RESOLUTION

(RES. W-4555), NACIMIENTO WATER COMPANY (Nacimiento). ORDER AUTHORIZING AN INCREASE IN RATES PRODUCING ADDITIONAL ANNUAL REVENUES OF $182,333 OR 68.10% IN TEST YEAR 2003 INCLUDING CONSUMER PRICE INDEX (CPI) INCREASES OF $8,057 OR 1.9% FOR 2004, AND $14,261 OR 3.3% FOR 2005.

SUMMARY

By Draft Advice Letter, filed on March 31, 2003, Nacimiento seeks an increase in its rates for water service to recover increased expenses of operation and earn an adequate return on its plant investment. For test year 2003, this resolution grants an increase in gross annual revenues of $182,333 or 68.10%, which will provide a return on margin of 24%. This revenue increase includes CPI increases of $8,057 or 1.9% for 2004, and $14,261 or 3.3% for 2005.

BACKGROUND

Nacimiento on March 31, 2003 filed a draft advice letter requesting authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase its water rates by $201,882 or 76.93% for test year 2003. Nacimiento subsequently filed a revised draft advice letter on October 29, 2003 requesting an increase of water rates by $210,843 or 80.34% for test year 2003. Nacimiento’s requested increase is to recover increased operating expenses and to provide a rate of margin of 15% using the operating ratio method for test year 2003. Nacimiento’s estimated gross revenues of $262,431 at present rates would increase to $473,275 at Nacimiento’s proposed rates.

The present rates became effective September 26, 2000 per Resolution (Res.) W-4219 which authorized an increase of $58,128 or 32.79%.

Nacimiento operates a community water system that supplies domestic water to over 550 metered customers in its service territory 25 miles northwest of Paso Robles, San Luis Obispo County. Nacimiento receives all of its raw water supply from three wells,
ranging in depth from 60 to 80 feet, all situated below the high-water level of Nacimiento Lake. Water produced from these wells must be purchased from the Monterey County Water Resources Agency. The treatment facility consists of disinfection, alum coagulation, settling in an upflow clarifier, filters, ozone towers, chemical treatment, backwash recovery basins, and drying beds. Nacimiento has two concrete reservoirs with metal roofs of 75,000 and 980,000 gallon capacities.

In early 2003, Nacimiento started the process of developing three new gallery wells in Nacimiento Lake. A new gallery Well No. 4, located near existing Well No. 1 became operational in 2004. The remaining two new wells have piping partially installed, but will not be completed until a drought season has occurred so that Nacimiento Lake will be at a low level making it possible for the wells to be completed.

DISCUSSION

The Water Division (Division) made an independent analysis of Nacimiento’s Summary of Earnings and issued its report in September 2004. Appendix A shows Nacimiento's and the Division’s estimates of the Summary of Earnings at present, requested, and authorized rates. Appendix A also shows differences in Nacimiento's and the Division's estimates in operating revenues, expenses, and rate base. Nacimiento was informed of the Division’s differing views of revenues, expenses, and rate base and, through discussions and meetings, and after appeal to the Chief of the Water Branch parties had come to an agreement which resulted in the authorized rates.

The major differences in expenses were in employee labor, office salary, and management salary. The Division estimate for employee labor included an additional half-time operator instead of a full-time operator originally requested by Nacimiento. This additional operator will help relieve the overworked full-time operator currently employed by Nacimiento. For office salary, the Division estimate was based on actual office salary expense incurred by Nacimiento in 2003. The Division’s initial estimate for management salary was based on what the manager was actually paid in 2002, and adjusted upward to allow for the time the manager spends on helping the full-time operator. Through discussions and meetings, the Division and Nacimiento agreed to give a higher management salary of $50,000. After the Division and Nacimiento had come to an agreement on operating expenses, the Division adjusted the expenses by increasing them for CPI increases of 1.9% for 2004 and 3.3% for 2005.

During the public meeting, several customers felt it was unfair to have the same rates applied to existing and future new customers since the existing customers had previously paid hefty surcharges to fund the building of the new treatment plant. It was felt that new customers should bear some of the costs of building the new treatment plant by paying higher rates. Division felt that having a higher rate structure for new customers was not necessary since Nacimiento, in this rate case, is requesting to
charge facilities fees on new customers when Nacimiento extends its service area. Division reviewed Nacimiento’s analysis of need for facilities fees, and finds the request for facilities fees to be reasonable. In view of this, the Division recommends the facilities fees, Schedule F, shown in Appendix B. The facilities fees will be collected from each customer requesting a new or upgraded service connection and range from $2,000 for service with a 5/8-inch meter to $30,000 for service with a 3-inch meter. Funds collected should be placed in interest-bearing accounts and be used only to build or replace plant. As funds are used, the expenditures are required to be recorded as contributed plant.

Nacimiento requests to recover its operating expenses and to receive a rate of margin of 15% using the rate of margin method for test year 2003. Two methods are available for Division to utilize in the rate-making process: (1) rate of return and (2) rate of margin. Division calculates the revenue requirement utilizing the rate of return method and then calculates the revenue requirement utilizing the rate of margin method. Policy dictates that Division recommends the method that produces the higher revenues.\(^1\) This method gives the small water utilities the opportunity to earn a more reasonable and appropriate revenue requirement when the utility has “little rate base”.\(^2\) If only the rate of return method was used, a utility with little or no rate base would earn little or no return. By having the opportunity to use rate of margin, these utilities are able to earn a reasonable profit to allow for operating contingencies.

In Resolution W-4524, dated March 17, 2005, the CPUC adopted a revised set of standard practices for determining the profit of Class C and D water utilities using the rate of return and rate of margin methods. Based on this revision, the Water Division determines a standard set of rates of return and rates of margin based on current data, to be used by Division in that year’s Class C and D general rate cases.

In the rate of margin method, the utility’s revenue requirement is defined as the sum of its operating and maintenance expenses, depreciation expenses, total taxes, and a rate of margin multiplied by these expenses (except for income taxes). A rate of margin of 24%, the rate currently recommended by the Division’s Audit and Compliance Branch for a Class C water utility, was used in this general rate case.

Division found that the rate of return calculation produced a revenue requirement of $393,832 at the rate of return of 12.40%, the midpoint of the range 11.90% and 12.90% rate of return recommended by the Division’s Audit and Compliance Branch for a Class C water utility. The rate of margin using a margin of 24% produced a revenue


\(^2\) ibid, p.37.
requirement of $450,094. Per Decision 92-03-093, Division must recommend the higher of the two revenue requirements to the Commission. The Summary of Earnings in Appendix A shows authorized rates at a 24% rate of margin.

Nacimiento is a Class C water company. D. 92-03-093 allows Class C utilities to recover up to 65% of fixed costs in their readiness-to-serve-charge. At Nacimiento's request, the Division recommends Nacimiento be allowed to recover 65% of its fixed costs in its readiness to serve charges.

Nacimiento's current rate structure consists of three schedules: Schedules Nos. 1A, Annual Metered Service; 2A, Annual Flat Rate Service; and 4, Private Fire Protection Service. Nacimiento requests to eliminate Schedule No. 2A, since Nacimiento is no longer using it. The Division recommends a new Schedule F, Facilities Fees, in this general rate case. The new rate schedules can be found in Appendix B.

At the Division's recommended rates shown in Appendix B, the monthly bill for a typical residential customer with a 3/4-inch meter using 7,400 cubic feet of water will increase from $34.21 to $55.48 per month, or 62.2%. 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.

NOTICE AND PUBLIC MEETING

A notice of the proposed rate increase was mailed to each customer on January 10, 2004. After the notice of proposed rate increase was sent, Division received 5 complaint letters that objected to the proposed rate increase. Division also received one letter in support of Nacimiento.

A public meeting was held on Saturday, February 7, 2004, at the Oak Shores Clubhouse in Bradley, California. The date, time, and location of the meeting were specified in the notice of rate increase mailed to each customer on or before January 10, 2004. The meeting started at 10 A.M. with approximately 30 customers in attendance. The Division representatives explained Commission procedures and the purpose of the meeting. Nacimiento’s representative made a presentation to explain the need for the rate increase. The rest of the meeting consisted of comments and questions by the customers. The comments and questions addressed concerns about increase in water rates, recent earthquake damage to the water plant, management activities, inability to obtain information, customer growth and resulting impact on rates, and fairness of single rate for existing and new customers. The customers present at the meeting requested a copy of the staff report. Staff reports were mailed to each of the customers on September 10, 2004.

There were also customer concerns about misuse of company labor and equipment by the company owner. Division informed the audience that an audit of Nacimiento’s
books and records will be conducted in conjunction with the general rate case, and the issue of the use of water employees and assets for non-water related purposes will be looked into. After conducting this audit, Division could not find evidence of misuse of company labor and equipment by the company owner.

COMPLIANCE

Nacimiento is currently providing water service according to the standards of General Order 103, has filed its annual reports regularly except for the 2004 annual report which was due on March 31, 2005, and there are no outstanding Commission orders requiring system improvements. Nacimiento should be required to file its 2004 annual report, and update the Preliminary Statement for water quality and Department of Health Services user fees memorandum accounts, within 60 days of the effective date of this resolution.

COMMENTS

Code §311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Code §311(g)(2) provides that this 30-day period may be waived or reduced upon stipulation of all parties in the proceeding.

The 30-day comment period for the draft resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission’s agenda no earlier than 30 days from the date of mailing of this resolution to the parties.

FINDINGS

1. The Division’s recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.

2. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.

3. The quantities (Appendix D) used to develop the Division’s recommendations are reasonable and should be adopted.

4. The rate increase proposed by the Division is justified. The resulting rates are just and reasonable.

5. Nacimiento should be required to file its 2004 annual report within 60 days of the effective date of this order.
6. Nacimiento should be required to update the Preliminary Statement for water quality and Department of Health Services’ user fees memorandum accounts.

7. Nacimiento should be required to eliminate Schedule No. 2A, Annual Flat Rate Service.
8. Division recommends that the Commission adopt Schedule F, Facilities Fees.

9. Facilities fees collected should be placed in interest-bearing accounts and be used only to build or replace plant. As funds are used, the expenditures are required to be recorded as contributed plant.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Nacimiento Water Company to file an advice letter incorporating the Summary of Earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate Schedules Nos. 1A, Annual Metered Service; 2A, Annual Flat Rate Service; 4, Private Fire Protection Service. The effective date of the revised schedules shall be five days after the date of filing.

2. Nacimiento Water Company is authorized to increase its annual revenues by $182,333 or 68.10%, based on reasonable rates for 2003.

3. Nacimiento Water Company should be required to file its 2004 annual report within 60 days of the effective date of this order.

4. Nacimiento Water Company is authorized to update the Preliminary Statement for water quality and Department of Health Services’ user fees memorandum accounts.

5. Nacimiento Water Company is authorized to eliminate Schedule No. 2A, Annual Flat Rate Service.

6. Nacimiento Water Company is authorized to add Schedule F, Facilities Fees to its tariff schedules.

7. Nacimiento Water Company is directed to have facilities fees collected placed in interest-bearing accounts and be used only to build or replace plant. As funds are used, the expenditures are required to be recorded as contributed plant.
8. 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 25, 2005; the following Commissioners voting favorably thereon:

______________________________
STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President

GEOFFREY F. BROWN
SUSAN P. KENNEDY
DIAN M. GRUENEICH
JOHN A. BOHN
Commissioners
Appendix A
Nacimiento Water Company

Summary of Earnings
Test Year 2003

<table>
<thead>
<tr>
<th>Item</th>
<th>Utility Estimated</th>
<th>Division Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present Rates</td>
<td>Requested Rates</td>
</tr>
<tr>
<td>Operating Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Metered Sales</td>
<td>$235,056</td>
<td>$406,723</td>
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<tr>
<td>Private Fire</td>
<td>$27,375</td>
<td>$66,552</td>
</tr>
<tr>
<td>Other Water Revenue</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Other Unmetered Revenue</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>$262,431</td>
<td>$473,275</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>610 Purchased Water</td>
<td>$11,093</td>
<td>$11,093</td>
</tr>
<tr>
<td>615 Purchased Power</td>
<td>$24,192</td>
<td>$24,192</td>
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<tr>
<td>618 Other Volume Related Expenses</td>
<td>$6,854</td>
<td>$6,854</td>
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<tr>
<td>630 Employee Labor</td>
<td>$106,000</td>
<td>$106,000</td>
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<tr>
<td>640 Materials</td>
<td>$22,289</td>
<td>$22,289</td>
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<tr>
<td>650 Contract Work</td>
<td>$7,908</td>
<td>$7,908</td>
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<tr>
<td>660 Transportation Expenses</td>
<td>$11,619</td>
<td>$11,619</td>
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<tr>
<td>664 Other Plant Maintenance</td>
<td>$7,000</td>
<td>$7,000</td>
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<tr>
<td>670 Office Salaries</td>
<td>$24,000</td>
<td>$24,000</td>
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<tr>
<td>671 Management Salaries</td>
<td>$68,400</td>
<td>$68,400</td>
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<tr>
<td>674 Employee Benefits</td>
<td>$36,900</td>
<td>$36,900</td>
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<tr>
<td>676 Uncollectibles Expense</td>
<td>$730</td>
<td>$730</td>
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<tr>
<td>678 Office Services &amp; Rentals</td>
<td>$1,700</td>
<td>$1,700</td>
</tr>
<tr>
<td>681 Office Supplies &amp; Expenses</td>
<td>$4,693</td>
<td>$4,693</td>
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<tr>
<td>682 Professional Services</td>
<td>$6,725</td>
<td>$6,725</td>
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<tr>
<td>684 Insurance</td>
<td>$24,061</td>
<td>$24,061</td>
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<tr>
<td>688 Regulatory Commission Expense</td>
<td>$1,356</td>
<td>$1,356</td>
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<tr>
<td>689 General Expenses</td>
<td>$1,664</td>
<td>$1,664</td>
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<tr>
<td>Subtotal</td>
<td>$367,184</td>
<td>$367,184</td>
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<tr>
<td>Depreciation</td>
<td>$17,900</td>
<td>$17,900</td>
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<td>Taxes other than Income</td>
<td>$18,184</td>
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<tr>
<td>Income Taxes</td>
<td>$800</td>
<td>$14,929</td>
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<tr>
<td>Total Deductions</td>
<td>$404,068</td>
<td>$418,197</td>
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<tr>
<td>Net Revenue</td>
<td>$(141,637)</td>
<td>$55,078</td>
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<tr>
<td>Rate Base</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Plant</td>
<td>$2,611,284</td>
<td>$2,611,284</td>
</tr>
<tr>
<td>Ave. Accumulated Depreciation</td>
<td>$881,510</td>
<td>$881,510</td>
</tr>
<tr>
<td>Net Plant</td>
<td>$1,729,773</td>
<td>$1,729,773</td>
</tr>
<tr>
<td>Less: Advances</td>
<td>$2,881</td>
<td>$2,881</td>
</tr>
<tr>
<td>Contributions</td>
<td>$1,463,616</td>
<td>$1,463,616</td>
</tr>
<tr>
<td>Plus: Working Cash</td>
<td>$91,796</td>
<td>$91,796</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate Base:</td>
<td>$357,954</td>
<td>$357,954</td>
</tr>
<tr>
<td>Rate of Return</td>
<td>-39.57%</td>
<td>15.39%</td>
</tr>
<tr>
<td>Rate of Margin</td>
<td>24.00%</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX B
NACIMIENTO WATER COMPANY
Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY
Applicable to all metered water service furnished on an annual basis.

TERRITORY
Tract Nos. 378, 379, 380, and 381 (Oak Shores), Cantinas Campground and vicinity, San Luis Obispo County.

RATES
Quantity Rates:
All water used per 100 cu.ft. .......... $  3.96 (l)

Annual Service Charge:  Per Meter  Per Year  (D)
For 5/8 and 3/4-inch meter.............$ 314.00 (l)
For 1-inch meter.......................... 786.00 (l)
For 1-1/2 2-inch meter................... 1,572.00 (l)
For 2-inch meter.......................... 2,515.00 (l)
For 3-inch meter.......................... 4,716.00 (l)

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge computed at the Quantity Rate, for water used during the billing period.

SPECIAL CONDITIONS

1. The annual service charge applied to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, they may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility’s established billing periods. Meters will be read and quantity charges billed monthly, bimonthly or quarterly in accordance with the utility’s established billing periods except the meters may be read and quantity charges billed during the winter season at intervals greater than three months.

(continued)
APPENDIX B
NACIMIENTO WATER COMPANY
Schedule No. 1A
(continued)

ANNUAL METERED SERVICE

SPECIAL CONDITIONS

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service 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 year. 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.

3. A late charge will be imposed per Schedule No. LC.

4. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company’s option, be furnished on the account of the landlord or property owner.

(D)

5. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (L)
APPENDIX B
NACIMIENTO WATER COMPANY
Schedule No. 4
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY
Applicable to all fire hydrant service rendered from fire hydrants on private property connected to utility owned mains.

TERRITORY
Tract Nos. 378, 379, 380, and 381 (Oak Shores), Cantinas Campground and vicinity, San Luis Obispo County.

RATES
Per Month

For each fire hydrant . . . . . . $67.49 (I) (D)

SPECIAL CONDITIONS
1. The fire hydrant will be installed by the utility at the cost of the applicant.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1A, Annual Metered Service.
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.
5. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
APPLICABILITY

Applicable to all customers applying for service from the Utility in the territory served for premises not previously connected to its distribution mains, for additional service connections to existing premises, and for increases in size of service connections to existing premises due to change in use.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES

Initial Fee for each Service Connection:

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Fee (in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8 x 3/4-inch</td>
<td>2,000</td>
</tr>
<tr>
<td>¾-inch</td>
<td>3,000</td>
</tr>
<tr>
<td>1-inch</td>
<td>5,000</td>
</tr>
<tr>
<td>1 1/2-inch</td>
<td>10,000</td>
</tr>
<tr>
<td>2-inch</td>
<td>16,000</td>
</tr>
<tr>
<td>3-inch</td>
<td>30,000</td>
</tr>
</tbody>
</table>

SPECIAL CONDITIONS

1. Facility fees are payable in addition to and do not limit any charges for extensions of mains that may be applicable under Rule 15, Main Extensions.
2. These fees are not subject to the Public Utility Commission Reimbursement Fee surcharge in Schedule UF.
3. Facilities fees authorized herein shall be deposited within five days of receipt in a separate bank account paying interest. A direct confirmation from the bank shall be mailed to the Director of the Water Division after making such deposit to verify the amount deposited.
4. Facilities fees shall be treated as Contributions-in-Aid-of-Construction and follow the requirements as specified in the Internal Revenue Code Section 118 to qualify as such.
5. Facilities fees shall be accounted for as Contributions-in-Aid-of-Construction in accordance with the Commission’s prescribed Uniform System of Accounts. In addition the balance of facilities fees collected, including interest shall be reported in utility’s annual report to the Commission.
6. The plant constructed with facilities fees shall be removed from rate base for rate-making purposes.
## METERED SERVICE

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Present Rates</th>
<th>Recommended Rates</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8 x 3/4-inch</td>
<td>$240</td>
<td>$314</td>
<td>31.0%</td>
</tr>
<tr>
<td>3/4-inch</td>
<td>$240</td>
<td>$314</td>
<td>31.0%</td>
</tr>
<tr>
<td>1-inch</td>
<td>$402</td>
<td>$786</td>
<td>95.5%</td>
</tr>
<tr>
<td>1-1/2-inch</td>
<td>$804</td>
<td>$1,572</td>
<td>95.5%</td>
</tr>
<tr>
<td>2-inch</td>
<td>$1,278</td>
<td>$2,515</td>
<td>96.8%</td>
</tr>
<tr>
<td>3-inch</td>
<td>$2,400</td>
<td>$4,716</td>
<td>96.5%</td>
</tr>
</tbody>
</table>

### Quantity Rates:

<table>
<thead>
<tr>
<th>Usage 100 cu. ft.</th>
<th>Present Rates</th>
<th>Recommended Rates</th>
<th>Amount Increase</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>20.00</td>
<td>26.20</td>
<td>6.20</td>
<td>31.0%</td>
</tr>
<tr>
<td>4</td>
<td>27.68</td>
<td>42.03</td>
<td>14.35</td>
<td>51.8%</td>
</tr>
<tr>
<td>7.4 (avg)</td>
<td>34.21</td>
<td>55.48</td>
<td>21.28</td>
<td>62.2%</td>
</tr>
<tr>
<td>9</td>
<td>37.28</td>
<td>61.82</td>
<td>24.54</td>
<td>65.8%</td>
</tr>
<tr>
<td>15</td>
<td>48.80</td>
<td>85.56</td>
<td>36.76</td>
<td>75.3%</td>
</tr>
</tbody>
</table>

Comparison of a monthly typical bill for residential metered customers with a 3/4-inch is shown below at current rates and recommended rates for test year 2003.
APPENDIX D
NACIMIENTO WATER COMPANY
ADOPTED QUANTITIES
Test Year 2003

Offset Items

1. Purchased Power
   Pacific Gas and Electric Company
   Schedule A-1 Small General Service
   Total Cost $  21,878
   Total kWh 165,627
   Average Unit Cost ($/kWh) $ 0.1321

2. Ad Valorem Taxes $ 2,321

Service Connections
1. Meter Size
   5/ 8 x 3/ 4" 118
   3/ 4" 460
   1" 1
   1 1/ 2" 3
   Total 582
Consumption (Ccf) 51,486

ADOPTED TAX CALCULATIONS
Test Year 2003

State Income tax @ 8.84%
Federal Tax Rates:
   15% for 1st $50,000 of Taxable Income
   25% for next $25,000 of Taxable Income
   34% for next $25,000 of Taxable Income
   39% for next $235,000 of Taxable Income

1. Operating Revenues $450,094
2. Operating Expenses 304,290
3. Depreciation 18,257
4. Interest Expense 8,000
5. Taxes Other Than Income 16,948
6. Taxable Income for State Tax 102,599
7. State Income Tax @ 8.84% 9,070
8. Taxable Income for FIT 93,529