

WATER/RSK/BMD/PTL/AAS/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4883
August 18, 2011

RESOLUTION

(RES. W-4883), RURAL WATER COMPANY (RURAL). ORDER AUTHORIZING A GENERAL RATE INCREASE (GRC) IN ANNUAL REVENUE OF \$190,823 OR 33.5% RELATIVE TO CURRENT APPROVED GROSS REVENUES AND MODIFYING RES. W-4794 SURCREDIT PAYMENT PERIOD.

SUMMARY

Per Advice Letter (AL) 60-W filed on May 10, 2010, Rural requested an increase of \$271,500 or 49% in annual gross revenue for Test Year (TY) 2010 to recover operating expenses and earn an adequate return on its plant improvement.

For TY 2010, this Resolution orders an increase in gross revenues of \$190,823 or 33.5%, over current revenues, which is estimated to provide a Rate of Margin (ROM) of 21.7%. This Resolution also modifies the period of payment of a surcredit ordered in Res. W-4794 from 12 months to a 36-month period.

BACKGROUND

Rural, a Class C water utility, has requested authority under Section VI of General Order 96-B (G.O. 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 \$271,500 or 49%, for TY 2010, over the current rates. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. Rural's request was based on a rate of margin of 15.8%.

In Rural's last general rate increase, which was granted on November 20, 2009, per Res. W-4794, the Commission authorized a decrease in revenues of \$116,871 or 17.4%. In Res. W-4794, the Commission ordered Rural to file an advice letter, within 60 days from the effective date of the resolution, to refund, as a surcredit for a 12 month period, revenues Rural had

over-collected.¹ Also, the Commission ordered Rural to file an advice letter incorporating in its rate schedule the revised rates approved in Res. W-4794.²

Rural's present rates became effective on July 1, 2010, by approval of AL 62, which authorized a Consumer Price Index (CPI) of \$14,978 or 2.7%.

Rural currently serves 877 residential metered customers, 17 commercial customers, 6 industrial customers/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

AL 60-W was served on May 10, 2010, as required by G. O. 96-B. A notice regarding the general rate increase was mailed to each customer on May 28, 2010. A Public Meeting was held in Arroyo Grande on July 1, 2010. Over 200 people attended.

Numerous complaints about water pressure and mineral deposits were received. The Division of Water and Audits (Division) also received 30 written complaints about the size of the rate increase.

One response was received from the Cypress Ridge Owners Association (CROA). Its remarks were duly considered, and revisions to this text have been made where appropriate, and the Division's responses are shown.

In Rural's last general rate increase, the Commission also addressed concerns with respect to water pressure and mineral deposits. There, the Commission ordered Rural to provide the Division with details of water quality problems so that the Division could make corrective recommendations to the Commission, if needed. (See Res. W-4794, Ordering Paragraph 4.) The Division also forwarded these complaints to the California Department of Public Health (DPH), which launched an investigation into these complaints. DPH issued the following statement regarding its investigation:

DPH is definitely concerned about the alleged pressure problems in the upper elevations which we are in the process of investigating. The utility is not in violation of health-related drinking water standards based on the data submitted to our department. It is fairly common for utilities to use sources with elevated secondary constituents (such as iron, manganese, TDS, etc.) which are more aesthetic based, the regulations do contain provisions for waivers from these, if

¹ On July 12, 2007, per Res. W-4654, the Commission granted an interim increase for Rural, which would be adjusted upward or downward back to July 12, 2007, consistent with the final rates the Commission adopted in the general rate case. On November 20, 2009, the Commission adopted Res. W-4794, which authorized the rate decrease and surcredit. Rural did not implement this surcredit due to revenue shortfalls.

² On May 27, 2010, Rural filed Advice Letter 61-W to implement the rate decrease the Commission authorized in Res. W-4794. This advice letter became effective on June 1, 2010.

the customers choose to not pay for such treatment. We will give the utility an opportunity to respond to the allegations. If improvements are deemed necessary for the safeguard of public health, we will work a compliance schedule out with the utility based on the severity of the problem.

Subsequently, a program for flushing the lines was instituted by Rural with approval by the DPH. A few customers have had continued complaining about water pressure and mineral deposit matters, even after the institution of the flushing, which appear to be problems in their own pipes. No corrective action is merited at this time. The flushing program is sufficient per DPH standards.

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

DISCUSSION

Appendix A shows Rural's and the Division's estimated summary of earnings at present, proposed, and recommended rates for TY 2010.

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.

CONSERVATION

Per the objectives stated in the Commission's Water Action Plan 2010, the Division will strengthen water conservation programs when feasible. Accordingly, a three-tiered rate structure is being proposed to achieve water conservation. This could result in billing of \$75.22 for the peak month of June for the example shown in Appendix C.

SUMMARY OF EARNINGS

Appendix A contains estimates for operating revenues, operating expenses, and rate base at present, proposed, and recommended rates for TY 2010. Appendix B contains the tariff schedules at the recommended rates.

Operating Revenues

Operating revenues are based upon a customer base of 921 connections.

Operating Expense

Staff performed a comprehensive investigation of expenses. The differences between the estimates by the Division and Rural are explained below.

Other Volume Related Expenses

Rural added its volume related expense for Propane, Gas, and Chlorine together with expenses from the Nipomo Mesa Management Area (NMMA). (See the discussion below regarding what the NMMA entails.) Division removed the NMMA related expenses from these other costs since the NMMA expenses are not considered volume related. The remaining volume related expenses were \$9,004. Division recommends \$9,004 for this category. Division addresses the NMMA related expenses below.

NMMA Expenses

The NMMA was formed to regulate groundwater extraction in the local area as a result of a stipulated judgment from the Santa Maria Groundwater Basin Adjudication lawsuit.³ The NMMA includes Nipomo Community Services District, Woodlands Mutual Water Company, and Golden State Water Company, as well as Rural. Costs with respect to the NMMA and the court order (e.g., technical reports, court reports, construction costs, etc.) are related to the monitoring and management of groundwater basin conditions in the area and future construction of a pipeline and related infrastructure, which will allow Rural to meet its purchase water commitments under the stipulated judgment. Rural has already incurred \$49,260 in NMMA related costs for which the utility has requested reimbursement in another advice letter.⁴ Rural is tracking additional NMMA expenses in a purchased water account. Rural requests \$30,244 per year going forward to be included in this GRC to recover in rates these NMMA related costs. Division disallows this request but recommends that Rural be allowed to file Tier 3 ALs to recover NMMA costs, subject to Commission approval.

Office Salaries

The requested amount is \$8,000. This account includes the salaries of all employees whose time is utilized in billing, collecting, record keeping, or general office work. This work 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.

Management Salaries

Rural requested \$60,000 for management. The owner has become more involved in the day-to-day operations since the last GRC. The Division reviewed the work log and recommends \$40,000.

Employee Pension and Benefits

The requested amount for this category is \$27,901. The Division had considered this expense 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. The Division recommends the amount allocated to be zero.

³ This lawsuit was adjudicated by the Superior Court of California, County of Santa Clara.

⁴ Rural established the account on August 20, 2010. Initial NMMA costs of \$49,260 are being addressed in AL 68-W.

Office Services and Rentals

The Division reviewed the invoices for office services and rentals of \$16,630 for 2009. The Division agrees with Rural's request for TY 2010 and recommends \$17,079 after adjustment of 2.7% for inflation.

Office Supplies and Expenses

The Division reviewed the invoices for office supplies and expenses of \$9,750 for 2009. The Division agrees with Rural's request for TY 2010 and recommends the requested amount of \$10,686 after adjustment of 2.7% for inflation.

Professional Services

Professional Services costs have been rapidly rising. Rural's GRC request shows \$74,411 for 2008, \$83,535 for 2009 and \$104,560 for 2010. This is due to increasing interaction with customers and the Commission. The average is \$87,502 which is what the Division recommends.

Regulatory Commission Expense

These costs are for DPH health services charges and Regional Water Quality Control Board groundwater monitoring. The Division reviewed the invoices for 2009 expenses and recommends \$6,893 for TY 2010.

The Division's recommended revenue requirement is shown in Appendix A, and the Division's recommended rates are shown in Appendix B. The Division recommends that the Commission approve the rate increases and resulting rates shown in Appendix B.

Two methods are available for the Division to utilize in the rate-making process:

(1) Rate of Return (ROR), and (2) Rate of Margin (ROM). Per Decision 92-03-093, dated March 31, 1992, the Division must recommend the method that produces the higher revenues. ROM produces the higher revenues of \$760,546 compared with ROR revenue of \$45,471. Therefore, the Division recommends the 21.7% ROM for Class C water utility for TY 2010. The increase in revenue will be \$190,823 or 33.5%.

Rural's current rate structure consists of one schedule: No. 1, General Metered Service. Water consumption has started to decrease from 2008 levels of 346,542 Ccf (one Ccf is equal to one hundred cubic feet). Total consumption for 2009 was 329,688 Ccf as indicated in the 2009 Annual Report. The consumption for 2010 was reported as 289,686 Ccf.

At the Division's recommended rates shown in Appendix B, the monthly bill in the peak month of June for most metered residential customers could increase from \$68.42 to \$105.58 if consumption rates measured in 2010 continue to be the same. (See conservation discussion above.) A comparison of customer bills for presently adopted and recommended rates for this GRC is shown in Appendix C. The projections 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.

As discussed above, Res. W-4794 ordered a rate decrease and ordered Rural to refund over-collected revenues, from July 12, 2007 until November 20, 2009, of \$116,871 as a surcredit to be repaid over a 12-month period. Rural did not implement this surcredit because it had revenue shortfalls. Rural implemented the rate decrease authorized in Res. W-4794 on July 1, 2010. Thus, until that date, Rural continued to collect more revenues than it was authorized by the Commission. The Division has calculated the total revenues Rural has over-collected, and needs to refund to customers, to be \$350,613 ($\$116,871 \times 3 = \$350,613$).

Rural should not have ignored our order in Res. W-4794 to refund over-collected revenues. Utilities should not neglect to implement direct orders of the Commission. Therefore, we place Rural on notice that if in the future it disregards or omits implementation of our direct orders, Rural may be subject to sanctions and fines by this Commission.

At present rates, Rural is operating at a loss. In order to lessen the impact on Rural's revenue, the Division recommends that Rural implement a surcredit, to be refunded over a 36-month period beginning on September 1, 2011. For the purpose of refunding the over-collected revenues totaling \$350,613, the Division recommends that Rural prorate the surcredit by meter size per Appendix B for each of Rural's ratepayers and that Rural track the refund in a balancing account.

The Division reviewed water sampling tests conducted by the local DPH which found the contaminant manganese at one well. This well had not been in use for some time and the elevated manganese level was 9 times the maximum level allowed. After two sampling periods indicating normal levels, DPH believes that the over-limit test was an anomaly. In addition, Rural had not adhered to the required quarterly testing schedule. A later water quality incident occurred at Rural in January 2011. At this time, test showed that Rural had exceeded nitrate levels of 45 mg by 1 mg. The Division has confirmed that DPH reports the utility is now conforming to the required testing schedule and that water quality presently meets standards.

Rural should conform to GO 103-A requirements by submitting operational plans as described therein within nine months from the effective date of this resolution.

COMMENTS

Public Utilities Code Section 311 (g) (1) generally requires that resolutions 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 the protestants, including the people who complained at the public meeting, or by letter or email, and was made available for public comment on June 14, 2011.

Comments were received from the Cypress Ridge Owners Association (CROA) on July 5, 2011. Rural filed a reply to these comments on July 7, 2011. These comments and reply were duly considered, and revisions to this text have been made where appropriate, and the Division's responses are shown.

The comment letter received from CROA concerned the following:

- a) CROA claims that Rural has not refunded the surcredit imposed by Res. W-4794, thus violating a Commission order, which may result in fines. After numerous discussions between Rural and the Division, the Division determined that Rural was unable to refund the surcredit due to continued revenue loss. This matter was resolved with the Division so that the surcredit can be refunded to customers over 36 months thus permitting Rural to maintain a positive cash flow necessary to operate and maintain its water system.
- b) CROA claims that Rural needs to obtain authority from the Commission to participate in the Nipomo project, that it is improper for Rural to establish a purchased water account and that Rural needs to obtain Commission authority (e.g., through a Tier 3 filing) before being able to amortize NMMA expenses. As discussed above, the NMMA expenses result from a stipulated judgment imposed by a court order. The Division agrees with CROA that Commission review of the NMMA expenses through a Tier 3 filing⁵ is required.
- c) CROA believes all calculations should be reworked based on a customer count of 932, which it claims is the present customer count, instead of 921. The Division reviewed the count of 921 which was the number recorded initially in TY 2010. While a later count of 932 appears in a subsequent AL filing in April, 2011, for purposes of this advice letter, the Division will use the initial count of 921, which was the count applicable with respect to TY 2010.
- d) CROA's calculations for operating revenue differ from those in the GRC. CROA believes that the increase should be stated as 37.0% instead of 33.5% that appears in the GRC. The Division reviewed the increase amount and percentage as stated and corrected the mathematical errors in the revised Appendix A. The 33.5% increase is correctly stated.
- e) Calculation formulas for ROM and ROR were requested. The Division used the following formulas:
ROR = Net Revenue/Rate Base
Revenue Requirement = O&M + Depreciation + Taxes + ROM (O&M +D).
- f) CROA states the NMMA Technical Group costs do not relate to the construction of a pipeline. The Division reviewed the settlement documents and, as discussed above, believes the NMMA Technical Group costs arise out of the stipulated judgment, which addresses the management of the groundwater basin and construction of additional infrastructure to bring additional water into the area.

⁵ This will be done in AL 68-W.

- g) CROA states Rural does not attend meetings of the NMMA Technical Group. Rural provided information to the Division that both the Owner and Consultant participate in these meetings. Additionally, Rural is required to fund the functions performed by this group per the stipulated judgment.
- h) CROA does not want the owner's salary to be \$40,000. Division reviewed the current activity and finds the salary level reasonable compared to owner salaries in similar utilities.
- i) CROA wants the Commission to have Rural prove that it will pay its taxes. It is standard operating practice for the Division to include taxes in its calculations for ratemaking purposes.
- j) CROA suggested a lower expense for Office Supplies which reflects the inflation rate. The Division reviewed the annual reports and recommended the amount which is based upon recorded expenditures.
- k) CROA wants details of Contract Work and Plant Maintenance calculations. The Division has reviewed the expenditures and found them reasonable.
- l) CROA states that Professional Services will decrease dramatically in the future. The Division believes that using the average costs over three years for Professional Services produces a reasonable estimate.
- m) CROA wants more information about water quality testing. The Division has confirmed that DPH reports the utility is now conforming to the required testing schedule and that water quality presently meets standards.
- n) CROA argues there is a mathematical error in the Rate Base. The Division has corrected it in the revised Appendix A.
- o) CROA argues that Rural should be evaluated under GO 103-A. The Division agrees and the requirement for adherence to GO 103-A has been added.

FINDINGS

1. Rural Water Company (Rural) has requested authority to increase its rates by \$271,500 or 49%, for TY 2010.
2. Rural provides water service to 877 residential metered customers, 17 commercial customers, 6 industrial customers/schools and 21 irrigation connections in San Luis Obispo County.
3. Advice Letter 60-W was served as required by General Order 96-B on May 10, 2010. A notice regarding the general rate increase was mailed to each customer on May 28, 2010. A Public Meeting was held in Arroyo Grande on July 1, 2010. Over 200 people attended. Numerous complaints were received at and after the public meeting.
4. The last general rate increase for Rural was on November 20, 2009, by Res. W-4794, which authorized a rate reduction of \$116,871 or 17.4%.

5. Rate of Margin produces the higher revenues of \$760,546 compared with Rate of Return revenue of \$45,471. Therefore, the Division of Water and Audits (Division) recommends the 21.7% Rate of Margin for Class C water utility for TY 2010. The increase in revenue will be \$190,823 or 33.5%.
6. Division disallows Rural's request for recovery in rates of NMMA expenses but recommends that Rural file a Tier 3 advice letter to recover these costs, subject to Commission approval.
7. Resolution W-4794 ordered a rate decrease and ordered Rural to refund over-collected revenues, from July 12, 2007 until November 20, 2009, of \$116,871 as a surcredit to be repaid over a 12-month period. Rural did not implement this surcredit because it had revenue shortfalls. Rural implemented the rate decrease authorized in Resolution W-4794 on July 1, 2010.
8. Until July 1, 2010, Rural continued to collect more revenues than it was authorized by the Commission. The Division has calculated the total revenues Rural has over-collected, and needs to refund to customers, to be \$350,613 ($\$116,871 \times 3 = \$350,613$).
9. Rural is presently operating at a loss. In order to lessen the impact on Rural's revenue the Division recommends that Rural implement a surcredit, to be refunded over a 36-month period beginning on September 1, 2011.
10. For the purpose of refunding the over-collected revenues totaling \$350,613, the Division recommends that Rural prorate the surcredit by meter size per Appendix B for each of Rural's ratepayers and that Rural track the refund in a balancing account.
11. Water consumption has started to decrease from 2008 levels of 346,542 Ccf. Total consumption for 2009 was 329,688 Ccf as indicated in the Rural 2009 Annual Report. The consumption for 2010 was reported as 289,686 Ccf. This value was used in calculating rates.
12. A water sampling test found a contaminant, manganese, which was 9 times the maximum level at one well. This well had not been in use for some time. After two sampling periods indicating normal levels, the Department of Public Health (DPH) concluded that the over-limit was an anomaly.
13. A later water sampling test in January 2011 showed that Rural exceeded the maximum nitrate level of 45 mg by 1 mg. In addition, Rural had not adhered to the required testing schedule.
14. The Division has confirmed that DPH reports the utility is now conforming to the required testing schedule and that water quality presently meets standards.
15. Rural currently does not conform to GO 103-A for operational plans.
16. The Division's recommended earnings (Appendix A) are reasonable and should be adopted.
17. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
18. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.

THEREFORE IT IS ORDERED THAT:

1. Within 30 days from the effective date of this resolution Rural Water Company shall file a supplemental advice letter incorporating the revised rate schedule attached to this resolution as Appendix B, and concurrently cancel its presently effective Schedule No. 1, General Metered Service. The effective date of the revised schedule shall be five days after the date of filing.
2. The quantities used to develop the Division of Water and Audits' recommendations (Appendix D) are adopted.
3. Rural Water Company shall refund over collected revenues of \$350,613 providing a prorated surcredit to each customer per Appendix B over a period of 36 months beginning on September 1, 2011. Rural Water Company shall provide this surcredit concurrently with the general rate increase authorized here.
4. Rural Water Company is authorized to submit Tier 3 advice letters to recover costs related to the Nipomo Mesa Management Area, subject to Commission approval.
5. Rural shall conform to GO 103-A by submitting plans for its operations as required therein within nine months from the effective date of this resolution.
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 August 18, 2011; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners

APPENDIX A
Rural Water Company
SUMMARY OF EARNINGS
Test Year 2010

<u>Item</u>	<u>Utility Estimated</u>		<u>Division Estimated</u>		<u>Division</u>
	<u>Present Rates</u>	<u>Requested Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Recommended ROM Rates</u>
<u>Operating Revenue</u>					
Water Sales	\$554,745	\$826,245	\$569,723	\$826,245	\$760,546
<u>Operating Expenses</u>					
Purchased Power	\$208,404	\$208,404	\$208,404	\$208,404	\$208,404
Other Volume Related Expenses	\$39,249	\$39,249	\$9,004	\$9,004	\$9,004
Contract Work	\$96,058	\$96,058	\$96,058	\$96,058	\$96,058
Transportation Expenses	\$5,167	\$5,167	\$1,839	\$1,839	\$1,839
Other Plant Maintenance	\$66,752	\$66,752	\$66,752	\$66,752	\$66,752
Office Salaries	\$8,000	\$8,000	\$0	\$0	\$0
Management Salaries	\$60,000	\$60,000	\$40,000	\$40,000	\$40,000
Employee Pension & Benefits	\$27,901	\$27,901	\$0	\$0	\$0
Office Services & Rentals	\$17,079	\$17,079	\$17,079	\$17,079	\$17,079
Office Supplies & Expenses	\$10,686	\$10,686	\$10,686	\$10,686	\$10,686
Professional Services	\$104,560	\$104,560	\$87,502	\$87,502	\$87,502
Insurance	\$4,776	\$4,776	\$4,776	\$4,776	\$4,776
Regulatory Commission Expense	\$6,893	\$6,893	\$6,893	\$6,893	\$6,893
General Expenses	\$1,463	\$1,463	\$1,425	\$1,425	\$1,425
Total Operating expenses	\$656,988	\$656,988	\$550,418	\$550,418	\$550,418
Depreciation Expense	\$14,356	\$14,356	\$14,356	\$14,356	\$14,356
Taxes other than Income	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500
CA Franchise Tax	\$800	\$12,007	\$800	\$22,628	\$16,820
Federal Income Taxes	\$0	\$31,539	\$0	\$74,254	\$50,896
Interest Expense					
Total Deductions	\$677,644	\$720,390	\$571,074	\$667,156	\$637,990
Net Revenue	(\$122,899)	\$105,855	(\$16,329)	\$159,089	\$122,556
<u>Rate Base</u>					
Average Plant	\$4,435,351	\$4,505,351	\$4,505,351	\$4,505,351	\$4,505,351
Ave. Accumulated Depreciation	(\$1,846,389)	(\$1,846,389)	(\$1,846,389)	(\$1,846,389)	(\$1,846,389)
Net Plant	\$2,588,962	\$2,658,962	\$2,658,962	\$2,658,962	\$2,658,962
<u>Less</u> CIAC	(\$2,318,369)	(\$2,318,369)	(\$2,318,369)	(\$2,318,369)	(\$2,318,369)
<u>Plus</u> Materials & Supplies	\$0	\$0	\$0	\$0	\$0
Working Cash	\$59,781	\$52,689	\$52,689	\$52,689	\$52,689
Rate Base:	\$330,374	\$393,282	\$393,282	\$393,282	\$393,282
<u>Rate of Return</u>					11.6%
<u>Rate of Margin</u>	Negative	15.8%	Negative	28%	21.7%

(END OF APPENDIX A)

APPENDIX B
Rural Water Company
Test Year 2010

Schedule No. 1
GENERAL 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 18 hundred cubic feet (Ccf)	\$1.97 per Ccf	(I)
Water in excess of 18 Ccf up to 28 Ccf	\$2.36 per Ccf	
Water in excess of 28 Ccf	\$2.76 per Ccf	(I)

Service Charge:

	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meters	\$10.77	(I)
For 3/4 -inch meters	\$16.16	
For 1-inch meters	\$26.93	
For 1-1/2 inch meters	\$53.85	
For 2-inch meters	\$86.16	(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. (L)
2. Surcredit for a period of 36 months beginning on September 1, 2011 per the following formula: (C)
(C)

	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meters	\$ 6.62	(N)
For 3/4-inch meters	\$ 9.93	
For 1-inch meters	\$16.55	
For 1-1/2-inch meters	\$33.10	
For 2-inch meters	\$52.74	(N)

(END OF APPENDIX B)

APPENDIX C
Rural Water Company
Comparison of Rates for Test Year 2010

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

For these customers in the month of June using 39 Ccf, the comparison for a typical usage would be:

<u>Present Svc Charge</u>	<u>Present Nom Qty</u>	<u>Excess Qty</u>	<u>Present Total</u>
\$11.30	\$1.38 x 33 Ccf = \$45.54	\$1.93 x 6 Ccf = \$11.58	\$ 68.42
<u>New Svc Charge</u>	<u>New Nom Qty</u>	<u>Excess Qty</u>	<u>New Total</u>
\$16.16	\$1.97 x 18 Ccf = \$35.46	\$2.36 x 10 Ccf = \$23.60 \$2.76 x 11 Ccf = \$30.36	\$105.58

The expectation for instituting the third tier is to achieve a reduction in water usage. For the example shown above, this could reduce consumption to only the first and second tiers and result in a water bill of \$75.22 instead of the present \$68.42.

(END OF APPENDIX C)

APPENDIX D
Rural Water Company
Adopted Quantities - Test Year 2010

Purchased Power

Pacific Gas & Electric
 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	291,516	\$ 49,347
For Account # 2074690830	892,167	\$ 143,722
For Account # 4674994412	87,086	<u>\$ 15,335</u>
		\$ 208,404

Service Connections

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

Consumption (2010) 289,686 Ccf

Tax Calculations

Federal Tax Rate: 15% for first \$50,000
25% for next \$25,000
34% for next \$25,000
39% for over \$100,000

CCFT: 8.84%

<u>Item</u>	<u>State Tax</u>	<u>Federal Tax</u>
Operating Revenue	\$760,546	
O&M Expense	\$550,418	
Taxes Other Than Income	\$ 5,500	
Depreciation	\$ 14,356	
Interest	\$ 0	
 Taxable Income for CCFT	 \$190,272	
CCFT	\$ 16,820	
 Taxable Income for FIT		 \$ 173,452
FIT		\$ 50,896
 Total Income Tax		 \$ 67,716

(END OF APPENDIX D)