

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4577  
December 15, 2005

R E S O L U T I O N

**(RES. W-4577), ALISAL WATER CORPORATION (Alco),  
SALINAS DISTRICT ORDER AUTHORIZING A GENERAL  
RATE INCREASE PRODUCING ADDITIONAL ANNUAL  
REVENUE OF \$1,214,936 OR 28.75% IN 2006 AND \$659,376 OR  
12.12% FOR ESCALATION YEAR 2007.**

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SUMMARY

By Draft Advice Letter filed on August 21, 2004, Alco-Salinas District seeks an increase in its rates for water service to recover increased operating expenses and provide an adequate rate of return. This resolution grants an increase in gross annual revenues of \$1,214,936 or 28.75% for Test Year 2006 and additional annual revenue of \$659,376 or 12.12% for the escalation year 2007. This increase in revenue is estimated to provide a return on the rate base of 9.86%.

BACKGROUND

Alco requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase its water rates, producing additional revenue of \$1,009,944 (23.44%) in 2005, \$696,152 (13.14%) in 2006 and \$321,964 (5.37%) in 2007. The purpose of the rate increase is to recover increased operating expenses and to earn an adequate rate of return on its new plant additions. Alco's request shows gross revenues of \$4,311,179 at present rates would increase to \$6,015,001 in 2006 and to \$6,335,171 in 2007 at the proposed rates. Alco requested a return on rate base of 10.0%.

The current rates became effective on August 21, 2003 pursuant to Resolution (Res.) W-4417 authorizing a rate base offset, subject to refund, of \$396,200, or 10.8%.

Alco's Salinas District uses groundwater for its drinking water supply, which it

Alco-Salinas/DRAFT AL/SNR/PTL/RKN:jlj

pumps from seven active wells capable of producing 12,700 gallons per minute (GPM). All of the system's active wells have an emergency power supply or at least the capability to hook up to one. In the event of a major power loss, the system has a source capacity of 6,900 GPM for the wells with emergency generators onsite, which should allow the system to meet demand. The system consists of 60% old asbestos-cement pipes and 40% newer PVC pipes. The distribution system is in fair condition and leakage is estimated at 3% with the delivery pressure ranging from 40 to 90 pounds per square inch.

On August 23, 2000, the court granted summary judgment establishing defendants' liability with respect to nine separate causes of action encompassing hundreds of individual violations of the Safe Drinking Water Act occurring in the 1990s in the case – United States vs. Alisal Water Corporation [et al. 114F - Supp. 2d 927(N.D. Cal. 2000)]. Many of the violations found by the court involved intentional false reporting.

The purpose of this rate increase is to provide Alco Water Company with sufficient revenue to cover the costs for implementing the improvements in the Black & Veatch report ordered by the court.

Based on the California Waterworks Standards with 8,000 service connections, the recommended storage capacity for the system is 4.0 MG. Alco's management recognizes the lack of storage capacity for a system of its size and plans to construct a 5 MG concrete tank.

### NOTICE AND PUBLIC MEETING

Alco sent a notice to its customers in the Salinas District informing them of the GRC filing and the public meeting was held in Salinas on Tuesday, December 14, 2004. The notice was sent to all customers either with their November billing or through a special mailing from November 5, 2004 through November 22, 2004 via U.S. mail. Branch staff conducted the public meeting along with Alco and explained the operation of the water system.

Most of the comments and questions related to low water pressure and the need for bigger size meters to meet fire sprinkler requirements.

Over the past three years, the Consumer Service Division (CSD) received two

complaints or inquiries regarding the Alco-Salinas system. The CSD complaints dealt with the charge for the increased size of meters due to fire sprinkler requirements and lack of water pressure.

### **PROTESTS**

There were no protests to Alco's requests.

### **DISCUSSION**

Water Division (Division) made an independent analysis of Alco's summary of earnings and issued its report in September, 2005. Appendix A shows Alco's and the Division's estimates of the summary of earnings at present, proposed, and adopted rates for test year 2006 and escalation year 2007. Appendix A also shows differences in Alco's and the Division's estimates in operating revenues, expenses, and rate base. Alco was informed of the Division's differing views of revenues, expenses, and rate base and agrees with the Division's findings.

Division staff audited operating expenses, including purchased power, materials, transportation, management salaries, uncollectibles, office supplies and expenses, professional services, insurance, regulatory commission expenses, and general expenses. Staff verified the operating expenses by reviewing supporting documents and included those expenses that were deemed reasonable and prudent.

At the Branch's recommended rates shown in Appendix B, the monthly bill for a 5/8 x 3/4-inch metered customer using 20 Ccf (one Ccf equals 100 cubic feet) of water will increase from \$29.90 to \$43.15 or 44.35% for the test year 2006 and from \$43.15 to \$47.22 or 9.43% for the escalation year 2007. Bill comparisons are shown in Appendix C and adopted quantities in Appendix D.

Alco requested new plant additions be included in the rate base for 2005, 2006 and 2007 in order to obtain a loan to fund the plant additions, which include the installation of three new wells to replace the existing three arsenic-contaminated wells. As of November 10, 2005, Alco has added \$1,504,619 in plant additions out of the proposed \$1,587,065. Division estimated that Alco will complete the rest of the plant additions for 2005 projects by the end of 2005 and recommends that the 2005 new plant addition cost of \$1,587,065 be added to the rate base.

Division reviewed the new plant additions shown in Appendix E by Alco for

implementing the court order and agreed to authorize the cost in the 2005, 2006 and 2007 rate base. These additions will be subject to filing, by advice letter, to adjust rates to account for actual end-of-year rate base.

Appendix E shows the plant additions Alco is planning to complete in 2005, 2006 and 2007. These improvements are based on the court order to implement the recommendations of the Black & Veatch report. The estimated cost of the new additions is added to the respective year rate base in this resolution. Alco will be required to file advice letters each year showing the actual cost of the plant additions completed in the previous year and the revised rate base. These advice letters should be filed before February 15<sup>th</sup> of 2006, 2007 and 2008. Based on the review of these advice letters by the Commission, the rate base for 2005, 2006 and 2007 will be revised and the revised rates will be made effective on April 1<sup>st</sup>, 2006 for the 2005 rate base, April 1<sup>st</sup>, 2007 for the 2006 rate base and April 1<sup>st</sup> 2008 for the 2007 rate base.

Alco's progress in implementing the court order to improve service with the new plant additions to its water customers in the Salinas District is being monitored both by Department of Health Services and a court appointed receiver.

### **COMPLIANCE**

Alco has been filing annual reports as required. Alco filed its GRC on August 21, 2004. Alco tariff sheets were reviewed by Staff and the following sheets need to be updated: Tariff Rule Schedule UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee; Rules 5, Special Information Required on Forms; 7, Deposits; 8, Notices; 9, Rendering and Payment of Bills; 10, Disputed Bills; Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.

### **FINDINGS**

1. The Division's recommended Summary of Earnings (Appendix A) for test year 2006 and escalation year 2007 are reasonable and should be adopted.
2. Alco's Salinas District rates recommended by the Division (Appendix B) for test year 2006 and for escalation year 2007 are reasonable and should be authorized. In addition, the special category of customers with the fire sprinkler rates is reasonable and should be authorized.

3. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
4. The new plant additions' (Appendix E) costs are justified and should be authorized, after installation and reasonableness review.
5. The rate increase recommended by the Division is justified. The resulting rates are just and reasonable. The 2006 rate increase should be made effective the date of this resolution, and the escalation year 2007 rate from January 1, 2007. This increase will produce a 9.86% return on the rate base.
6. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g) (3).
7. The Branch-recommended increases in revenue of \$1,214,936 (28.75%) for 2006 and \$ 659,376 (12.12%) in 2007, subject to revision of the rate-base and based on the new plant addition costs by Alco, is reasonable and should be adopted. This would increase estimated annual revenue from \$4,226,160 to \$5,441,096 for test year 2006 and from \$5,441,096 to \$6,100,472 for escalation year 2007.
8. The rates recommended by the Division in Appendix B are reasonable and should be adopted. Based on these rates, the monthly bill for a residential 5/8-inch metered rate customer using an average of 20 Ccf would increase from \$29.90 to \$43.15 per month (44.35%) in the test year 2006 and from \$43.15 to \$47.22 (9.43%) in the escalation year 2007.
9. The increase should be authorized based on the completion of the new plant additions and Alco should be required to file advice letters for completing the new plant additions before February 15, 2006 for 2005 additions, before February 15, 2007 the test year 2006 additions, and before February 15, 2008 for escalation year 2007 additions as shown in Appendix E.
10. The rates should be revised based on the Advice Letters in Finding 9 in 2006, 2007 2008 and the revised rates should be made effective from April 1, 2006 for 2005 additions, from April 1, 2007 for test year 2006 additions, and from April 1, 2008 for escalation year 2007 additions.

11. Within 60 days after the effective date of this resolution, Alco Water Company should file an advice letter updating the following: Tariff Rule Schedule UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee; Rules 5, Special Information Required on Forms; 7, Deposits; 8, Notices; 9, Rendering and Payment of Bills; 10, Disputed Bills; Forms 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 Alco Water Company to file an advice letter incorporating the summary of earnings and the Rate Schedules Nos. 1A – Annual General Metered Service, 4 – Private Fire Protection Service, and 6 – Public Fire Hydrant Service, attached to this resolution as Appendices A and B respectively, and concurrently cancel its presently effective rate schedules. The effective date of the rates for test year 2006 shall be five days after the date of filing and for the escalation year 2007, five days after filing or January 1, 2007, whichever comes later.
2. Alco Water Company is authorized to increase its annual revenues by \$1,214,936 (28.75%) for the test year 2006 and additional \$659,376 (12.12%) for the escalation year 2007 subject to revision of the rate base based on the actual plant addition costs by Alco. This would increase estimated annual revenue from \$4,226,160 to \$5,441,096 for test year 2006 and from \$5,441,096 to \$6,100,472 for escalation year 2007.
3. The quantities (Appendix D) used to develop the Division's recommendations are adopted.
4. The new plant addition schedule and costs (Appendix E) are adopted.
5. Alco shall file advice letters for completed plant additions within 45 days of the beginning of the subsequent year: by February 14, 2006 for 2005 plant additions, February 14, 2007 for the test year 2006 plant additions, and February 14, 2008 for escalation year 2007 plant additions, as shown in Appendix E.
6. The authorized rates in this resolution will be revised based on the actual cost

of the plant additions completed in 2005, 2006, and 2007 and the rates will be made effective from April 1, 2006 for 2005 projects, April 1, 2007 for the test year 2006 projects and from April 1, 2008 for the escalation year 2007 projects.

7. Within 60 days after the effective date of this resolution, Alco Water Company shall file an advice letter updating the following: Tariff Rule Schedule UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee; Rules 5, Special Information Required on Forms; 7, Deposits; 8, Notices; 9, Rendering and Payment of Bills; 10, Disputed Bills; Forms 2, Customer's Deposit Receipt; and 3, Bill for Service.
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 December 15, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
President  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
DIAN M. GRUENEICH  
JOHN A. BOHN  
Commissioners

**APPENDIX A**  
**SUMMARY OF EARNINGS**  
**Test Year 2006**

| <u>Item</u>                                 | Alco                    |                          | DIVISION                |                          | <u>ADOPTED</u><br>Rates |
|---|-------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
|   | <u>Present</u><br>Rates | <u>Proposed</u><br>Rates | <u>Present</u><br>Rates | <u>Proposed</u><br>Rates |                         |
| <b><u>Operating Revenue</u></b>             |                         |                          |                         |                          |                         |
| Fire Protection                             | \$7,348                 | \$15,008                 | \$7,809                 | \$13,123                 | \$13,123                |
| Private Fire Protection                     | \$2,937                 | \$6,048                  | \$2,937                 | \$5,177                  | \$5,177                 |
| Metered Water                               | \$4,262,570             | \$5,948,008              | \$4,177,090             | \$5,368,705              | \$5,368,708             |
| Miscellaneous Income                        | \$11,370                | \$8,898                  | \$11,370                | \$12,531                 | \$12,531                |
| Reimbursed Income                           | \$10,441                | \$10,639                 | \$10,441                | \$12,461                 | \$12,461                |
| Other Water Revenue                         | \$16,513                | \$26,400                 | \$16,513                | \$29,096                 | \$29,096                |
| Total Revenue                               | \$4,311,179             | \$6,015,001              | \$4,226,160             | \$5,441,096              | \$5,441,096             |
| <b><u>Operating Expenses</u></b>            |                         |                          |                         |                          |                         |
| Other volume related                        | \$8,588                 | \$8,751                  | \$8,763                 | \$8,763                  | \$8,763                 |
| Purchased Power                             | \$560,250               | \$573,528                | \$432,094               | \$432,094                | \$432,094               |
| Materials                                   | \$64,943                | \$66,177                 | \$63,333                | \$63,333                 | \$63,333                |
| Contract Work                               | \$103,577               | \$105,545                | \$100,637               | \$100,637                | \$100,637               |
| Transportation                              | \$316,524               | \$312,090                | \$322,991               | \$322,991                | \$322,991               |
| Other Plant Maintenance                     | \$101,661               | \$103,276                | \$49,610                | \$49,610                 | \$49,610                |
| Employee Labor                              | \$557,740               | \$585,627                | \$575,030               | \$575,030                | \$575,030               |
| Office Salaries                             | \$327,199               | \$343,559                | \$337,342               | \$337,342                | \$337,342               |
| Management Salaries                         | \$131,662               | \$138,245                | \$135,744               | \$135,744                | \$135,744               |
| Employee Benefits                           | \$508,597               | \$562,380                | \$524,364               | \$524,364                | \$524,364               |
| Uncollectibles                              | \$4,273                 | \$5,867                  | \$5,369                 | \$5,369                  | \$5,369                 |
| Office Services & Rental                    | \$70,822                | \$72,168                 | \$72,267                | \$72,267                 | \$72,267                |
| Office Suppl. & Exp.                        | \$108,209               | \$110,265                | \$108,576               | \$108,576                | \$108,576               |
| Professional Services                       | \$402,201               | \$422,311                | \$195,755               | \$195,755                | \$195,755               |
| Insurance                                   | \$267,137               | \$287,781                | \$279,186               | \$279,186                | \$279,186               |
| Regulatory Comm. Exp.                       | \$8,643                 | \$8,643                  | \$1,677                 | \$1,677                  | \$1,677                 |
| General Expenses                            | \$61,688                | \$62,860                 | \$73,774                | \$73,774                 | \$73,774                |
| Subtotal                                    | \$3,603,714             | \$3,769,073              | \$3,286,512             | \$3,286,512              | \$3,286,512             |
| Depreciation Expense                        | \$415,171               | \$483,584                | \$477,862               | \$477,962                | \$477,962               |
| Property Taxes                              | \$0                     | \$0                      | \$156,397               | \$206,052                | \$206,052               |
| Other Taxes                                 | \$356,808               | \$420,943                | \$158,481               | \$204,041                | \$204,041               |
| Payroll Taxes                               | \$0                     | \$0                      | \$93,702                | \$93,702                 | \$93,702                |
| State Income Tax                            | \$800                   | \$67,822                 | \$3,400                 | \$74,167                 | \$74,167                |
| Fed. Income Tax                             | \$0                     | \$232,374                | \$11,344                | \$259,663                | \$259,663               |
| Total Deductions                            | \$4,376,493             | \$4,973,796              | \$4,187,697             | \$4,602,099              | \$4,602,099             |
| Net Revenue                                 | (\$65,314)              | \$1,245,598              | \$38,463                | \$838,997                | \$838,997               |
| Average Plant                               | \$18,759,885            | \$24,242,276             | \$18,759,885            | \$24,242,276             | \$24,242,276            |
| Average Accumulated Depreciation            | \$4,692,040             | \$7,911,549              | \$5,919,400             | \$7,324,998              | \$7,324,998             |
| Net Plant                                   | \$7,550,262             | \$7,550,262              | \$12,840,455            | \$16,917,278             | \$16,917,278            |
| Less  |                         |                          |                         |                          |                         |
| Advances for Construction                   | \$2,687,749             | \$3,272,762              | \$2,687,749             | \$3,272,762              | \$3,272,762             |
| Contributions in aid of Construction ( Plus | \$4,691,768             | \$4,918,974              | \$4,691,768             | \$4,918,974              | \$4,918,974             |
| Working Cash                                | \$364,360               | \$314,089                | \$273,876               | \$273,876                | \$273,876               |
| Deferred CIAC tax Av.                       | \$214,937               | \$300,385                | \$347,623               | \$313,673                | \$313,673               |
| Materials & Supplies                        | \$10,000                | \$10,000                 | \$10,000                | \$10,000                 | \$10,000                |
| <b><u>Rate Base</u></b>                     | \$5,239,466             | \$12,459,890             | \$8,509,098             | \$8,509,098              | \$8,509,098             |
| <b><u>Rate of Return</u></b>                | -1.25%                  | 10.00%                   | 0.45%                   | 9.86%                    | 9.86%                   |

**APPENDIX A**  
**SUMMARY OF EARNINGS**  
**Escalation Year 2007**

| <u>Item</u>                          | Alco                    |                          | DIVISION                |                          |                         |
|--------------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
|                                      | <u>Psesent</u><br>Rates | <u>Proposed</u><br>Rates | <u>Present</u><br>Rates | <u>Proposed</u><br>Rates | <u>Adopted</u><br>Rates |
| <b><u>Operating Revenue</u></b>      |                         |                          |                         |                          |                         |
| Fire Protection                      | \$7,348                 | \$15,008                 | \$7,809                 | \$14,794                 | \$14,794                |
| Private Fire Protection              | \$2,937                 | \$6,192                  | \$2,937                 | \$5,724                  | \$5,724                 |
| Metered Water                        | \$4,262,570             | \$6,269,828              | \$4,177,090             | \$6,019,311              | \$6,019,311             |
| Miscellaneous Income                 | \$11,370                | \$6,902                  | \$11,370                | \$14,050                 | \$14,050                |
| Reimbursed Income                    | \$10,441                | \$10,841                 | \$10,441                | \$13,971                 | \$13,971                |
| Other Water Revenue                  | \$16,513                | \$26,400                 | \$16,513                | \$32,622                 | \$32,622                |
| Total Revenue                        | \$4,311,179             | \$6,335,171              | \$4,226,160             | \$6,100,472              | \$6,100,472             |
| <b><u>Operating Expenses</u></b>     |                         |                          |                         |                          |                         |
| Other volume related                 | \$8,588                 | \$8,917                  | \$8,763                 | \$8,865                  | \$8,865                 |
| Purchased Power                      | \$560,250               | \$585,113                | \$432,094               | \$441,195                | \$441,195               |
| Materials                            | \$64,943                | \$67,434                 | \$63,333                | \$64,068                 | \$64,068                |
| Contract Work                        | \$103,577               | \$107,550                | \$100,637               | \$100,637                | \$100,637               |
| Transportation                       | \$316,524               | \$298,506                | \$322,991               | \$326,738                | \$326,738               |
| Other Plant Maintenance              | \$101,661               | \$104,922                | \$49,610                | \$50,185                 | \$50,185                |
| Employee Labor                       | \$557,740               | \$614,908                | \$575,030               | \$587,681                | \$587,681               |
| Office Salaries                      | \$327,199               | \$360,737                | \$337,342               | \$344,764                | \$344,764               |
| Management Salaries                  | \$131,662               | \$145,157                | \$135,744               | \$138,730                | \$138,730               |
| Employee Benefits                    | \$508,597               | \$622,822                | \$524,364               | \$535,900                | \$535,900               |
| Uncollectibles                       | \$4,273                 | \$6,186                  | \$5,369                 | \$6,019                  | \$6,019                 |
| Office Services & Rental             | \$70,822                | \$73,539                 | \$72,267                | \$73,105                 | \$73,105                |
| Office Suppl. & Exp.                 | \$108,209               | \$112,360                | \$108,576               | \$110,965                | \$110,965               |
| Professional Services                | \$402,201               | \$443,427                | \$195,755               | \$198,026                | \$198,026               |
| Insurance                            | \$267,137               | \$310,186                | \$279,186               | \$285,328                | \$285,328               |
| Regulatory Comm. Exp.                | \$8,643                 | \$8,643                  | \$1,677                 | \$1,677                  | \$1,677                 |
| General Expenses                     | \$61,688                | \$64,054                 | \$73,774                | \$74,630                 | \$74,630                |
| Subtotal                             | \$3,603,714             | \$3,934,461              | \$3,286,512             | \$3,348,513              | \$3,348,513             |
| Depreciation Expense                 | \$415,171               | \$506,454                | \$477,862               | \$573,398                | \$573,398               |
| Property Taxes                       | \$0                     | \$0                      | \$156,397               | \$239,449                | \$239,449               |
| Other Taxes                          | \$356,808               | \$438,684                | \$158,481               | \$228,768                | \$228,768               |
| Payroll Taxes                        | \$0                     | \$0                      | \$93,702                | \$95,763                 | \$95,763                |
| State Income Tax                     | \$800                   | \$84,240                 | \$3,400                 | \$101,646                | \$101,646               |
| Fed. Income Tax                      | \$0                     | \$290,654                | \$11,344                | \$363,092                | \$363,092               |
| Total Deductions                     | \$4,376,493             | \$5,254,493              | \$4,187,697             | \$4,950,629              | \$4,950,629             |
| Net Revenue                          | (\$264,253)             | \$1,245,598              | \$38,463                | \$1,149,843              | \$1,149,843             |
| Average Plant                        | \$18,759,885            | \$27,700,865             | \$18,759,885            | \$27,700,865             | \$27,700,865            |
| Average Accumulated Depreciation     | \$4,692,040             | \$8,041,657              | \$5,919,400             | \$8,041,657              | \$8,041,657             |
| Net Plant                            | \$7,550,262             | \$8,701,490              | \$12,840,455            | \$19,659,207             | \$19,659,207            |
| <b>Less</b>                          |                         |                          |                         |                          |                         |
| Advances for Construction            | \$2,687,749             | \$3,142,808              | \$2,687,749             | \$3,142,808              | \$3,142,808             |
| Contributions in aid of Construction | \$4,691,768             | \$4,727,994              | \$4,691,768             | \$4,727,994              | \$4,727,994             |
| <b>Plus</b>                          |                         |                          |                         |                          |                         |
| Working Cash                         | \$364,708               | \$437,874                | \$348,975               | \$412,552                | \$412,552               |
| Defered CIAC tax Av.                 | \$214,937               | \$300,385                | \$347,623               | \$281,425                | \$281,425               |
| Materials & Supplies                 | \$10,000                | \$10,000                 | \$10,000                | \$10,000                 | \$10,000                |
| <b><u>Rate Base</u></b>              | \$5,239,466             | \$12,756,923             | \$8,509,098             | \$11,661,698             | \$11,661,698            |
| <b><u>Rate of Return</u></b>         | -5.04%                  | 10.00%                   | 0.45%                   | 9.86%                    | 9.86%                   |

**APPENDIX B**  
**Schedule No. 1A**  
**GENERAL METERED SERVICE**  
**Test Year 2006**

**APPLICABILITY**

Applicable to all metered water service.

**TERRITORY**

City of Salinas in Monterey County

**RATES**

|  | <u>Per Meter</u><br><u>Per Month</u> |
|--|--------------------------------------|
| <b><u>Quantity Rates:</u></b>  |                                      |
| All Water, per 100 cu. ft.....   | \$ 1,450.6                           |
| <b><u>Service Charge:</u></b>  |                                      |
| For 5/8x3/4 -inch meter .....  | \$ 14.14                             |
| For 3/4 -inch meter .....  | 14.14                                |
| For 1 -inch meter and 1-1/2 -inch meter with residential fire sprinklers ..... | 21.21                                |
| For 1 -inch meter .....  | 35.36                                |
| For 1-1/2 -inch meter .....  | 70.71                                |
| For 2 -inch meter .....  | 113.14                               |
| For 3 -inch meter .....  | 212.13                               |
| For 4 -inch meter .....  | 353.56                               |
| For 6 -inch meter .....  | 707.11                               |
| For 8 -inch meter .....  | 1,131.38                             |
| For 10 -inch meter .....   | 1,626.36                             |

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 month.

**SPECIAL CONDITIONS:**

1. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge of \$2.36 per customer per month over a period of four months since the effective date of Advice Letter No. 101 or September 13, 2005. This charge offsets the expenses resulting from the Environmental Protection Agency's adopted National Primary Drinking Water Regulations for water testing and maintain standards under the surface water treatment rule.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
3. Any service to a residential customer who requires a larger meter and service line because of fire flow requirement to a residential fire sprinkler system will be billed at the rate for "1-inch meter and 1-1/2-inch meter with residential fire sprinkler systems" and the quantity rate based on the quantity of water used. Determination of eligibility for this tariff condition will be determined by the utility at customer's request.
4. The Utility undertakes to supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system. Section 774 of the Public Utilities Code limits the liability of the Utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. This limit of liability includes but is not limited to the construction and repair of fire protection facilities. Acceptance of service under this tariff is acknowledgement of notice of the provisions of Section 774 of the Public Utilities Code.

**APPENDIX B**  
**Schedule No. 1A**  
**GENERAL METERED SERVICE**  
**Escalation Year 2007**

**APPLICABILITY**

Applicable to all metered water service.

**TERRITORY**

City of Salinas in Monterey County

**RATES**

|  | <u>Per Meter</u> |     |
|--|------------------|-----|
|  | <u>Per Month</u> |     |
| <u>Quantity Rates:</u>   |                  |     |
| All Water, per 100 cu. ft.....   | \$ 1,5994        | (I) |
| <u>Service Charge:</u>   |                  |     |
| For 5/8x3/4 -inch meter .....  | \$ 15.24         | (I) |
| For 3/4 -inch meter .....  | 15.24            |     |
| For 1 -inch meter and 1-1/2 -inch meter with residential fire sprinklers ..... | 22.85            |     |
| For 1 -inch meter .....  | 38.09            |     |
| For 1-1/2 -inch meter .....  | 76.18            |     |
| For 2 -inch meter .....  | 121.88           |     |
| For 3 -inch meter .....  | 228.53           |     |
| For 4 -inch meter .....  | 380.88           |     |
| For 6 -inch meter .....  | 761.77           |     |
| For 8 -inch meter .....  | 1,218.83         |     |
| For 10 -inch meter .....   | 1,752.06         | (I) |

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 month.

**SPECIAL CONDITIONS:**

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. Any service to a residential customer who requires a larger meter and service line because of fire flow requirement to a residential fire sprinkler system will be billed at the rate for "1-inch meter and 1-1/2-inch meter with residential fire sprinkler systems" and the quantity rate based on the quantity of water used. Determination of eligibility for this tariff condition will be determined by the utility at customer's request.
3. The Utility undertakes to supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system. Section 774 of the Public Utilities Code limits the liability of the Utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. This limit of liability includes but is not limited to the construction and repair of fire protection facilities. Acceptance of service under this tariff is acknowledgement of notice of the provisions of Section 774 of the Public Utilities Code.

**APPENDIX B**  
**Schedule No. 1B**  
**GENERAL METERED SERVICE**

**APPLICABILITY**

Applicable to all metered water service.

**TERRITORY**

Buena Vista and San Jerardo Water Systems in Monterey County

**RATES**

|  | <u>Per Meter</u><br><u>Per Month</u> |
|--|--------------------------------------|
| <u>Quantity Rates:</u>   |                                      |
| All Water, per 100 cu. ft.....   | \$ 1.1338                            |
| <u>Service Charge:</u>   |                                      |
| For 5/8x3/4 -inch meter .....  | \$ 7.22                              |
| For 3/4 -inch meter .....  | 7.22                                 |
| For 1 -inch meter and 1-1/2 -inch meter with residential fire sprinklers ..... | 10.83                                |
| For 1 -inch meter .....  | 16.81                                |
| For 1-1/2 -inch meter .....  | 32.86                                |
| For 2 -inch meter .....  | 53.00                                |
| For 3 -inch meter .....  | 97.34                                |
| For 4 -inch meter .....  | 159.56                               |
| For 6 -inch meter .....  | 326.12                               |
| For 8 -inch meter .....  | 484.80                               |
| For 10 -inch meter .....   | 681.60                               |

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 month.

**SPECIAL CONDITIONS:**

1. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge of \$2.36 per customer per month over a period of four months since the effective date of Advice Letter No. 101 or September 13, 2005. This charge offsets the expenses resulting from the Environmental Protection Agency's adopted National Primary Drinking Water Regulations for water testing and maintain standards under the surface water treatment rule.
2. Any service to a residential customer who requires a larger meter and service line because of fire flow requirement to a residential fire sprinkler system will be billed at the rate for "1-inch meter and 1-1/2-inch meter with residential fire sprinkler systems" and the quantity rate based on the quantity of water used. Determination of eligibility for this tariff condition will be determined by the utility at customer's request.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

**APPENDIX B**  
**ALISAL WATERCORPORATION**  
**SALINAS CITY DIVISION**  
TEST YEAR - 2006  
**Schedule No. 4**

**PRIVATE FIRE PROTECTION SERVICE**

**APPLICABILITY**

Applicable to all water service furnished for privately owned fire protection systems.

**TERRITORY**

City of Salinas and Vicinity, Salinas, Monterey County

**RATE**

For each inch of diameter of service connection. .... \$ 5.36 (I)

**SPECIAL CONDITIONS:**

- 1. For water delivered for other than fire protection purposes, charges shall be made under Schedule No. 1, General Metered Service. (N)
- 2. A late charge will be imposed per Schedule No. LC. (N)
- 3. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (L)
- 4. The Utility undertakes to supply only such water at such pressure as may be available from time to time as a result of normal operation of Utility's system. Section 774 of the Public Utilities Code limits the liability of the Utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. This limit of liability includes but is not limited to the construction and repair of fire protection facilities. Acceptance of service under this tariff is acknowledgement of notice of the provisions of Section 774 of the Public Utilities Code. (L)
- 5. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by underwriters having jurisdiction, are installed according to specifications of the Utility and are maintained to the satisfaction of the Utility. The Utility may require the installation of a detector check valve with meter for protection against theft, leakage or waste of water and these costs will be paid by the applicant. These costs shall not be subject to refund. (N)
- 6. Maintenance will be the responsibility of the customer of record at his cost. (L)(T)
- 7. The facilities for service to a privately owned fire protection system will be installed by the Utility and the cost paid by the applicant. These costs shall not be subject to refund. (L)(T)
- 8. If a distribution main of adequate size to serve a private fire protection system, in addition to all other normal service, does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the Utility and the cost paid by the applicant. These costs shall not be subject to refund. (L)(T)
- 9. The maximum diameter for fire protection service shall not be more than the diameter of the main to which the service is connected. (L)
- 10. Relocation of any private fire protection system shall be at the expense of the party requesting relocation. (L)

**APPENDIX B**  
**ALISAL WATER CORPORATION**  
**SALINAS CITY DIVISION**  
 Test Year 2006  
**SCHEDULE NO. 6**

**PUBLIC FIRE HYDRANT SERVICE**

**APPLICABILITY**

Applicable to all water service furnished for privately owned hydrants.

**TERRITORY**

City of Salinas and Vicinity, Salinas, Monterey County.

**RATE**

Per Hydrant, Per Month

|                    |          |     |
|--------------------|----------|-----|
| Metropolitan       |          |     |
| Double Outlet..... | \$ 10.03 | (I) |

**SPECIAL CONDITIONS:**

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates under Schedule No. 1, General Metered Service.
2. A late charge will be imposed per Schedule No. LC. (N)
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (N)
4. The Utility undertakes to supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system. Section 774 of the Public Utilities Code limits the liability of the Utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. This limit of liability includes but is not limited to the construction and repair of fire protection facilities. Acceptance of service under this tariff is acknowledgement of notice of the provisions of Section 774 of the Public Utilities Code. (L)(T)
5. Service hereunder is for privately owned fire hydrants to which no connections for other than fire protection purposes are allowed and which are regularly inspected by underwriters having jurisdiction, are installed according to specifications of the Utility and are maintained to the satisfaction of the Utility. The Utility may require the installation of a detector check valve with meter for protection against theft, leakage or waste of water and these costs will be paid by the applicant. These costs shall not be subject to refund. (N)
6. Maintenance will be the responsibility of the customer of record at his cost. (L)(T)
7. The facilities for service to a privately owned fire hydrant will be installed by the Utility and the cost paid by the applicant. These costs shall not be subject to refund. (N)
8. If a distribution main of adequate size to serve a privately owned fire hydrant, in addition to all other normal service, does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the Utility and the cost paid by the applicant. These costs shall not be subject to refund. (N)
9. Relocation of any hydrant shall be done by the Utility and the cost paid by the party requesting (L)(T)

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relocation. These costs shall not be subject to refund.

(L)(T)

**ALISAL WATER CORPORATION  
SALINAS CITY DIVISION  
Escalation Year 2007  
Schedule No. 4**

**Private Fire Protection Service**

**APPLICABILITY**

Applicable to all water service furnished for privately owned fire protection systems.

**TERRITORY**

City of Salinas and Vicinity, Salinas, Monterey County

**RATE**

For each inch of diameter of service connection. .... \$ 5.93 (I)

**SPECIAL CONDITIONS:**

1. For water delivered for other than fire protection purposes, charges shall be made under Schedule No. 1, General Metered Service.
2. A late charge will be imposed per Schedule No. LC.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
4. The Utility undertakes to supply only such water at such pressure as may be available from time to time as a result of normal operation of Utility's system. Section 774 of the Public Utilities Code limits the liability of the Utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. This limit of liability includes but is not limited to the construction and repair of fire protection facilities. Acceptance of service under this tariff is acknowledgement of notice of the provisions of Section 774 of the Public Utilities Code.
5. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by underwriters having jurisdiction, are installed according to specifications of the Utility and are maintained to the satisfaction of the Utility. The Utility may require the installation of a detector check valve with meter for protection against theft, leakage or waste of water and these costs will be paid by the applicant. These costs shall not be subject to refund.
6. Maintenance will be the responsibility of the customer of record at his cost.
7. The facilities for service to a privately owned fire protection system will be installed by the Utility and the cost paid by the applicant. These costs shall not be subject to refund.
8. If a distribution main of adequate size to serve a private fire protection system, in addition to all other normal service, does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the Utility and the cost paid by the applicant. These costs shall not be subject to refund.
9. The maximum diameter for fire protection service shall not be more than the diameter of the main to which the service is connected.
10. Relocation of any private fire protection system shall be at the expense of the party requesting relocation.

**APPENDIX B**  
**ALISAL WATER CORPORATION**  
**SALINAS CITY DIVISION**  
**Escalation Year 2007**  
**SCHEDULE NO. 6**

**PUBLIC FIRE HYDRANT SERVICE**

**APPLICABILITY**

Applicable to all water service furnished for privately owned hydrants.

**TERRITORY**

City of Salinas and Vicinity, Salinas, Monterey County.

**RATE**

Per Hydrant, Per Month

Metropolitan

Double Outlet ..... \$ 11.09

(I)

**SPECIAL CONDITIONS:**

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates under Schedule No. 1, General Metered Service.
2. A late charge will be imposed per Schedule No. LC.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
4. The Utility undertakes to supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system. Section 774 of the Public Utilities Code limits the liability of the Utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. This limit of liability includes but is not limited to the construction and repair of fire protection facilities. Acceptance of service under this tariff is acknowledgement of notice of the provisions of Section 774 of the Public Utilities Code.
5. Service hereunder is for privately owned fire hydrants to which no connections for other than fire protection purposes are allowed and which are regularly inspected by underwriters having jurisdiction, are installed according to specifications of the Utility and are maintained to the satisfaction of the Utility. The Utility may require the installation of a detector check valve with meter for protection against theft, leakage or waste of water and these costs will be paid by the applicant. These costs shall not be subject to refund.
6. Maintenance will be the responsibility of the customer of record at his cost.
7. The facilities for service to a privately owned fire hydrant will be installed by the Utility and the cost paid by the applicant. These costs shall not be subject to refund.
8. If a distribution main of adequate size to serve a privately owned fire hydrant, in addition to all other normal service, does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the Utility and the cost paid by the applicant. These costs shall not be subject to refund.
9. Relocation of any hydrant shall be done by the Utility and the cost paid by the party requesting relocation. These costs shall not be subject to refund.

**APPENDIX C**

**Alco Water Service - Salinas District**

**COMPARISON OF RATES**  
 Escalation Year 2007

| <u>METERED SERVICE</u>           | <u>Per Meter per Month</u> |                     | Percent Increase |
|----------------------------------|----------------------------|---------------------|------------------|
|                                  | 2006 Test Year Rates       | 2007 Proposed Rates |                  |
| 5/8" X 3/4"                      | \$14.14                    | \$15.24             | 7.73%            |
| 3/4"                             | \$14.14                    | \$15.24             | 7.73%            |
| 1" & 1 1/2" with F/S             | \$21.21                    | \$22.85             | 7.73%            |
| 1"                               | \$35.36                    | \$38.09             | 7.73%            |
| 1-1/2"                           | \$70.71                    | \$76.18             | 7.73%            |
| 2"                               | \$113.14                   | \$121.88            | 7.73%            |
| 3"                               | \$212.13                   | \$228.53            | 7.73%            |
| 4"                               | \$353.56                   | \$380.88            | 7.73%            |
| 6"                               | \$707.11                   | \$761.77            | 7.73%            |
| 8"                               | \$1,131.38                 | \$1,218.83          | 7.73%            |
| 10"                              | \$1,626.36                 | \$1,752.06          | 7.73%            |
| Fire Protection Revenue per inch | \$5.36                     | \$5.93              | 10.56%           |
| Private Fire Hydrant Revenue     | \$10.03                    | \$11.09             | 10.58%           |
| Quantity Rates                   | \$1.45                     | \$1.60              | 10.26%           |

Comparison of a monthly typical bill for residential metered customers with a 5/8x3/4 inch is shown below at current rates and recommended rates for escalation year 2007

| Usage<br>100 cu.ft | Present Bills  | Recommended Bills | Amount Increase | Percent Increase |
|--------------------|----------------|-------------------|-----------------|------------------|
|                    | 2006 Rates     | 2007 Rates        |                 |                  |
| 0                  | \$14.14        | \$15.24           | \$1.09          | 7.73%            |
| 10                 | \$28.65        | \$31.23           | \$2.58          | 9.01%            |
| 15                 | \$35.90        | \$39.23           | \$3.32          | 9.26%            |
| <b>Avg</b> 20      | <b>\$43.15</b> | <b>\$47.22</b>    | <b>\$4.07</b>   | <b>9.43%</b>     |
| 30                 | \$57.66        | \$63.22           | \$5.56          | 9.64%            |

**APPENDIX C**

**Alco Water Service - Salinas District**

COMPARISON OF RATES

| <u>METERED SERVICE</u>                      | <u>Per Meter per Month</u> |                            |                                  |
|---|----------------------------|----------------------------|----------------------------------|
|   | 2005<br>Present<br>Rates   | 2006<br>Test Year<br>Rates | 2007<br>Escalation<br>Year Rates |
| 5/8" X 3/4"                                 | \$ 7.22                    | \$ 14.14                   | \$ 15.24                         |
| 3/4"  | \$ 10.73                   | \$ 14.14                   | \$ 15.24                         |
| 1" & 1 1/2" with F/S                        | \$ 32.86                   | \$ 21.21                   | \$ 22.85                         |
| 1"  | \$ 16.81                   | \$ 35.36                   | \$ 38.09                         |
| 1-1/2"                                      | \$ 32.86                   | \$ 70.71                   | \$ 76.18                         |
| 2"  | \$ 53.00                   | \$ 113.14                  | \$ 121.88                        |
| 3"  | \$ 97.34                   | \$ 212.13                  | \$ 228.53                        |
| 4"  | \$ 159.56                  | \$ 353.56                  | \$ 380.88                        |
| 6"  | \$ 326.12                  | \$ 707.11                  | \$ 761.77                        |
| 8"  | \$ 484.80                  | \$ 1,131.38                | \$ 1,218.83                      |
| 10"   | \$ 681.60                  | \$ 1,626.36                | \$ 1,752.06                      |
| Fire Protection Revenue per inch of service | \$ 3.19                    | \$ 5.36                    | \$ 5.93                          |
| Private Fire Hydrant Revenue                | \$ 5.97                    | \$ 10.03                   | \$ 11.09                         |
| Quantity Rates                              | \$ 1.13                    | \$ 1.45                    | \$ 1.60                          |

**APPENDIX – D**

ADOPTED QUANTITIES  
 ALCO WATER COMPANY – SALINAS DISTRICT  
 WATER DIVISION  
**ADOPTED QUANTITIES**

| Expenses            | Test Year 2005 | Escalation Year 2006 | Escalation Year 2007 |
|---------------------|----------------|----------------------|----------------------|
| 1. Purchase Power   |                |                      |                      |
| Schedule – A1       |                |                      |                      |
| KWh's               | 47,426         | 48,004               | 49,015               |
| Cost                | \$7,286        | \$7,374              | \$7,529              |
| \$/kWh              | \$0.154/kWh    | \$0.154/kWh          | \$0.154/kWh          |
| Schedule – A6       |                |                      |                      |
| KWh's               | 11,856         | 12,000               | 12,253               |
| Cost                | \$1,619        | \$1,639              | \$1,673              |
| \$/kWh              | \$0.137/kWh    | \$0.137/kWh          | \$0.137/kWh          |
| Schedule – A10      |                |                      |                      |
| KWh's               | 733,828        | 742,767              | 758,411              |
| Cost                | \$118,735      | \$120,181            | \$122,713            |
| \$/kWh              | \$0.162/kWh    | \$0.162/kWh          | \$0.162/kWh          |
| Schedule – E19S     |                |                      |                      |
| KWh's               | 2,411,382      | 2,440,747            | 2,492,163            |
| Cost                | \$299,254      | \$302,899            | \$309,279            |
| \$/kWh              | \$0.124/kWh    | \$0.124/kWh          | \$0.124/kWh          |
| Total               |                |                      |                      |
| KWh's               | 3,204,492      | 3,243,528            | 3,311,842            |
| Cost                | \$426,894      | \$432,094            | \$441,194            |
| \$/kWh              | \$0.1332/kWh   | \$0.1332/kWh         | \$0.1332/kWh         |
| Purchased Water     | None           | None                 | None                 |
| Franchise Tax Rate  | 3.75%          | 3.75%                | 3.75%                |
| Service Connections | 8,298          | 8,399                | 8,574                |
| Water Sales (CCF)   | 2,171,062      | 2,190,026            | 2,221,502            |

**APPENDIX – E**  
**CONSTRUCTION WORK IN PROGRESS**

| No. | Type of Additions    | Budget Year | Estimated Cost     |
|-----|----------------------|-------------|--------------------|
| 1   | Two Wells            | 2005        | \$370,000          |
| 2   | Two pump houses      | 2005        | \$28,000           |
| 3   | Tie-in-Piping        | 2005        | \$20,000           |
| 4   | Monte Bella Main     | 2005        | \$372,619          |
| 5   | 200 1 ½" meters(new) | 2005        | \$52,000           |
| 6   | Meter replacement    | 2005        | \$258,250          |
| 7   | Security Ltgs/cam    | 2005        | \$28,641           |
| 8   | Misc. Plt's          | 2005        | \$50,000           |
|     | Work completed       | 2005        | \$407,555          |
|     | Total for            | 2005        | <b>\$1,587,065</b> |
| 9   | Well                 | 2006        | \$185,000          |
| 10  | Pump House           | 2006        | \$14,000           |
| 11  | Tie-in Piping        | 2006        | \$10,000           |
| 12  | 14,079'of25"pipe     | 2006        | \$1,619,085        |
| 13  | 5 MG-Tank            | 2006        | \$2,075,000        |
| 14  | Tank Site            | 2006        | \$500,000          |
| 15  | Monte Bella Main     | 2006        | \$900,000          |
| 16  | Rancho Amistoso      | 2006        | \$26,871           |
| 17  | 200 1 ½" meters(new) | 2006        | \$52,000           |
| 18  | Meter replacement    | 2006        | \$258,250          |
| 19  | Security Ltgs/cam    | 2006        | \$28,641           |
| 20  | Security Fences      | 2006        | \$50,000           |
| 21  | Misc. Plt's          | 2006        | \$50,000           |
|     | Total for            | 2006        | <b>\$5,768,847</b> |
| 22  | 2,750'of8"pipe       | 2007        | \$189,100          |
| 23  | 2,281' of 8" pipe    | 2007        | \$156,800          |
| 24  | 150 1 ½" meters(new) | 2007        | \$39,000           |
| 25  | Meter replacement    | 2007        | \$258,250          |
| 26  | Security Ltgs/cam    | 2007        | \$31,577           |
| 27  | Backflow 2,494Mtrs.  | 2007        | \$224,460          |
| 28  | Backflow 2,007Mtrs.  | 2007        | \$199,144          |
| 28  | Misc. Plt's          | 2007        | \$50,000           |
|     | Total for            | 2007        | <b>\$1,148,331</b> |