

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



December 22, 2009

File No.: 602-19

TO: All Interested Parties

Enclosed is draft Resolution W-4822 of the Division of Water and Audits. It will be on the Commission's January 21, 2010 agenda. The Commission may then act on this Resolution or it may postpone action until later.

When the Commission acts on the draft resolution, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare a different resolution. Only when the Commission acts does the resolution become binding on the parties.

Parties to this matter may file comments on this draft resolution. An original and 2 copies of the comments, with a certificate of service, should be submitted to:

Division of Water and Audits, Third Floor  
Attention: Michael Miller  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Parties may submit comments on or before January 11, 2010. The date of submission is the date the comments are received by the Division of Water and Audits. Parties must serve a copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft resolution, a table of authorities and appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the draft resolution, and shall make specific reference to the record or applicable law. Comments which fail to do so will be accorded no weight and are not to be submitted.

Persons interested in comments of parties may write to Michael Miller or telephone him at (415) 703-355-5584.

/s/ RAMI KAHN

Rami Kahlon, Director  
Division of Water and Audits

Enclosures: Draft Resolution W-4822  
Certificate of Service  
Service List

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION NO. W-4822  
January 21, 2010

### R E S O L U T I O N

**(RES. W-4822), DEL ORO WATER COMPANY, INC. (DOWC), PINE  
FLAT DISTRICT. ORDER AUTHORIZING A GENERAL RATE  
INCREASE (GRC), PRODUCING ADDITIONAL ANNUAL REVENUE  
OF \$26,486 OR 28.2% FOR TEST YEAR (TY) 2009.**

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### SUMMARY

By Draft Advice Letter, filed on June 9, 2009, DOWC seeks to increase its rates for water service in its Pine Flat District (Pine Flat) to recover increased operating expenses and earn an adequate return on its plant investment. The Division of Water and Audits (Division) accepted this draft advice letter as complete for filing on July 8, 2009.

For TY 2009, this resolution grants an increase in gross annual revenues of \$26,486 or 28.2% which is estimated to provide a rate of return of 12.75%.

### BACKGROUND

DOWC, a multi-district Class B water utility, has requested authority under General Order 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 water rates in its Pine Flat District by \$31,545 or 33.64% for TY 2009. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. DOWC's request shows 2009 gross revenues of \$93,759 at present rates, increasing to \$125,304 at proposed rates. DOWC is requesting a rate of return of 12.75%.

The present rates were established on June 11, 2009, pursuant to Advice Letter No. 233, which authorized an interim rate increase of \$97 or 0.10%, subject to refund or increase to the rates established in this GRC. The last GRC for Pine Flat was granted on August 25, 2005, pursuant to Res. W-4558, which granted an increase in revenues of \$35,715 or 136%.

DOWC serves approximately 196 metered residential customers in Pine Flat, located approximately two miles southeast of California Hot Springs, Tulare County. DOWC acquired Pine Flat and the adjacent Pine Mountain Districts on October 1, 2004. Historically, the Pine Flat system has received some of the water it needed from the

adjacent Pine Mountain system and this arrangement continues under DOWC's ownership.

The Pine Flat system was under a Department of Public Health (DPH) compliance order when acquired by DOWC. Under Decision (D.) 99-10-064, also known as the Acquisitions and Mergers Decision, water utilities acquiring systems which are under DPH orders for improvements can be granted acquisition incentives for seven years. In the last GRC, DOWC was allowed a Class D rate of return on rate base for Pine Flat in accordance with the Acquisitions and Mergers Decision.

On January 27, 2005, D.05-01-047 (loan decision), granted DOWC authority to borrow up to \$500,000 for improvements to the Pine Flat and the adjacent Pine Mountain District water systems.

### **NOTICE AND PROTEST**

A notice of the proposed rate increase was mailed to each customer on July 22, 2009. The Division received one protest letter after the protest period.

An informal public meeting was held on Tuesday, August 25, 2009, at 6:30 PM at the Mountaintop Community Church located in California Hot Springs, CA. Sixteen people attended the meeting. Peter Liu, the Project Manager, opened the meeting and introduced Michael Miller, staff engineer, who explained the Commission procedures, as well as the purpose of the meeting. Susan Howard, Director of Community Relations for DOWC, gave a presentation to explain the need for the rate increase with details of how expenses are allocated among districts. DOWC's Senior Vice President, Paul Matulich, and Director of Corporate Accounting, Janice Hanna, were also present to help answer questions. The rest of the meeting consisted of comments and questions by the customers. The customers' concerns included the uranium contamination, other water quality issues, reliability of the system during peak periods, and the size and frequency of rate increases.

### **DISCUSSION**

The Division made an independent analysis of DOWC's Pine Flat operations. Appendix A shows DOWC's and the Division's estimated summary of earnings at present, proposed, and recommended rates for TY 2009. DOWC is in agreement with the Division's recommended revenue requirement and the rates shown in Appendix B.

The Division staff reviewed Pine Flat's direct operating expenses, operating expenses allocated between Pine Flat and three other nearby districts, and DOWC's general office allocation. The Division accepted DOWC's allocation methodology for expenses.

The Division's estimate of Pine Flat's district direct operating expenses, excluding purchased power and the salary of the field technician, is based on data years 2006-2008. Division escalated and averaged using factors from the June 30, 2009 escalation memo from the Division of Ratepayer Advocates. DOWC is now in agreement with the Division's escalation factors.

For purchased power the Division determined annual usage and applied the Southern California Edison Company's rates that became effective September 30, 2009. For the field technician the Division compared DOWC's request to current salaries for similar positions in the two counties in which that field technician works and found the request reasonable. Division determined that DOWC's request included costs in the general expense account that had been or are being recovered through balancing account treatment. These costs are not included in Division's estimate.

Division examined DOWC's rate base calculation. No new plant has been included since the rate base offset authorized by Res. W-4638, April 12, 2007. Division changed the depreciation expense to 2.5% to conform to Standard Practice U-3-SM, Preparing Results of Operating Reports for General Rate Increase Requests of Water Utilities Other Than Major Companies.

DOWC requested a 12.75% rate of return on rate base. As documented in the last GRC and in accordance with the Acquisition and Mergers Decision, DOWC received acquisition incentives for Pine Flat. These incentives include Class D treatment for rate of return and do not expire until September 30, 2011. Division has based its recommendation on a 12.75% rate of return, since this is within the recommended range for Class D utilities for TY 2009. Division recommends that DOWC be required to file a Tier 1 advice letter effective October 1, 2011 to reduce the Pine Flat rate of return to the rate then authorized DOWC as a Class B utility.

Pine Flat's rate structure consists of one schedule: PF-1A, General Metered Service. The rates proposed by the Division are shown in Appendix B. At the recommended rates the increase in revenue will be \$26,486 or 28.2% for test year 2009.

At the Division's recommended rates shown in Appendix B, a 5/8 x 3/4-inch meter residential customer's bill using 5 Ccf (One Ccf is equal to 100 cubic feet) will increase from \$40.47 to \$51.91 a 28.3% increase. A comparison of customer bills at present and

recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

Division is concerned that DOWC does not have an active mains replacement program for the Pine Flat system. A 1997 general rate case resolution documented that the mains were then in excess of 70 years old and no replacement of mains have been reported

since, with the exception of the intertie project currently underway. Pine Flat's instant GRC filing reports unaccounted for water to be in excess of 40% and customers complain of unscheduled service interruptions for repairs. While the construction budget discussed in the loan decision for Pine Flat indicated that the intertie between the Pine Flat and Pine Mountain systems was to be replaced in 2005 and then a mains replacement program would begin in 2006, the authorized \$500,000 loan amount was only enough to fund the 2005 projects. Moreover, because of the uncertainty about the need for a treatment plant at the new well (a 2005 project), DOWC is only now undertaking the intertie project. Without a definite and sustainable plan future, uncertainties may further delay mains replacement. Division therefore recommends that DOWC be ordered to submit a mains replacement program with the Division each year before April 1, until the next GRC.

Consolidation of Pine Flat with the neighboring Pine Mountain District for rate-making purposes has not been proposed before the Commission. DPH now treats them as one system for its purposes. The Commission has granted DOWC certain acquisition incentives for Pine Flat District and not for Pine Mountain, but these are set to expire in September of 2011. Consolidation was raised by the customers at the informal public meeting for the 2005 GRC and the Pine Mountain customers who spoke opposed the idea on the grounds that they did not want to subsidize repairs to the older Pine Flat system. However, it is now known that the historic Pine Mountain sources are contaminated and will require a treatment plant. Per Res. W-4814, dated December 17, 2009, DOWC is ordered to propose consolidation in the next general case involving either or both district(s).

### **COMPLIANCE**

The utility has been filing annual reports as required.

DPH issued Compliance Order No. 03-12-09O-007 on September 16, 2009 to DOWC for the Pine Flat system. The order sets a timetable to bring the system into compliance with the uranium maximum contaminant level. DPH reports that DOWC is following the timetable.

**COMMENTS**

Public Utilities Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, this draft Resolution was mailed to the utility and protestants and made available for public comment on December 22, 2009.

**FINDINGS**

1. The Division used escalation factors from the June 30, 2009 escalation memo from the Division of Ratepayer Advocates.
2. The Division used the Southern California Edison Company's power rates that became effective September 30, 2009.
3. The Division excluded costs booked to the general expense account.
4. The Division applied a 2.5% depreciation expense rate.
5. Except as described in the preceding findings, we find the company's estimates to be reasonable.
6. DOWC is authorized a 12.75% rate of return for Pine Flat as a continuation of the acquisition incentive allowed by Decision 97-10-048.
7. DOWC's acquisition incentives expire September 30, 2011.
8. DOWC should be ordered to file a tier 1 advice letter effective October 1, 2011 to reduce the Pine Flat rate of return to the rate then authorized DOWC as a Class B utility.
9. DOWC should be ordered to file a mains replacement program with the Division each year before April 1, until the next GRC.
10. The present rates were established on June 11, 2009, pursuant to Advice Letter No. 233, which authorized an interim rate increase of \$97 or 0.10%, subject to refund or increase to the rates established in this GRC.
11. The Division's recommended summary of earnings (Appendix A) are reasonable and should be adopted.
12. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
13. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
14. DOWC was ordered in the Pine Mountain GRC, Resolution W-4814 to propose consolidation of the Pine Flat and Pine Mountain Districts in the next general rate proceeding involving either or both district(s).

**THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 to Del Oro 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 Schedule PF-1A,

General Metered Service, Pine Flat District. The effective date of the revised schedule shall be five days after the date of filing.

2. The quantities (Appendix D) used to develop the Division's recommendations are adopted.
3. Del Oro Water Company shall file a Tier 1 advice letter with an effective date of October 1, 2011 to change the rate of return in the Pine Flat District to the rate then authorized to Del Oro Water Company as a Class B utility.
4. Del Oro Water Company shall file a mains replacement program with the Division each year before April 1, until the next general rate case.
5. Del Oro Water Company is authorized to file an advice letter within 60 days from the effective date of this resolution to collect over a twelve-month period the under-collected revenues from the interim rate date to the effective date of 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 January 21, 2010; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director



**Appendix A**  
**Del Oro Water Company**  
**Pine Flat District**  
**SUMMARY OF EARNINGS**

| Item                               | Test Year 2009        |                           | Branch Interim | Recommended Rates                |                   |
|------------------------------------|-----------------------|---------------------------|----------------|----------------------------------|-------------------|
|                                    | Utility Present Rates | Estimated Requested Rates |                | Branch Estimated Requested Rates | Recommended Rates |
| <b><u>OPERATING REVENUES</u></b>   |                       |                           |                |                                  |                   |
| Flat Rates                         | \$0                   | \$0                       | \$0            | \$0                              | \$0               |
| Metered Rates                      | \$93,759              | \$125,304                 | \$93,856       | \$125,304                        | \$120,342         |
| Total Revenue                      | \$93,759              | \$125,304                 | \$93,856       | \$125,304                        | \$120,342         |
| <b><u>OPERATING EXPENSES</u></b>   |                       |                           |                |                                  |                   |
| Purchased Water                    | \$12,923              | \$12,923                  | \$12,923       | \$12,923                         | \$12,923          |
| Purchased Power                    | \$3,613               | \$3,613                   | \$3,786        | \$3,786                          | \$3,786           |
| Other Volume Related Expenses      | \$436                 | \$436                     | \$436          | \$436                            | \$436             |
| Employee Labor                     | \$14,545              | \$14,545                  | \$14,545       | \$14,545                         | \$14,545          |
| Materials                          | \$2,281               | \$2,281                   | \$2,206        | \$2,206                          | \$2,206           |
| Contract Work (Excl Water Testing) | \$0                   | \$0                       | \$693          | \$693                            | \$693             |
| Water Testing                      | \$1,248               | \$1,248                   | \$505          | \$505                            | \$505             |
| Transportation                     | \$9,254               | \$9,254                   | \$8,932        | \$8,932                          | \$8,932           |
| Other Plant Maintenance            | \$0                   | \$0                       | \$0            | \$0                              | \$0               |
| Office Salaries                    | \$12,534              | \$12,534                  | \$12,534       | \$12,534                         | \$12,534          |
| Management Salaries                | \$3,185               | \$3,185                   | \$3,185        | \$3,185                          | \$3,185           |
| Employee Benefits                  | \$3,521               | \$3,521                   | \$3,521        | \$3,521                          | \$3,521           |
| Uncollectibles                     | \$838                 | \$838                     | \$801          | \$801                            | \$801             |
| Office Services & Rental           | \$2,380               | \$2,380                   | \$2,380        | \$2,380                          | \$2,380           |
| Office Supplies and Exp            | \$5,567               | \$5,567                   | \$5,500        | \$5,500                          | \$5,500           |
| Professional Services              | \$535                 | \$535                     | \$535          | \$535                            | \$535             |
| Insurance                          | \$1,932               | \$1,932                   | \$1,932        | \$1,932                          | \$1,932           |
| Regulatory Comm. Exp               | \$333                 | \$333                     | \$333          | \$333                            | \$333             |
| General Expenses                   | \$3,049               | \$3,049                   | \$0            | \$0                              | \$0               |
| Subtotal                           | \$78,174              | \$78,174                  | \$74,747       | \$74,747                         | \$74,747          |
| Depreciation Expense               | \$7,078               | \$7,078                   | \$5,779        | \$5,779                          | \$5,779           |
| Taxes other than income            | \$2,459               | \$2,459                   | \$2,459        | \$2,459                          | \$2,459           |
| State Income Tax                   | \$800                 | \$3,496                   | \$1,011        | \$3,936                          | \$3,302           |
| Federal Income Tax                 | \$787                 | \$5,114                   | \$1,479        | \$5,757                          | \$5,108           |
| <b><u>Total Deductions</u></b>     | \$89,298              | \$96,322                  | \$85,476       | \$92,679                         | \$91,396          |
| <b><u>NET REVENUE</u></b>          | \$4,461               | \$28,982                  | \$8,380        | \$32,625                         | \$28,946          |
| <b><u>RATE BASE</u></b>            |                       |                           |                |                                  |                   |
| Average Plant                      | \$242,488             | \$242,488                 | \$242,488      | \$242,488                        | \$242,488         |
| Average Depreciation Reserve       | \$21,690              | \$21,690                  | \$21,690       | \$21,690                         | \$21,690          |
| <b><u>Net Plant</u></b>            | \$220,798             | \$220,798                 | \$220,798      | \$220,798                        | \$220,798         |
| Plus Working Cash                  | \$6,515               | \$6,515                   | \$6,228        | \$6,228                          | \$6,228           |
| <b><u>Rate Base</u></b>            | \$227,313             | \$227,313                 | \$227,026      | \$227,026                        | \$227,026         |
| <b><u>RATE OF RETURN</u></b>       | 1.96%                 | 12.75%                    | 3.69%          | 14.37%                           | 12.75%            |
| <b>(END OF APPENDIX A)</b>         |                       |                           |                |                                  |                   |

**APPENDIX B**

**Del Oro Water Company**

**Schedule No. PF-1A**

**ANNUAL GENERAL METERED SERVICE**

**PINE FLAT DISTRICT**

**Test Year 2009**

**APPLICABILITY**

Applicable to all metered water service furnished to the Pine Flat District service area.

**TERRITORY**

The unincorporated community known as Pine Flat, and vicinity, located approximately two miles southeast of California Hot Springs, Tulare County.

**RATES**

Quantity Rates:

|                                |             |
|--------------------------------|-------------|
| For all water, per 100 cu. ft. | \$ 5.16 (I) |
|--------------------------------|-------------|

Service Charge:

|                          | Per Meter<br><u>Per Month</u> |
|--------------------------|-------------------------------|
| For 5/8 x 3/4-inch meter | \$ 26.11 (I)                  |
| For 3/4-inch meter       | \$ 39.16 (I)                  |
| For 1-inch meter         | \$ 65.27 (I)                  |
| For 1-1/2-inch meter     | \$ 130.54 (I)                 |
| For 2-inch meter         | \$ 208.86 (I)                 |
| For 3-inch meter         | \$ 391.61 (I)                 |
| For 4-inch meter         | \$ 652.68 (I)                 |
| For 6-inch meter         | \$ 1,305.35 (I)               |

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

**SPECIAL CONDITIONS**

1. The annual service charge applies 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, the resident may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year in accordance with the utilities established billing periods.

**APPENDIX B**

**Del Oro Water Company**

**Schedule No. PF-1A  
(continued)**

**ANNUAL GENERAL METRED SERVICE**

**PINE FLAT DISTRICT  
Test Year 2009**

**SPECIAL CONDITIONS** (continued)

2. The established billing cycle for water used is monthly.
3. The opening bill for meter service, except on conversion from flat rate service, shall be 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 the 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 customers.
4. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.
5. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
6. A late charge will be imposed per Schedule No. LC.
7. As authorized by the California Public Utilities Commission all bills are subject to a one-time Surcharge of \$17.46 billed at \$1.94 over nine billing cycles. This charge offsets the expenses resulting from the Environmental Protection Agency's adopted National Primary Drinking Water Regulations for water testing for the period January 1, 2008 through December 31, 2008. (D)

**(END OF APPENDIX B)**

**APPENDIX C**

**DEL ORO WATER COMPANY  
PINE FLAT DISTRICT**

**COMPARISON OF RATES  
TEST YEAR 2009**

**1. Metered Rates**

| <u>Tariff Description</u>  | <u>Tariff Rates</u> |                    | <u>Recommended Increase</u> |                   |
|----------------------------|---------------------|--------------------|-----------------------------|-------------------|
|                            | <u>Interim</u>      | <u>Recommended</u> | <u>Dollars</u>              | <u>Percentage</u> |
| Service Charge:            |                     |                    |                             |                   |
| 5/8 x 3/4 inch meter       | \$21.94             | \$26.11            | \$4.17                      | 19.0%             |
| 3/4-inch meter             | \$32.90             | \$39.16            | \$6.26                      | 19.0%             |
| 1-inch meter               | \$54.83             | \$65.27            | \$10.44                     | 19.0%             |
| 1-1/2 inch meter           | \$109.68            | \$130.54           | \$20.86                     | 19.0%             |
| 2-inch meter               | \$175.49            | \$208.86           | \$33.37                     | 19.0%             |
| 3-inch meter               | \$329.04            | \$391.61           | \$62.57                     | 19.0%             |
| 4-inch meter               | \$548.40            | \$652.68           | \$104.28                    | 19.0%             |
| 6-inch meter               | \$1,096.80          | \$1,305.36         | \$208.56                    | 19.0%             |
| Quantity Charge:           |                     |                    |                             |                   |
| All use per 100 cubic feet | \$3.706             | \$5.16             | \$1.45                      | 39.2%             |

A monthly bill comparison for a customer with a 5/8 x 3/4 meter is shown below:

| <u>Usage 100 cu. Ft.</u> | <u>Tariff Rates</u> |                    | <u>Recommended Increase</u> |                   |
|--------------------------|---------------------|--------------------|-----------------------------|-------------------|
|                          | <u>Interim</u>      | <u>Recommended</u> | <u>Dollars</u>              | <u>Percentage</u> |
| 0                        | \$21.94             | \$26.11            | \$4.17                      | 19.0%             |
| 5 (average usage)        | \$40.47             | \$51.91            | \$11.44                     | 28.3%             |
| 10                       | \$59.00             | \$77.71            | \$18.71                     | 31.7%             |
| 15                       | \$77.53             | \$103.51           | \$25.98                     | 33.5%             |
| 20                       | \$96.06             | \$129.31           | \$33.25                     | 34.6%             |
| 30                       | \$133.12            | \$180.92           | \$47.80                     | 35.9%             |

**(END OF APPENDIX C)**

**APPENDIX D**

**DEL ORO WATER COMPANY  
PINE FLAT DISTRICT  
ADOPTED QUANTITIES  
TEST YEAR 2009**

Expenses:

|                                |                                    |
|--------------------------------|------------------------------------|
| 1. Purchased power             |                                    |
| Vendor                         | Southern California Edison Company |
| Schedule                       | PA-1 Agricultural and Pumping      |
| Effective Date                 | September 30, 2009                 |
| URG Generation                 | 74.74%                             |
| DWR Generation                 | 25.26%                             |
| Energy Charge:                 |                                    |
| Delivery Rate                  | \$0.03120                          |
| URG Generation Rate            | \$0.11735                          |
| DWR Generation Rate            | \$0.06225                          |
| Customer Charge per Meter      | \$40.80                            |
| Service Charge per HP          | \$1.92                             |
| KWH Used                       | 15,586                             |
| Number of Meters               | 3                                  |
| Total Horsepower Billed        | 9.5                                |
| Total Cost                     | \$3,786                            |
| Composite Energy Cost (\$/KWH) | \$0.24291                          |

|                      |       |
|----------------------|-------|
| 2. DPH Testing Costs | \$505 |
|----------------------|-------|

3. Number of Service Connections:

|                       |     |
|-----------------------|-----|
| 5/8 x 3/4 inch        | 195 |
| 3/4 inch              | 0   |
| 1 inch                | 1   |
| 1 1/2 inch and larger | 0   |

4. Adopted tax calculation:

| Line No. | Item                         | State Tax | Federal Tax |
|----------|------------------------------|-----------|-------------|
| 1.       | Operating Revenue            | \$120,342 | \$120,342   |
| 2.       | O & M Expenses               | \$74,747  | \$74,747    |
| 3.       | Taxes Other Than Income      | \$2,459   | \$2,459     |
| 4.       | Depreciation                 | \$5,779   | \$5,779     |
| 5.       | Taxable Income for State Tax | \$37,356  |             |
| 6.       | State Tax                    | \$3,302   |             |
| 7.       | Taxable Income for FIT       |           | \$34,054    |
| 8.       | Federal Income               |           | \$5,108     |
| 9.       | Total Income Tax             |           | \$8,410     |

California Corporate Franchise Rate 8.84%

Federal Income Tax Rate - Only Lowest Tier Applies 15%

5. Expiration of Acquisition Incentives: September 30, 2011

**(END OF APPENDIX D)**

## CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of draft Resolution W-4822 on all parties in these filings or their attorneys as shown on the attached list.

Dated December 22, 2009, at San Francisco, California.

\_\_\_\_\_/s/Josie L. Jones  
JOSIE L. JONES

Parties should notify the Division of Water and Audits, Public Utilities Commission, 505 Van Ness Avenue, Room 3106, San Francisco, CA 94102, of any change address to insure that they continue to receive documents. You must indicate the Resolution number of the service list on which your name appears.

**SERVICE LIST FOR  
DRAFT RESOLUTION W-4822**

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