

Decision 88 04 024 APR 13 1988

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Amended Application of LAKE FOREST )  
WATER COMPANY (U 090 W) to increase )  
Annual Flat Rates and Annual Service )  
Charges by 42.1% producing \$14,137 )  
in additional revenue. )

Application 87-05-044  
(Filed May 26, 1987;  
amended February 3, 1988)

Application of LAKE FOREST WATER )  
COMPANY (U 090 W) to incur and )  
secure a bank loan of \$27,700.00 )  
with real estate owned by the )  
Company. )

Application 87-05-046  
(Filed May 26, 1987)

David McClure, for Lake Forest Water  
Company, applicant.  
Erik Henrickson, for Lake Forest Property  
Owners Association, interested party.  
Patricia A. Bennett, Attorney at Law, and  
Arthur B. Jarrett, for the Water  
Utilities Branch.

OPINION

Lake Forest Water Company (applicant), a California corporation, provides water service in an area approximately two miles northeast of Tahoe City, Placer County, and provides water to 148 services.

Applicant requests a general rate increase by \$14,137, or 42.1% for test year 1988 and Commission approval of a loan of \$27,700 to construct a 100,000 gallon water tank.

Duly noticed public hearings were held in Tahoe City in October 13 and 14, 1987, before Administrative Law Judge Orville I. Wright, and the applications were submitted for decision on November 12, 1987.

Decision Summary

Lake Forest Water Company is allowed a general rate increase of 29.1%, producing \$9,796.00 in additional revenue. Applicant had requested an increase of 42%, producing \$14,137.00 in additional revenue.

Applicant's annual flat rate for a single family residential unit will increase from \$190.00 to \$245.20. The increase will be prorated for 1988.

The application to incur and secure a bank loan of \$27,700.00 for system improvements is approved.

Public Hearing

A 7:00 p.m. meeting was convened in Tahoe City for the purpose of hearing customer testimony pertinent to applicant's service and rate request.

The consensus of those in attendance was that water service is poor with low water pressure and frequent outages. Several customers voiced the opinion that they would be willing to pay higher rates if they could see some real improvements to the system such as the recently installed larger storage tanks.

Customers agreed with Branch's report showing applicant's rates to be higher than the rates of other water utilities in the Tahoe Basin and complained that high rates should produce a high quality of service.

Rate History

Applicant requests a general rate increase of 42.1% or \$14,137 in test year 1988. The application, as filed on May 20, 1987, sought 30.6% or \$9,663 for test year 1988, but was modified on August 17, 1987. The required notices and publications contained the \$14,137 request, and an amendment to the application was filed on February 3, 1988.

The Water Utilities Branch (Branch) report states that since 1983 the Commission has authorized four rate increases totaling approximately 295% for applicant. The present

application, if granted in full, would amount to a combined total increase of 458% in less than five years.

Branch notes that these rate increases may be compared to the labor inflation factor and non-labor inflation factor which have increased 16.1% and 5.4%, respectively, in the last five years.

Applicant, on the other hand, sponsored a witness having a Ph.D in Economics and teaching at the University of Nevada at Reno. This witness suggested that a more instructive time period within which to compare rate levels of applicant with statistical measures would be the period commencing in 1970 rather than 1983 as rates were unchanged for the earlier twelve years. The economist produced graphs showing that applicant's rate structure over time was consonant with both the consumer price index and the construction cost index.

Applicant testified that it is aware that the rates adopted in this proceeding will apply for the next three years, pursuant to Commission policy.

#### System Condition

Branch reports that while service is adequate, the water system barely meets minimum standards set forth in General Order 103, Rules Governing Water Service. Branch and applicant agree that the facility is old and in need of replacement.

Branch report notes that the applicant intends to implement a water system improvement plan to renovate the system over the next ten to fifteen years. This plan has been mentioned by applicant in its correspondence with the Commission and utility customers. The Branch favors this type of program and encourages the utility to proceed with its plans.

With the leak repair recommended by Branch and the implementation of applicant's service improvement plan, Branch concludes that a significant amount of water is expected to be conserved in the coming years.

Owner-Operator's Experience

Applicant's owner-operator has substantial experience in the water business. He was employed as a technical person by the Donner Lake Water Company for about two years in the late 1970s. He worked for the North Tahoe Public Utilities District, during which time he went to school and secured a Grade 2 water certification.

He has performed water field work for the Tahoe Pines and Tahoe Vista Water System. He was superintendent of the Crystal Bay Water Company for three years, and served on call periodically for the Agate Bay Water Company.

He was elected to the board of directors of the Tahoe Public Utilities District and has been able to keep in very close contact with this district which, according to the testimony, has the resources and rate levels to do proper preventative maintenance and planning.

The owner has been operating Lake Forest Water Company for the past five years.

Discussion

Applicant is owned and managed by an experienced water utility person who has devised and presented an improvement plan for the system which promises to accomplish needed upgrades in service.

Although the owner has sought and received substantial rate increases in recent years, there is no indication that revenues have been spent for other than reasonable and necessary functions.

While the owner has volunteered much of his time to system operation and maintenance in the recent past, such gratuitous service creates no obligation on the owner to continue it into the future.

This decision considers each revenue, expense, and rate base category set forth in Table 1 in order to determine fair and reasonable rates for test year 1988 and the two succeeding years.

Table 1  
Summary of Earnings  
Test Year 1988

Item	Applicant	Test Year Estimates	
		Branch	Adopted
Number of Customers	148	149	148
Operating Revenues	\$47,851	\$48,362	\$43,510
<b>Operating Expenses</b>			
Purchased Power	2,705	2,300	2,530
Employee Labor	4,500	0	4,500
Materials	1,796	1,796	1,796
Contract Work	3,600	4,980	3,600
Transportation	4,465	1,680	4,465
Office Salaries	2,700	0	1,200
Management Slrs	6,750	6,510	6,510
Office Serv & Rntl	2,205	1,400	2,205
Office Supplies	3,102	2,050	3,102
Professional Srvc	1,750	520	1,750
Insurance	907	685	810
General Expenses	935	450	935
Subtotal	35,415	22,373	33,403
Property Tax	714	475	475
Payroll Tax	1,876	875	1,642
Depreciation Exp	1,687	1,580	1,580
Income Taxes	1,323	5,341	702
Total Expenses	41,015	30,644	37,802
Net Revenue	6,836	17,718	5,708
Rate Base	56,973	49,205	49,205
Rate of Return	12.00%	36.01%	11.60%

Summary of Earnings

Table 1 shows test year 1988 estimates by applicant and by Branch, and adopted revenues, expenses, and rate base utilizing a 11.6% rate of return.

Column one shows results of operations for test year 1988 as applied for by Lake Forest, utilizing a 12.00% rate of return on its estimated rate base.

Column two shows results of operations as adjusted by Branch, utilizing applicant's requested per customer annual rate. Branch figures indicate that applicant would earn a 36.01% rate of return on rate base as developed by Branch.

Column three shows results of operation as adopted in this decision, utilizing an 11.60% rate of return on adopted rate base.

Number of Customers

Branch projected an average growth of 1 single family residential connection for test year 1988 based on the company's average growth from 1985 to 1987 as shown on applicant's workpapers.

Applicant used the existing customer count, projecting no growth for 1988.

Applicant testified that one person owning four homes has dug a well to supply two of his units with water. Another customer's home burned to the ground and will not be rebuilt in the near future. Still another customer has discontinued water service because of chlorine in the water and high water rates.

It is clear that applicant's projection of zero growth in water connections is reasonable. We adopt 148 as the number of services in test year 1988. This yields \$33,714 as the adopted revenue at present rates.

Purchased Power

Branch estimated pumping costs for 1988 at \$2,705, using current Sierra Pacific Power Company rates. It reduced monthly

consumption of water by 180,000 gallons because of applicant's notification that repair of a large system leak would save that amount of water. Branch also noted another leak which it estimated at roughly 3 gallons per minute.

Applicant concedes that it failed to update its power cost estimate to cover the repaired leak, but testified that the uncorrected leak is 1 gallon rather than 3 gallons.

Applicant's ongoing experience with its water system persuades us to adopt its leak estimates as we note that Branch has accepted the company's estimate of water savings realized in repairing the first leak. Power cost is \$2,530.

#### Employee Labor and Contract Work

Branch estimated contract work by taking the four-year average recorded in applicant's 1983 through 1986 annual reports and escalating it to test year 1988 with the labor escalation factors recommended by the Advisory Branch of the Commission Advisory and Compliance Division (ABCACD).

Branch recommends that no employee labor expense be allowed, primarily because the utility has had no employees, other than its owner and manager, in the past. Since the company has survived to date without hiring employees, Branch reasons that the utility can also survive into the future without employees.

Applicant's estimate of contract labor is derived by applicant's reclassifying prior year's contract labor expenditures as routine employee labor or specialized services. This analysis resulted in applicant's removal of \$1,500 from contract labor as being more properly employee labor.

Applicant next compiled a list of necessary water utility tasks which, in its view, needed to be done regardless of who owned the water company.

The one field employee sought by applicant would be available for service calls at all times, make daily inspections of the water systems, replenish chlorine and do minor repairs, perform

routine system supervision such as weekly chlorine residual tests and monthly bacteriological tests, maintain and repair pumps and associated distribution components, including tanks, locate the approximate 47 unlocated services on the system, install valves and boxes, respond to water and power outages, and assist in follow up bill collection activities in the field. Substantial deferred maintenance would also be accomplished by the part-time employee, according to applicant.

Applicant estimated the time required for the field employee to perform the stated duties and multiplied the hours by \$8.50 to arrive at its final figure of \$4,500.

Applicant's owner and manager testified that he has been working approximately 80 hours per month at a salary of \$400, or \$5 per hour.

We agree with applicant that its owner should not be required to continue to donate his services simply because he has done so in the past.

The record shows that an outside employee has performed billing and secretarial services to the corporation in 1986 for \$1,200, which sum was recorded in the contract labor category. There is insufficient evidence in the record, in our view, to increase this recompense to \$2,700, as requested by applicant. We will authorize the hiring of a part-time office worker at \$1,200 per year.

We find the following labor and contract labor costs to be reasonable:

Contract Work	\$3,600
Employee Labor	4,500
Office Salaries	1,200

**Transportation**

Applicant's estimate for transportation expense for test year 1988 is \$4,465 as compared to Branch's estimate of \$1,680.



Having received the Branch's report several days prior to the hearing, applicant prepared a detailed analysis of transportation cost.

Applicant's owner leases a 1984 Chevrolet four-wheel drive pickup in the lumber business. Total miles per year for this vehicle are 24,000 of which 16,000 are required in the water business. Applicant therefore assigns two-thirds of all vehicle costs to the utility in determining its transportation cost estimate.

Branch differs from applicant in that its estimate is based upon 8,000 miles per year as opposed to applicant's 16,000 miles, and \$0.21 per mile as opposed to applicant's two-thirds of actual costs.

At the hearing, applicant provided an in-depth analysis of its mileage calculation and of the costs of leasing the vehicle, including gas, oil, insurance, repairs, and the like.

We find that applicant's detailed testimony of the costs of vehicle use and the mileage traveled on utility business is more reasonable than Branch's mileage estimate multiplied by a cost per mile figure not derived from utility records. \$4,465 is approved for transportation expense.

#### Management

Salary for management was estimated by Branch taking the latest adopted value for management salaries (per Resolution W-3276), escalating it to test year 1988 with the labor escalation factors recommended by ABCACD.

We adopt the Branch estimate as more reasonable than applicant's increase which is based upon annual 5 percent projected increases.

#### Office and Rental

Applicant's estimate of office and rental expense exceeds that of Branch because applicant included actual rental cost of \$600 per year for a field storage container and \$208 per year for

10 percent of interest and property tax on office space in the home of applicant's owner and manager.

Branch presented no evidence in opposition to these adjustments and we adopt \$2,205 as reasonable for this category of expense.

#### Office Supplies

Office supplies includes the cost of generating applicant's semi-annual billings on a computer, one-half of the cost of an answering service, a pager, telephone, paper, and copying. Applicant's estimate is \$3,102.

Branch's lower estimate is based, in large part, on a mistaken belief that applicant did not exclude the non-utility portion of its telephone answering service cost from its estimate.

We adopt \$3,102 as reasonable for office supplies.

#### Professional Services

Professional services includes services of a bookkeeper, a certified public accountant, and an attorney. Applicant estimated \$1,425 per annum for a certified tax specialist to perform all bookkeeping and accounting functions, including quarterly tax reports, semi-annual financial statements, annual Commission reports, and corporation income tax returns.

An allowance of \$150 is made for a review of applicant's annual statements by a certified public accountant and \$175 for legal services.

Applicant's detailed presentation at the hearing appears reasonable, and Branch offered no evidence in opposition to it. We adopt \$1,750 for professional services.

#### Insurance

Applicant's insurance estimate is predicated solely upon workers' compensation premiums at \$6.50 per hundred of its total labor cost estimate, excluding contract labor.

The utility has made a decision not to carry liability insurance, which would cost about \$7,000 per year, in order to avoid that element of rate increase.

In conformity with our adopted payroll, we adopt the correlating insurance cost of \$810.

General Expense

Branch estimated general expense at \$450, noting that applicant did not provide workpapers to support its estimate.

At the hearing applicant testified to the dollar amounts making up its estimate of \$935. These included subscriptions, books, and memberships, conferences with the North Shore Lake Tahoe Purveyors Association, deductible portion of health insurance being paid through other businesses, and other items.

Applicant's estimate of \$935 general expense is adopted as reasonable.

Property Taxes

At the hearing, applicant stipulated to Branch's property tax estimate which we adopt in this proceeding.

Payroll Tax

Payroll tax is adopted as a function of total payroll cost.

Rate Base

Branch's rate base calculation of \$49,205 was agreed to by applicant at the public hearing with two exceptions: (1) loan interest and (2) working cash.

Loan Interest

Applicant objects to the Branch's failure to include loan interest capitalization in rate base. It urges a plant addition of \$2,655 for interest charges on the \$27,700 loan for a storage tank improvement project for the period from July 1, 1986, when the loan was approved through March 6, 1987, the date of the rate increase authorization to offset the tank improvement project.

Branch correctly states that: interest on Commission authorized debt is accounted for in rate-making through rate of return. Debt incurred by applicant of \$27,700 for the tank improvement project was considered by Branch in rate of return. Capitalizing finance costs during construction of a water utility plant is not a proper rate base addition.

Working Cash

Applicant objects to Branch's failure to include an allowance in rate base for working cash.

Applicant requested working cash of \$2,400 for test year 1988. Branch recommends no working cash be allowed since applicant's tariff authorizes collection of flat rate revenue in advance, and therefore, it has the use of customer funds to pay on-going operation costs and does not experience the long lag associated with normal metered revenues that are billed in arrears.

Branch is correct in not making an allowance for working cash in this proceeding.

Rate of Return

Applicant requested a rate of return of 12.00% on rate base at proposed rates for 1988. The Accounting and Finance Branch of the Commission Advisory and Compliance Division recommends a rate of return of 11.6% based on applicant's capital structure, cost of debt and equity. The rate of return derivation is illustrated below:

<u>1988</u>	<u>Capital Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long-Term Debt	56.3%	12.0%	6.8%
Common Equity	43.7%	11.0	4.8
	100.0%		11.6%

Rate Design

Branch recommends that the adopted metered rate schedule conform with the Commission's Decision 86-05-064, which adopts a

flatter rate design policy for water utilities. The adopted rates should incorporate the following guidelines:

1. Service charges should be set to allow utilities to recover up to 50% of their fixed cost.
2. One commodity block.

Branch recommends that the current flat rate charges be increased by the system average increase adopted in the decision in this matter.

#### Leak Repair

Branch reports a leak in applicant's distribution system in Aspen Street which has not been repaired, according to applicant, because of lack of funds.

Branch recommends that this leak be repaired and applicant testified that such repair carries a high priority on its improvement agenda.

It is reasonable that this leak should be fixed within 120 days as recommended by Branch.

#### Request for Loan Approval (A.87-05-046)

In May 1986, applicant issued a promissory note in the amount of \$27,700 secured by water company property.

The purpose of the borrowing was to meet an emergency condition requiring additional storage because the county health authorities had recommended discontinuance of use of a spring water source.

Applicant had applied for a low interest rate Safe Drinking Water Bond Act loan, but there were insufficient funds to reach utilities in applicant's position on the priority list.

Branch recommends approval of the loan.

#### Findings of Fact

1. Lake Forest Water Company (applicant) provides water service in an area located 2 miles northeast of Tahoe City, Placer County, and provides water to 148 services.

2. Applicant is seeking authority to adjust rates for water service to increase annual revenues by approximately \$14,137.

3. The adopted Summary of Earnings for test year 1988 setting forth operating revenues, expenses, and rate base reasonably indicates the expected results of operation for the test year.

4. The increase in rates authorized by this decision is expected to provide increased annual revenue of \$9,796 or 29.1% and a return on rate base of 11.6%.

5. A rate of return of 11.6% on applicant's rate base is reasonable.

6. The adopted rate schedules and adopted quantities used to develop the adopted summary of earnings are attached as Appendices A and B, respectively. The comparison of annual flat rates at present and proposed rates is shown in Appendix C.

7. Applicant's service and water quality are adequate.

8. Applicant's secured loan was obtained for the lawful purpose of increasing its water storage capacity and the borrowed funds were expended for that purpose.

9. A system leak on Aspen Street requires repair at an early date.

#### Conclusions of Law

1. A.87-05-044 should be granted to the extent provided by the following order, the adopted rates being just, reasonable, and nondiscriminatory.

2. Because revenue projections and expenses were made for test year 1988, the following order should be effective the date of signature.

3. A.87-05-046 seeking approval of a secured loan in the amount of \$27,700 should be approved.

ORDER

IT IS ORDERED that:

1. Lake Forest Water Company is authorized to file the revised schedules attached to this order as Appendix A and to concurrently cancel its present schedules for such service. This filing shall comply with General Order (GO) Series 96. The effective date of the revised schedules shall be 5 days after the date of filing. The revised schedules shall apply only to service rendered on and after their effective date and shall be prorated for 1988.

2. Lake Forest Water Company's secured loan in the amount of \$27,700, as set forth in A.87-05-046, is approved.

3. The system leak in Aspen Street shall be repaired within 120 days of the date of this order. The Commission's Water Utilities Branch shall be notified in writing within 10 days of completion of the repair.


4. The application is granted as set forth above.  
This order is effective today.

Dated APR 13 1988, at San Francisco, California.

STANLEY W. HULETT  
President  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate.

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

  
Victor Weisser, Executive Director  
so

APPENDIX A  
Page 1

Schedule No. 1A

ANNUAL METERED SERVICE

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

TERRITORY  
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The unincorporated area known as Lake Forest Unit No. 1 and vicinity, located adjacent to Highway No. 28 and approximately 2 miles northeast of the community of Tahoe City, Placer County.

RATES  
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	<u>Per Service Connection</u> -----	
Monthly Quantity Rates:		
For all water delivered, per 100 cu.ft...	\$ 1.52	(C)
Annual Service Charges:		
For 5/8 x 3/4-inch meter.....	\$130.35	(I)
For 3/4-inch meter.....	144.55	
For 1-inch meter.....	196.00	
For 1-1/2-inch meter.....	262.00	
For 2-inch meter.....	352.30	
For 3-inch meter.....	655.60	
For 4-inch meter.....	889.20	(I)



APPENDIX A  
Page 2

Schedule No. 1A

ANNUAL METERED SERVICE

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, he may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year (monthly, bi-monthly, or quarterly) in accordance with the utility's established billing periods. When meters are read bi-monthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis except that meters may be read and quantity charges billed during the winter season at intervals greater than three months. A nonpermanent resident may elect to pay the annual charge in two equal installments. Where such a resident has failed to pay the first half of the annual charge due January 1, service will not be restored until the total annual charge has been paid.

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

3. The utility has the option to bill its metered customers monthly, bi-monthly, quarterly, semi-annually, or annually.

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Schedule No. 2A  
ANNUAL FLAT RATE SERVICE  
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APPLICABILITY  
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Applicable to all flat rate water service billed on a semi-annual basis (6 months).

TERRITORY  
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The unincorporated area known as Lake Forest Unit No. 1 and vicinity, located adjacent to Highway No. 28 and approximately 2 miles northeast of the community of Tahoe City, Placer County.

RATES  
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PER SERVICE CONNECTION  
PER YEAR

1. For each single unit of residential occupancy.....	\$245.20 (I)
(a) For each additional unit of resident occupancy on the same premises and served from the same connection.....	183.25
2. For motels or recreational vehicle parks First of Manager's Unit.....	245.20
(a) For each additional motel or vehicle unit on the same premises and served from the same connection.....	93.00
3. Single unit commercial units having minimum fixtures described as one housebip or standpipe.....	183.25
4. Double commercial units with less than 1500 sq.ft. having minimum fixtures in each unit.....	366.50 (I)

APPENDIX A  
Page 4

Schedule No. 2A  
ANNUAL FLAT RATE SERVICE (Cont'd)

RATES -----	PER SERVICE CONNECTION PER YEAR
5. Intermediate commercial less than 2000 sq.ft., 1" service lines, addit'l fixtures than minimum, additional uses such as landscaping, power/steam wash, or one living accommodation unit.....	\$432.35 (I)
6. Commercial warehouse buildings with office facilities, separate bays, less than 2000 sq.ft.....	432.35
7. Commercial warehouse buildings with office facilities, separate bays, more than 2000 sq.ft.....	610.45
8. Utility maintenance station, large commercial with one living accommodation, parks, beaches.....	610.45
(a) Each additional living unit.....	180.70 (I)

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Schedule No. 2A

ANNUAL FLAT RATE SERVICE

SPECIAL CONDITIONS

1. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under the Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the pro-rated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.

2. The annual flat rate 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, he may elect, at the beginning of the calendar year to pay pro-rated flat rate charges in advance at intervals of less than one year (monthly, bi-monthly, or quarterly) in accordance with the utility's established billing periods. A non permanent resident may elect to pay the annual charge in two equal installments. Where such a resident has failed to pay the first half of the annual charge due January 1, service will not be restored until the total annual charge has been paid.

3. The opening bill for flat rate service shall be established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

4. The utility has the option to bill its flat rate customers monthly, bi-monthly, quarterly, semi-annually, or annually.

(END OF APPENDIX A)

APPENDIX B  
Page 1

ADOPTED QUANTITIES

-----  
1988 Test Year

Name of Company: Vista Grande Water System

Net-to-Gross Multiplier:	N/A
Federal Tax Rate:	15.03%
State Tax Rate:	9.3%
Uncollectible Rate:	0.0%

Expenses

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1. Purchased Power (Electric)	
Sierra Pacific Power Company	
Total Cost	\$2,530
kWh Used	30,453
Schedule & Effective Date	A-1:1/1/87
\$/kWh Used	\$0.08308
2. Purchased Water	None
3. Pump Tax - Replenishment Tax	None
4. Payroll:	
Employee Labor:	\$4,500
Management Salaries:	\$6,510
Office Salaries:	\$1,200
	-----
Total	\$12,210
Payroll Taxes:	\$ 1,642
5. Ad Valorem Taxes	\$ 475

Service Connections:

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1. Flat	147
2. Metered	1
	-----
Total	148

APPENDIX B  
Page 2  
INCOME TAXES

## Lake Forest Water Company

ADOPTED QUANTITIES  
-----

ADOPTED TAX CALCULATIONS  
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Item -----	(1988 Test Year)	
	@ Adopted Expenses & Rates	
	CCFT	FIT
	-----	-----
OPERATING REVENUES	\$43,510	\$43,510
O&M EXPENSES	33,403	33,403
TAXES OTHER THAN INCOME	2,117	2,117
TAX DEPRECIATION	1,580	1,580
INTEREST	3,346	3,346
CCFT	0	285
SUB-TOTAL DEDUCTIONS	40,446	40,731
STATE TAXABLE REVENUE	3,064	-
CCFT AT 9.3%	285	-
FED. TAXABLE REVENUE	-	2,779
FIT AT 15%	-	417
TOTAL INCOME TAX	-	702

(END OF APPENDIX B)

APPENDIX C  
 COMPARISON OF RATES  
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Comparison of typical yearly bills for flat rate customers.

Flat Rate Service:	Present Rates	Auth. Rates	Percent Rates
1. For each single unit of residential occupancy.....	\$190.00	\$245.20	29.05%
(a) For each additional unit of resident occupancy on the same premises and served from the same connection.....	142.00	183.25	29.05%
2. For motels or recreational vehicle parks First of Manager's Unit.....	190.00	245.20	29.05%
(a) For each additional motel or vehicle unit on the same premises and served from the same connection.....	72.00	93.00	29.17%
3. Single unit commercial units having minimum fixtures described as one housebibi or standpipe.....	142.00	183.25	29.05%
4. Double commercial units with less than 1500 sq.ft. having minimum fixtures in each unit.....	284.00	366.50	29.05%
5. Intermediate commercial less than 2000 sq.ft., 1" service lines, addit'l fixtures than minimum, additional uses such as landscaping, power/steam wash, or one living accommodation unit.....	335.00	\$432.35	29.06%
6. Commercial warehouse buildings with office facilities, separate bays, less than 2000 sq.ft.....	335.00	432.35	29.06%
7. Commercial warehouse buildings with office facilities, separate bays, more than 2000 sq.ft.....	473.00	610.45	29.06%
8. Utility maintenance station, large commercial with one living accommodation, parks, beaches.....	473.00	610.45	29.06%
(a) Each additional living unit.....	140.00	180.70	29.07%

(END OF APPENDIX C)