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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4874
April 14, 2011

R E S O L U T I O N

**(RES. W-4874), GARRAPATA WATER COMPANY, INC.
(GARRAPATA). ORDER AUTHORIZING A GENERAL RATE
INCREASE, PRODUCING ADDITIONAL ANNUAL REVENUE OF
\$31,107 OR 72.56% FOR TEST YEAR (TY) 2010.**

SUMMARY

By Advice Letter (AL) 23, filed on August 23, 2010, Garrapata seeks to increase its rates for water service to recover increased operating expenses and provide an adequate return on its plant investment.

For TY 2010, this resolution grants an increase in gross annual revenues of \$31,107 or 72.56%, which is estimated to provide a rate of return on margin of 23.03%.

BACKGROUND

Garrapata, a Class D water utility, has requested authority under Rule 7.6.2 of General Order 96-B (GO 96-B), and Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by \$38,935 or 96.15% for TY 2010. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. Garrapata's request shows 2010 gross revenues of \$42,281 at present rates, increasing to \$79,428 at proposed rates. Garrapata is requesting a rate of return on margin of 23.03%.

Garrapata's present rates became effective on June 24, 2010, by approval of AL 22, which authorized an interim rate increase of \$1,093 or 2.7%. The last general rate case for Garrapata was granted on September 7, 2000, pursuant to Res. W-4220, which authorized an increase in revenues of \$18,190 or 105.20% for TY 2000.

Garrapata currently provides water service to 49 flat rate customers (mostly residential customers) in the area known as Garrapata Ranch, located approximately 10 miles south of Carmel in Monterey County. Garrapata's customers take service under an annual flat rate tariff. Water rates were established based on location of the customer's dwelling in relation to the main tank and the upper water reservoir.

Garrapata's water supply consists of two wells located near the Garrapata Creek, approximately 1,500 feet upstream from the coast with one of the wells being used as the primary water source. Garrapata's water distribution system consists of four storage tanks with a total capacity of 90,000 gallons and approximately 13,452 feet of 2, 4, and 6-inch main.

In 2010 Garrapata built a new water treatment plant (WTP) which was required by the Monterey County and the State Department of Public Health (DPH) at a cost of \$460,000. The new WTP was primarily funded through a \$345,187 grant from the American Recovery and Reinvestment Act and a 20-year loan from the Safe Drinking Water State Revolving Fund (SDWSRF) in the amount of \$114,813 authorized by Res. W-4788 on September 24, 2009. It is estimated that Garrapata's customers will pay a \$20.00 monthly surcharge for the SDWSRF loan for the first ten years and \$18.20 thereafter until the end of the term of the loan.

The new WTP is connected by a 3-inch pipeline from one of the wells up 300 feet and approximately 800 feet horizontally to the main storage tanks. The WTP project also included replacement of the two 13,000-gallon storage tanks with two 32,000-gallon steel tanks, including new foundations.

NOTICE AND PROTEST

A notice of the proposed rate increase was mailed to each Garrapata customer and to the service list on August 21, 2010. On August 20, 2010, Garrapata served AL 23 on its service list, in accordance with GO 96-B.

Three protest letters were received on Garrapata's AL 23 request opposing the amount of the rate increase. One of the protestants also requests that the revenue increase be allocated equally among all customers, instead of differentiated by elevation.

An informal public meeting was held on Wednesday, September 22, 2010, at the Glen Deven Ranch located on 37102 Garrapata Road, Carmel, CA 93923. The meeting was attended by approximately ten customers. The Division of Water and Audits (Division) staff explained to the participants the Commission rate-setting procedures, while Garrapata's representatives cited justifications for the proposed rate increase. Staff and Garrapata responded to various questions from the attendees.

DISCUSSION

The Division made an independent analysis of Garrapata's operations. Appendix A shows Garrapata's and the Division's estimated summary of earnings at present, proposed, and recommended rates for TY 2010. Garrapata is in agreement with the

Division's recommended revenue requirement, and with the rates shown in Appendix B.

The Division staff reviewed operating revenues and expenses, including purchased power, other volume related, employee labor, materials, contract work, transportation, other plant maintenance, office salaries, management, employee pension and benefits, uncollectible expense, office services and rentals, office supplies and expenses, professional services, insurance, regulatory and general expenses, depreciation, and taxes other than income taxes. Staff verified the operating expenses by reviewing supporting documents to verify that the utility actually incurred the costs reflected in the operating expenses, and included the amounts that were deemed reasonably necessary.

Staff audited the company's expenses to make its estimates. For 2010, Staff used a labor inflation rate of -0.03% and a non-labor inflation rate of 4.6%, obtained from the Division of Ratepayer Advocates' memorandum of August 30, 2010 that provides the estimated non-labor and wage escalation rates for 2010 through 2014.

Power Costs

Garrapata requests \$6,771 for purchase power costs based on its 2009 energy consumption of 33,925 kWhs (21,781 kWhs energy consumption in the summer months and 12,144 kWhs during the winter months.) Garrapata takes electric service under Pacific Gas and Electric's (PG&E) Schedule A-1 tariff. Staff's estimate for purchase power costs is \$6,548, based on 33,925 kWhs of energy consumption and the most current PG&E tariff rates which are slightly lower than those used by Garrapata.

Transportation Expenses

Garrapata requests \$2,500 for vehicle maintenance and operation expenses used in managing the water utility. Division recommends \$2,008 based on recorded 2007 through 2009 transportation costs plus a 4.6% escalation factor.

Management Salaries

Garrapata requests \$4,500 for general manager's salary responsible for the overseeing the water utility's operations. Garrapata's request is based on 150 work hours per year at a rate of \$30 per hour. Division recommends \$4,046 for management salaries based on three years, 2007 through 2009, recorded salaries minus a 0.30% labor escalation factor for 2010.

Professional Services

Garrapata requests \$4,200 for accounting, legal, engineering, and other professional expenses. Division reviewed Garrapata's professional services expenses and

recommends \$3,500 for professional services for TY 2010 based on 2007 through 2009 recorded expenditures and incremental profession services anticipated in 2010.

Regulatory Commission Expense

Garrapata requests \$3,500 for regulatory Commission expenses. Division reviewed Garrapata's regulatory expenses and recommends \$2,500 for regulatory Commission expenses. Division's recommendation is based on Garrapata's request of \$7,500 for GRC consulting fees amortized over five years, instead of three years as requested by Garrapata, and \$1,000 for the consultant to prepare the company's AL filings before the Commission.

General Expense

Garrapata requests \$2,775 for DPH's fees and costs associated with dues and subscriptions. Garrapata's request is based on 2009 recorded expenses plus a 2.7% escalation factor for 2010. Division recommends \$2,343 based on a three year average from 2007 through 2009 plus an escalation factor of 4.6%.

Taxes Other Than Income

Garrapata's estimate for taxes other than income is \$4,032, and the Division's is \$2,842. Taxes other than income include property and payroll taxes. The main difference between Garrapata's and the Division's estimate is that Garrapata included property taxes associated with capitalization of \$114,813 for the portion of the new WTP that was funded through the SDWSRF loan.

As indicated in the December 3, 2010 Memorandum from the Division's Director to the water utilities, property capitalized in the utilities' accounting records as Contributions in Aid of Construction (CIAC) is generally valued at zero by the California State Board of Equalization for the purpose of assessing property taxes.¹ Furthermore for regulatory purposes the Commission treats plant funded through SDWSRF loans as CIAC. In this case for ratemaking purposes Garrapata's \$114,813 SDWSRF loan is treated as CIAC and therefore no property taxes should be included for this capitalized amount. Garrapata concurs with Divisions estimate for taxes other than income.

State and Federal Income Taxes

The difference between Garrapata and the Division's estimate in state and federal income taxes is due to different revenue and operating expense estimates.

1. California State Board of Equalization's Assessors' Handbook (December 2000) Section 542, pp 14 and 15.

Average Plant and Average Accumulated Depreciation

The Division reviewed Garrapata's average plant and accumulated depreciation estimates and concurs with its calculations.

Rate of Margin

Garrapata requests a rate of margin of 23.03%. Two methods are available for the Division to utilize in the rate-making process for class D water utilities: (1) Rate of Return, and (2) Rate of Margin. Per Decision 92-03-093, dated March 31, 1992, the Division must recommend the method that produces the higher revenues for a utility Garrapata's size. The Division's Utility Audit, Finance & Compliance Branch has recommended a rate of margin of 23.03% for Class D water and water utilities. Division determined that the rate of margin method produces the higher revenues of \$73,980 compared with the rate of return revenues of \$70,620 at a rate of 13.0%, and therefore recommends adopting a rate of margin of 23.03% for Garrapata for TY 2010.

Garrapata's rate structure consists of one schedule: Schedule No. 2A, Annual Flat Rate Service. The rates proposed by the Division are shown in Appendix B. At the recommended rate of return, the increase in revenue will be \$31,107 or 72.56% for TY 2010.

At the Division's recommended rates shown in Appendix B, the bill for a typical annual flat rate residential Garrapata customer would increase from \$791.39 per year (\$65 per month) to \$1,408.07 (\$117.34 per month) or 77.92%. A comparison of a Garrapata customer's bill at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

Garrapata in AL 23 also seeks authority to establish a memorandum account to track costs associated with the development of a water distribution system map that would identify the location of pipes, valves, and pump stations. Garrapata estimates that this project will cost \$5,000. Division finds that Garrapata's memorandum account request does not meet the criteria for establishing a memorandum account, in Standard Practice U-27 at pg. 6 and therefore recommends not granting Garrapata's request.² Garrapata

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2. Per Standard Practice U-27, at pg.6, " Memo accounts are intended to track costs that Commission has directed to be tracked and costs that have been approved to be tracked due to events of an exceptional nature that
- a. are not under the utility's control,
 - b. could not been reasonably foreseen in the utility's last general rate case,
 - c. that will occur before the utility's next scheduled rate case, [footnote omitted]
 - d. are of substantial nature in that the amount of money involved is worth the effort of processing a memorandum account and

Footnote continued on next page

also did not demonstrate the need for the project and the benefit to its customers from this project.

Garrapata also requests Commission authority to impose a \$25.50 quarterly surcharge for a period of two years to compensate Mr. Layne, the company's general manager, for \$10,000 in legal fees associated with Garrapata's December 27, 2009, application filing with the Department of Fish and Game to appropriate an additional ten acre-feet of water. According to Garrapata's response to Division's data request, the ten acre-feet of water is needed as a buffer against high water usage years, and that it has frequently exceeded its 35 acre-foot per year water appropriation limit. Per the October 10, 2010 letter from the State Water Resource Control Board's Division of Water Rights, Garrapata's request was denied on the basis that it exceeded the statutory limit set-forth in Water Code section 1228.1 (b). As a result, on November 15, 2010, Garrapata amended its request to five acre-feet per year, which is still pending. Garrapata's legal costs are based on 40 work hours at a rate of \$250 per hour.

While Garrapata's pursuit to increment its water appropriation is well intended, Division does not recommend granting Garrapata's request. Garrapata did not demonstrate that its current water appropriation amount is inadequate to meet its current water demand. Furthermore, Division believes Garrapata's surcharge request for legal expenses at this time is unreasonable, given that on January 12, 2011 Garrapata filed an AL to implement the surcharges in accordance with Commission Res. W-4788 to repay the \$114,813 in SDWSRF loan associated with construction of the new WTP. The proposed monthly surcharges for all flat rate service customers are \$20.00 over ten years and \$18.20 for the remainder of term of the loan. Division therefore finds it unreasonable for customers to pay an additional surcharge on top of the SDWSRF surcharges and the rate increased being authorized herein. Furthermore, Garrapata did not seek Commission authority to establish a memorandum account to book these legal expenses and thus granting Garrapata the authority to recover these costs at this time would result in retroactive ratemaking. For these reasons, Division recommends denying Garrapata's request.

Garrapata's Rate Design

Three protests were filed opposing the amount of the rate increase. Division finds Garrapata's recommended rate increase reasonable based on Division's independent

e. have ratepayer benefits."

review and analysis of Garrapata's operating expenses for test year 2010. Garrapata has also made significant improvements to its water system by installing a new WTP to improve its water quality, which will require additional labor and expenses to adequately operate and maintain the WTP facility. Also, as stated above, in one of the protests received, a customer requests that the revenue increase be allocated equally among all customers, instead of differentiated by elevation. The rate design cost allocation factors are not being changed therefore the revenue increase is applied at the same percentage level to all existing rates, as shown in Appendix C of this resolution.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required. However, Garrapata needs to file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following rules in its tariff book to meet the current Commission sample forms: Title Page; Schedule UF, Surcharge to Fund PUC Reimbursement Fee; Rules 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 9, Rendering and Payment of Bills; 10, Disputed Bills; 11, Discontinuance and Restoration of Service; 15, Main Extensions; 16, Service Connections, Meters, and Customer's Facilities; 17, Standards for Measurement of Service; 19, Service to Separate Premises and Multiple Units, and Resale of Water; 20, Water Conservation; and 21, Fire Protection; Form 2, Customer's Deposit Receipt; and 3, Bill for Service; Uniform Fire Hydrant Agreement; and Connection Fee Data Form.

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 on the Commission.

Accordingly, this draft resolution was mailed to the utility and protestants and made available for public comment on March 10, 2011. One comment letter was received on the draft resolution requesting that: 1) the Commission postpone its consideration of Garrapata's rate increase request until the purchase of Garrapata by California American Water Company (CalAm) is completed; and 2) Garrapata's existing rate design cost allocation factors established by Res. W-4220 be modified to eliminate the rate differential based on the location the residential dwellings relative to the main tank and reservoir that accounts for the incremental operational costs associated with providing service at the higher elevations.

Division does not support postponing Garrapata's rate increase request because the company has not formally made such request, and it needs the additional revenues

authorized in this resolution to adequately maintain and operate its water system and cover the additional labor and operational costs associated with its new WTP facility. Furthermore, while CalAm has indicated an interest in purchasing the Garrapata water system that transaction is still under consideration by CalAm and is not definite; and even if the purchase were to transpire, it will require some time before the purchase is formally approve by the Commission and Garrapata will need to maintain adequate operations in the mean time.

Division also does not support modifying Garrapata's existing rate design cost allocation factors established by Res W-4220 because the rate design takes into account the incremental operational cost of providing water service to higher elevations (i.e. purchased power), and Division finds it unreasonable for the customers located in the lower elevations, below the main tank, to pay for these incremental costs. In addition, no evidence has been provided to support modification of the existing rate design.

No comments were filed by Garrapata on the draft resolution.

FINDINGS

1. Garrapata is a Class D water utility that provides water service to 49 flat rate customers (mostly residential customers) in the area known as Garrapata Ranch, located approximately 10 miles south of Carmel in Monterey County.
2. Garrapata customers currently take service under an annual flat rate tariff, and water rates were established by D.87-11-021 based on location of the residential dwellings in relation to the main tank and the upper reservoir.
3. Garrapata's present rates became effective on June 24, 2010, by approval of Advice Letter 22, which authorized an interim rate increase of \$1,093 or 2.7%.
4. Garrapata's last general rate case was granted on September 7, 2000, pursuant to Res. W-4220, which authorized an increase in revenues of \$18,190 or 105.20% for Test Year 2000.
5. A notice of the proposed rate increase was mailed to each Garrapata customer and to the service list on August 21, 2010.
6. The Division received three protest letters opposing the amount of the rate increase. In one of the protests received a customer requests that the revenue increase be allocated equally among all customers, instead of differentiated by elevation. The resolution addressed these protests.

7. This resolution does not modify Garrapata's existing rate structures and therefore the revenue increase is applied at the same percentage level to all rates.
8. Division staff audited the company's expenses to make its estimates, and used a labor inflation rate of -0.03% and 4.6% for non-labor for 2010 from the Division of Ratepayer Advocates' memorandum of August 30, 2010, which provides the estimated non-labor and wage escalation rates for 2010 through 2014.
9. The Division's Utility Audit, Finance & Compliance Branch has recommended a rate of margin of 23.03% for Class D water utilities.
10. Division determined that the rate of margin method produces the higher revenues and therefore, recommends adopting a rate of margin of 23.03% for Garrapata for Test Year 2010.
11. Garrapata is in agreement with the Division's recommended increase.
12. The Division's recommended summary of earnings (Appendix A) is reasonable.
13. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
14. Garrapata seeks authority to establish a memorandum account to track costs associated with the development of a water distribution system map that would identify the location of pipes, valves, and pump stations, which it estimates will cost \$5,000.
15. Division finds that Garrapata's memorandum account request for the water distribution system mapping does not meet the criteria for establishing a memorandum account in Standard Practice U-27 and therefore recommends not granting Garrapata's request.
16. Garrapata requests Commission authority to impose a \$25.50 quarterly surcharge for a period of two years to compensate Mr. Layne, the company's general manager, for \$10,000 in legal fees associated with Garrapata's December 27, 2009 application filing with Department of Fish and Game to appropriate an additional ten acre-feet of water.
17. Division recommends denying Garrapata's legal expense surcharge request for the following reasons: 1) Garrapata did not demonstrate that its current water appropriation amount is inadequate to meet its current water demand; 2) it is unreasonable to impose an additional surcharge on its customers, given that on

January 12, 2011, Garrapata filed an Advice Letter to implement a \$20.00 monthly surcharge to repay the \$114,813 in Safe Drinking Water State Revolving Fund loan associated with construction of the new WTP; and 3) Garrapata did not seek Commission authority to establish a memorandum account to book these legal expenses and thus granting Garrapata the authority to recover these costs at this time would result in retroactive ratemaking.

18. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
19. Garrapata should file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect a one-time surcharge for the under-collected revenues, from the interim rate date to the effective date of the new rates.
20. Garrapata shall file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following rules in its tariff book to meet with the current Commission sample forms: Title Page; Schedule UF, Surcharge to Fund PUC Reimbursement Fee; Rules 3, Application for Service; 5, Special Information required on Forms; 7, Deposits; 9, Rendering and Payment of Bills; 10, Disputed Bills; 11, Discontinuance and Restoration of Service; 15, Main Extensions; 16, Service Connections, Meters, and Customer's Facilities; 17, Standards for Measurement of Service; 19, Service to Separate Premises and Multiple Units, and Resale of Water; 20, Water Conservation; and 21, Fire Protection; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service; Uniform Fire Hydrant Agreement; and Connection Fee Data Form.
21. This draft resolution was mailed to the utility and protestants and made available for public comment on March 10, 2011.
22. One comment letter was received on the draft resolution requesting that: 1) the Commission postpone its consideration of Garrapata's rate increase request until the purchase of Garrapata by California American Water Company is completed; and 2) Garrapata's existing rate design cost allocation factors established by Res. W-4220 be modified to eliminate the rate differential based on the location of the residential dwellings relative to the main tank and reservoir that accounts for the incremental operational costs associated with providing service at the higher elevations.
23. Division of Water and Audits does not support postponing Garrapata's rate increase request because 1) the company has not formally made such request, and it needs the additional revenues authorized in this resolution to adequately maintain and operate its water system and cover the additional labor and operational costs

associated with its new WTP; 2) CalAm's purchase of Garrapata water system is still under consideration, and even if the purchase were to transpire, it will require some time before the purchase is formally approve by the Commission and Garrapata will need to maintain adequate operations in the mean time.

24. Division of Water and Audits does not support modifying Garrapata's existing rate design cost allocation factors established by Res W-4220 because the rate design takes into account the incremental operational cost of providing water service to higher elevations (i.e. purchase power) and Division of Water and Audits finds it unreasonable for the customers located in the lower elevations, below the main tank, to pay for these incremental costs. Furthermore, no evidence has been provided to support modification of the existing rate design.
25. No comments were filed by Garrapata on the draft resolution.

THEREFORE IT IS ORDERED THAT:

1. The rates recommended by the Division of Water and Audits in Appendix B are reasonable and should be adopted.
2. Garrapata Water Company, Inc. is authorized to file a supplemental advice letter incorporating the revised rate schedule attached to this resolution as Appendix B and to concurrently cancel its presently effectively Schedule No. 2A, Annual Flat Rate Service. The effective date of the revised schedule shall be five days after the date of filing.
3. The quantities (Appendix D) used to develop the Division of Water and Audits' recommendations are adopted.
4. Garrapata Water Company, Inc. is authorized to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect a one-time surcharge for the under-collected revenues from the interim rate date to the effective date of the new rates. This advice letter shall become effective upon approval by Staff of the Division of Water and Audits.
5. Garrapata Water Company, Inc. shall file a Tier 1 advice letter within 30 days from the effective date of this resolution revising the following rules in its tariff book to meet with the current Commission sample forms: Title Page; Schedule UF, Surcharge to Fund PUC Reimbursement Fee; Rules 3, Application for Service; 5, Special Information required on Forms; 7, Deposits; 9, Rendering and Payment of Bills; 10, Disputed Bills; 11, Discontinuance and Restoration of Service; 15, Main Extensions; 16, Service Connections, Meters, and Customer's Facilities;

17, Standards for Measurement of Service; 19, Service to Separate Premises and Multiple Units, and Resale of Water; 20, Water Conservation; and 21, Fire Protection; and Forms 2, Customer's Deposit Receipt; and 3, Bill for Service; Uniform Fire Hydrant Agreement; and Connection Fee Data Form.

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 April 14, 2011; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK FERRON

Commissioners

APPENDIX A
Garrapata Water Company
Summary Of Earnings
Test Year 2010

	Utility Estimated		Division Estimated		
	Present Rates	Requested Rates	Present Rates	Requested Rates	Recommended Rates
Operating Revenues					
Unmetered Water	\$42,281	\$79,428	\$42,281	\$79,428	\$73,980
Other Water Revenue	\$592	\$0	\$592	\$0	\$0
Total Revenue	\$42,873	\$79,428	\$42,873	\$79,428	\$73,980
Operating Expenses					
610 Purchased Water	\$0	\$0	\$0	\$0	\$0
615 Purchased Power	\$6,194	\$6,771	\$6,548	\$6,548	\$6,548
618 Other Volume Related Expenses	\$698	\$717	\$717	\$717	\$717
630 Employee Labor	\$4,362	\$18,000	\$18,000	\$18,000	\$18,000
640 Materials	\$856	\$726	\$740	\$740	\$740
650 Contract Work	\$3,278	\$6,297	\$6,297	\$6,297	\$6,297
660 Transportation Expenses	\$1,800	\$2,500	\$2,008	\$2,008	\$2,008
664 Other Plant Maintenance	\$760	\$1,141	\$1,141	\$1,141	\$1,141
670 Office Salaries	\$2,875	\$3,750	\$3,750	\$3,750	\$3,750
671 Management Salaries	\$4,363	\$4,500	\$4,046	\$4,046	\$4,046
674 Employee Pensions and Benefits	\$0	\$0	\$0	\$0	\$0
676 Uncollectable Accounts	\$0	\$0	\$0	\$0	\$0
678 Office Services and Rentals	\$600	\$1,500	\$1,500	\$1,500	\$1,500
681 Office Supplies and Expenses	\$519	\$531	\$531	\$531	\$531
682 Professional Services	\$3,250	\$4,200	\$3,500	\$3,500	\$3,500
684 Insurance	\$0	\$0	\$0	\$0	\$0
688 Regulatory Commission Expense	\$858	\$3,500	\$2,500	\$2,500	\$2,500
689 General Expense	\$2,702	\$2,775	\$2,343	\$2,343	\$2,343
Subtotal	\$33,115	\$56,908	\$53,621	\$53,621	\$53,621
403 Depreciation	\$1,215	\$1,215	\$1,215	\$1,215	\$1,215
408 Taxes Other Than Income	\$4,032	\$4,032	\$2,842	\$2,842	\$2,842
409 State Income Taxes	\$800	\$1,527	\$800	\$1,923	\$1,441
410 Federal Income Taxes	\$0	\$2,362	\$0	\$2,974	\$2,229
Total Deductions	\$39,162	\$66,044	\$58,478	\$62,575	\$61,349
Net Revenue/Operating Margin	\$3,711	\$13,384	(\$15,605)	\$16,853	\$12,631
Rate Base					
Average Plant	\$395,943	\$395,943	\$395,943	\$395,943	\$395,943
Average Dep. Reserve	\$40,146	\$40,146	\$40,146	\$40,146	\$40,146
Net Plant	\$355,797	\$355,797	\$355,797	\$355,797	\$355,797
Less: Contributions	\$298,390	\$298,390	\$298,390	\$298,390	\$298,390
Advances	\$0	\$0	\$0	\$0	\$0
Plus: Working Cash	\$0	\$0	\$0	\$0	\$0
Mat'l & Supplies	\$0	\$0	\$0	\$0	\$0
Total Rate Base	\$57,407	\$57,407	\$57,407	\$57,407	\$57,407
Rate of Margin	11%	23%	-28%	30.73%	23.03%
Rate of Return	6%	23%	-27%	29%	22.00%

(END OF APPENDIX A)

APPENDIX B

GARRAPATA WATER COMPANY, INC.

Schedule No. 2A
ANNUAL FLAT RATE SERVICE
Test Year 2010

APPLICABILITY

Applicable to all water service rendered annually on a flat rate basis.

TERRITORY

Garrapata Ranch, and vicinity, located south of Carmel, Monterey County.

RATES

	<u>Per Year</u>
For each residential dwelling connected below the main tank, which is not specified below	\$1,408.07 (I)
For each residential dwelling connected above the main tank and below the first upper reservoir	\$1,591.12 (I)
For each residential dwelling connected above the first upper reservoir	\$1,661.52 (I)
For Rocky Point Restaurant and Damon Ranch	\$2,393.72 (I)

SPECIAL CONDITIONS

1. The annual charge applies to service during the 12-month period commencing January 1 and is due in advance. If a customer is a permanent of the area and has been a customer of the utility for at least 12 months, the customer may elect at the beginning of the calendar year, to pay a prorated flat rate charges in advanced. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C

GARRAPATA WATER COMPANY, INC.

COMPARISON OF RATES

Test Year 2010

<u>ANNUAL FLAT RATE SERVICE</u>	<u>Per Service Connection Per Year</u>		
	<u>Interim</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Percent</u> <u>Increase</u>
<u>Residential Dwelling Location:</u>			
For each residential dwelling connected below the main tank	\$791.39	\$1,408.07	77.92%
For each residential dwelling connected above the main tank and below the upper reservoir	\$897.12	\$1,591.12	77.36%
For each residential dwelling connected above the first upper reservoir	\$933.09	\$1,661.52	78.07%
For Rock Point Restaurant and Damon Ranch	\$1,346.22	\$2,393.72	77.81%

(END OF APPENDIX C)

APPENDIX D
GARRAPATA WATER COMPANY, INC.

ADOPTED QUANTITIES
Test Year 2010

1. Purchased Power	\$ 6,548
2. kWh	33,925
3. Uncollectibles	\$ 0
4. Taxes other than Income	\$ 2,842

Service Connections

Annual Flat Rate:	
Residential	47
Commercial	<u>2</u>
Total Flat Rate	49

INCOME TAX CALCULATIONS
Test Year 2010

<u>Line</u> <u>No.</u>	<u>Item</u>	<u>State</u> <u>Tax</u>	<u>Federal</u> <u>Tax</u>
1.	Operating Revenues	\$ 73,980	\$ 73,980
2.	Operating Expenses	\$ 61,349	\$ 61,349
3.	Depreciation	\$ 1,215	\$ 1,215
4.	Taxes Other Than Income	\$ 2,842	\$ 2,842
5.	State Taxable Income	\$ 16,302	\$ 16,302
6.	State Tax (@8.84%)	\$ 1,441	\$ 1,441
7.	Federal Taxable Income		\$ 14,861
8.	Federal Income Tax		\$ 2,229
			=====

(END OF APPENDIX D)