under Schedule No. 1, General Metered Service. Unauthorized use of water from the private fire service may be grounds for the utility's discontinuance of the service to the premises without liability to the utility.
7. The utility will supply only such water at such pressure as may be available at any time as a result of the normal operation of the utility system.
8. No structure except by written approval and authorization of the utility will be built over the facilities to serve private fire service and the customer will maintain and safeguard the area occupied by these facilities from traffic and other hazardous conditions. The customer will be responsible for any damage to the facilities.

(continued)

APPENDIX B
Agate Bay Water Company, Inc.

SCHEDULE NO. 4
(continued)

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (CONTINUED)

9. Subject to the approval of the utility, any change in the location or construction of the facilities to serve private fire service as may be requested by public authority or the customer will be made by the utility following payment to the utility for the entire cost of such change.
10. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule. Section 774 of the Public Utilities Code limits the liability of the utility resulting from a claim regarding adequacy of pressure or supply for fire protection service.
11. The customer shall be responsible for the periodic testing of any backflow prevention devices as required by public authority or the utility. Any repair or replacement of such devices or of any other facilities installed to provide private fire service shall be done at the customer's expense. Any refusal to comply with the above requirements may be grounds for the utility's discontinuing private fire service without liability to the utility.
12. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C

AGATE BAY WATER COMPANY

**COMPARISON OF RATES
TEST YEAR 2010**

<u>Tariff Description</u>	<u>Tariff Rates</u>		<u>Recommended Increase</u>	
	<u>Interim</u>	<u>Recommended</u>	<u>Dollars</u>	<u>Percentage</u>
Annual 3/4-inch	\$537.86	\$588.03	\$50.17	9.3%
Annual 1-inch	\$567.78	\$672.68	\$104.90	18.5%
Annual 1-1/4 inch	\$606.81	\$718.93	\$112.11	18.5%
Annual 1-1/2 inch	\$638.70	\$756.71	\$118.01	18.5%
Annual 2-inch	\$706.67	\$837.23	\$130.56	18.5%
Annual Additional Unit	\$376.31	\$411.41	\$35.10	9.3%
Annual Sun Club	\$1,526.15	\$1,808.12	\$281.97	18.5%
Monthly Private Fire Protection (per inch)	\$11.00	\$12.03	\$1.03	9.3%

(END OF APPENDIX C)

APPENDIX D
Sheet 1
AGATE BAY WATER COMPANY

ADOPTED QUANTITIES
TEST YEAR 2010

Expenses:

1. Purchased power (Electric)		
Vendor		Sierra Pacific Power Company
Schedule		A-1, Rate Code E50
Effective Date		January 1, 2010
Number of Meters		2
Customer Charge per Meter		\$12.10
Energy Charge per KWH		\$0.12617
Adopted Usage KWH		54,106
Schedule		D-1, Rate Code E06
Effective Date		January 1, 2010
Number of Meters		1
Customer Charge per Meter		\$6.55
Energy Charge per KWH Baseline		\$0.10564
Energy Charge per KWH in Excess of Baseline		\$0.13396
Baseline Usage KWH		5,587
Excess Usage KWH		7,473
Total Annual Usage KWH		67,166
Total Cost		\$8,786.85
Composite Energy Cost (\$/KWH)		\$0.13082

2. Water Sales 91,444 ccf

3. Number of Service Connections:

Flat Rate Unit	Average Number of Customers (bills per year)
3/4-inch	566
1-inch	6
1-1/4 inch	2
1-1/2 inch	1
2-inch	4
Additional Unit	16
Sun Club	1
Private Fire Protection (inches per year)	153

4. Water Testing \$ 5,319

APPENDIX D
Sheet 2
AGATE BAY WATER COMPANY

ADOPTED QUANTITIES
TEST YEAR 2010
(continued)

5. Tax calculation:

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$352,633	\$352,633
2.	O & M Expenses	\$210,349	\$210,349
3.	Taxes Other Than Income	\$15,837	\$15,837
4.	Depreciation	\$29,528	\$29,528
5.	Interest Expense	\$21,249	\$21,249
6.	Taxable Income for State Tax	\$75,670	
7.	State Tax	\$6,689	
8.	Taxable Income for FIT		\$68,981
9.	Federal Income Tax		\$11,703
10.	Total Income Tax		\$18,393
California Corporate Franchise Rate			8.84%
Federal Income Tax Rate		\$1 to \$50,000	15%
		\$50,001 to \$75,000	25%
		\$75,001 to \$100,000	34%

6. Capital Improvements by Tier 2
 Advice Letters

<u>Project Description</u>	<u>Cap</u>
Update instrumentation in treatment plant	\$13,800 total
Replace and Lower on Highway 28 erosion project an old 2" steel pipe with 6"	\$18,800 total
Replace 300-750 feet of new water mains complete with hydrants, valves and meter pits	\$30,000 total
Install 55 meter pits/setters per year	\$44,000 per year

(END OF APPENDIX D)