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Decision 92-06-022 June 3, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
Sequoia Crest Water Company for )  
General Rate Increase for Water )  
Service in Tulare County for 1991, )  
1992 and 1993. )

**ORIGINAL**  
Application 91-09-070  
(Filed September 9, 1991)

Timothy Rouch, for Sequoia Crest Water Company,  
applicant.  
Daniel R. Paige, for Water Utilities Branch,  
Commission Advisory and Compliance Division.

O P I N I O N

1. Summary

Sequoia Crest, Inc. (Sequoia Crest), a Class D water company serving 88 mountain cabins and homes in and around Camp Nelson in Tulare County, seeks a 100% increase in rates (from a flat rate charge of \$150 per year to \$300 per year) and a 21% rate of return in order to avoid loss, meet increased costs of operation and earn a reasonable return. This decision adopts test year 1992 estimates established in the investigation by the Commission's Water Utilities Branch. Sequoia Crest is authorized to increase flat rates by 78% (from \$150 per year to \$267 per year) and is granted a rate of return of 14.15% in accordance with recent Commission guidelines for small water utilities. Sequoia Crest also is directed to make certain improvements in its system to comply with minimum standards for small water company operations.

2. Background

Sequoia Crest serves 88 customers in mountain homes and cabins located in and around Camp Nelson in Tulare County. Camp Nelson is in the Sequoia National Forest at an elevation of 4,800 feet, about 30 miles east of Porterville on State Route 190. Of

the 88 homes served, seven are occupied year-around; 45 are used on weekends, and the rest are summer vacation homes. Ratepayers are billed for their water at a flat rate of \$150 once a year.

The utility was incorporated in 1959. Its operating certificate was granted in Decision (D.) 62390 in 1961. Sequoia Crest is operated by Timothy Rouch, its president, who also operates a roof-truss manufacturing company in Visalia. The system is served by one well, a 35,000-gallon steel tank and a 100,000-gallon redwood tank. Water is distributed through 21,000 feet of 3-, 4- and 6-inch pipelines.

### 3. Application

As shown by the summary of earnings (Appendix A), Sequoia Crest has annual operating revenue of \$13,200. For test year 1992, expenses will exceed revenue by about \$8,000 unless relief is granted. Rouch testified that the company has operated at small losses for the previous two or three years.

By draft advice letter dated April 29, 1991, the utility sought a rate increase of 109% in 1992 for additional revenue of \$14,400, with a 30% (or \$8,300) increase in 1993. The company's current rate of \$150 per year for a single-family residence was authorized in 1985 in Resolution W-3241.<sup>1</sup>

The Commission's Water Utilities Branch (Branch) conducted an informal public meeting on the requested rate increase in May 1991. Customers objected to the size of the increase, and they complained about unreliable service, including frequent summer

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<sup>1</sup> Resolution W-3241, effective April 17, 1985, granted a 74.8% general rate increase (from \$85.80 to \$150 annually), but also ordered a refund of about \$31 per customer per year over a three-year period because the utility had increased its rates in 1978 without first obtaining Commission approval. Neither the resolution nor the staff report at the time suggests that the unauthorized increase was based on anything other than a misunderstanding of the rate application process.

outages. Additionally, Branch received 60 letters opposing the rate increase.

Branch recommended, and Sequoia Crest agreed, that the advice letter would be converted to an application so that a formal hearing could be conducted. The application was filed on September 9, 1991. Branch completed its staff report on January 29, 1992, and a combined public participating hearing and evidentiary hearing was conducted on March 17, 1992, in Camp Nelson. The parties waived exchange of briefs, and the case was deemed submitted upon receipt of transcript on April 16, 1992.

The application seeks a 100% increase in annual rates for 1992 and an additional 30% increase in 1993 to increase operating income initially to \$26,400 annually and then to \$34,320. Flat rates would increase to \$300 in 1992 and to \$390 in 1993.

#### 4. Public Hearing

Eleven ratepayers attending the public participation hearing and the evidentiary hearing on March 17, 1992, in the second floor meeting room of the Camp Nelson Fire Station.

Aileen Hamilton, president of the Camp Nelson Property Owners Association, stated that most of the homeowners' concerns are dealt with in Branch's report on operations of the utility. She expressed concern about whether all ratepayers are being billed (a problem that the utility later testified has been resolved with an updated mailing list). She urged better communications with owners when water service is to be interrupted by repairs. (The utility's owner agreed during testimony to provide postings on a community bulletin board.)

Other commentators noted that when water is turned off and then turned back on, the system's high pressure (described as in excess of 200 pounds per square inch) can pop residential pressure relief valves and has caused flooding in some of the cabins, including one owned by Sequoia Crest's president. On cross-examination by Branch, Rouch was unable to state whether the

system complies with pressure requirements of General Order (GO) 103 (among them, a maximum of 150 pounds per square inch gauge), but he stated that he will investigate the possibility of installing pressure-regulating valves to solve this problem.

Rouch testified about the difficulties of maintaining a 30-year-old water system in mountainous terrain that ranges from rock to sand. He testified that the utility has installed a gauge at its water source to monitor water flow so that leaks can be detected earlier than in the past. He said that a map showing shutoff valves in the system is being completed. A retired resident (Roy Aiken) has been given a valve wrench and has volunteered to shut off water at leak points if Sequoia Crest personnel are not on duty when a leak occurs. Rouch stated:

"There's a lot more work involved with operating a water system than people realize. Having to ensure an adequate and healthy supply...in such an isolated area is difficult. We are more aware now of the need to improve our methods, but with those improved methods come more time, more effort, and more cost. In the two or three previous years...I more or less allowed the water company to go along its merry way, without really...trying to get a handle on its problems and possibilities. I was content with the fact that it was only losing a little bit of money. [Now] I've changed my approach [and have come to realize] that it has to make money or nobody will want it and nobody will endeavor to supply water." (Tr. p. 45.)

Letters received by the Commission complain of "dissatisfaction in general of [the utility's] services." One writer noted that he was advised in 1991 to boil his water before drinking it, because of contamination, then heard nothing more about it. Others complained of inoperative fire hydrants (a problem which the utility testified has now been corrected). A number of residents argue that the \$150 annual flat rate is actually higher than comparable services since they use water only for one or two months a year when they vacation in their cabins.

5. Analysis of Revenue, Expenses and Rate Base

Branch's summary of operating revenue, operating expenses and rate base is set forth in Appendix A. Branch and the utility agree on a customer growth of about four homes during test year 1992. They also agree on operating revenues at current and proposed rates.

There are differences between Branch and Sequoia Crest as to estimates of operating expenses for test year 1992. The major differences are analyzed below.

Power - The utility estimated an arbitrary \$3,500 for power in 1992. Branch examined electricity bills for service provided under four rate schedules. It found that service under one schedule was for a pump that is no longer being used. Power under another schedule was assigned to an improper account. A third schedule of service showed no current use. Branch then calculated purchased power expense based on service for the 12 months of 1991 for the existing 5-horsepower well pump. Branch's estimate of \$2,100 for power in test year 1992 is reasonable and is adopted.

Contract Work - Sequoia Crest estimates contract work expense for the test year at \$3,000. This includes part of the salary of the utility's single employee, Claude (Skip) Rouch, brother of the company's president, who monitors the system and is on call at all times. Skip Rouch is paid \$200 a month. Branch accounted for this in the management salaries account. Branch estimated that contract expenses for the test year will include \$1,000 for water testing and \$1,200 for miscellaneous repairs. The utility had no objection to this analysis.

Insurance - The utility estimated insurance expense for the test year at \$1,000 for liability and \$600 for property coverage. Branch alleged that the \$600 was for property not dedicated to water service, but it agreed that \$1,000 for liability

coverage is reasonable. The utility does not contest Branch's recommendation.

Uncollectibles - The utility seeks a \$1,380 reserve for uncollectible accounts. Branch uses an uncollectible rate of 0.5%, which it states is typical for small water companies. At hearing, Sequoia Crest's president testified that several customers who were in arrears have paid their accounts. He agreed with Branch's method of measuring uncollectibles.

Rate Base - Rate base is a utility's investment in facilities and other assets used in supplying its service to the public. Sequoia Crest estimated its 1992 rate base using information from its 1990 annual report. Branch reconstructed the utility's rate base starting with the adopted figures from the last general rate case. Its analysis includes Commission-approved treatment for plant additions and retirements and refunds of advances. Its calculation of the 1992 rate base is as follows:

Water Plant in Service

Beginning of Year Plant	\$72,597	
Contributions, Additions	0	
Refund of Advances	850	
Plant Retirements	<u>0</u>	
End of Year Plant	73,447	
Average Plant		\$73,022

Accumulated Depreciation

Beginning of Year Depr.	37,249	
Depr. Expense	1,763	
Retirements	<u>0</u>	
End of Year Accum. Depr.	39,012	
Average Accum. Depr.		38,130

Balance of Advances

Beginning of Year Advances	2,945	
Refunds	<u>850</u>	
End of Year Advances	2,095	
Average Advances		2,520
Rate Base		\$32,372

Rate base is calculated by subtracting average accumulated depreciation and average advances from average water plant in service. Rate base is multiplied by the rate of return deemed reasonable for the utility to determine net operating income. Thus, the higher the rate base, the higher the allowable net income a utility is given the opportunity to earn.

Branch's calculation of rate base is slightly higher than the utility's. Sequoia Crest does not challenge the calculation. Branch notes that refunds for advances should be properly recorded in the utility's annual report Schedule B (Water Plant in Service) and Schedule J (Advances for Construction) when Sequoia Crest submits its annual report for 1992. We find that Branch's calculation of rate base is reasonable, and it is adopted.

Field Investigation - Branch makes a number of recommendations based on its inspection of Sequoia Crest facilities. First, Branch notes that the utility has only one source of supply of water. GO 103 requires that each separately operated water system shall have not less than two independent sources of supply. As testimony at hearing showed, ratepayers were without potable water for a lengthy period in 1991 because of a leak and contamination of the water supply. A second well might have alleviated that problem. The utility's president testified that it is proceeding with plans to drill a second well.

Branch also noted that a measuring device is required by GO 103 to record the quantity of water produced at the source. The utility's president testified that a measuring device has been installed on the company's single well and that it already has been useful in helping detect leaks promptly.

In response to comments at the hearing, Branch also recommends that the utility investigate and, if feasible, install one or more pressure-regulating valves to control water pressure.

Metered Service - Branch recommends that Sequoia Crest's tariffs include a metered rate schedule for new customers and for

current customers who prefer to have their water use metered. Under the schedule, metered customers would pay approximately the same amount as flat-rate customers if they use the system average of 700 cubic feet of water per month. Branch's recommendation takes note of a new provision of the California Water Code (Section 110, added by Senate Bill 229) that requires most water purveyors to provide only metered water service to new customers after January 1, 1992. Sequoia Crest supports Branch's recommendation.

6. Discussion

We adopt Branch's estimate of expenses and rate base for test year 1992. Branch's witness, Assistant Utilities Engineer Sylvia Soto, testified that she calculated 1992 costs based on actual expenses as verified by latest available receipts and records. Sequoia Crest did not challenge any of Branch's calculations, but it did offer what it termed actual expenses for 1990 in support of its estimate of about \$3,000 in additional costs. (Ex. 3.) As Soto testified, however, none of this information has been verified. Our examination of the utility's exhibit persuades us that it contains data that Branch earlier had found unsupported or attributed to accounts incorrectly (i.e., uncollected flat rates, regulatory expense, insurance and salaries).

We also adopt Branch's recommendations that the utility install an additional water source, provide suitable measuring devices at each source of supply, and add pressure valves if feasible to correct excess pressure. These steps are necessary if the utility is to meet requirements of GO 103. Our order authorizes the company to file an advice letter to recover by way of a rate base offset the reasonable costs of these system improvements. Branch estimates that costs to date are at \$15,000. Costs will be subject to a reasonableness review prior to recovery.



Our order establishes a metered rate schedule for Sequoia Crest to enable the company to provide metered service to new customers or to convert existing flat-rate customers to a metered rate. Those customers who occupy their mountain cabins for only a month or two each year may now consider a change to metered service if they believe their use of water will average less than 700 cubic feet of water per month.<sup>2</sup>

7. Rate of Return

Branch applies an 11% rate of return, which is at the top of the range recommended in April 1989 by the Commission Advisory and Compliance Division (CACD) for 100% equity financed water companies. Since the time of Branch's report, however, the Commission has adjusted this recommended rate of return as part of its investigation into financial risks of small water companies. (See Order Instituting Investigation (I.) 90-11-033.) In D.92-03-093, issued March 31, 1992, the Commission reviewed the financial risks and water quality costs facing small water companies, and it authorized a generic rate of return for Class D water companies (fewer than 500 service connections) of between 13.9% and 14.4%.

We will apply a 14.15% rate of return for Sequoia Crest. This rate is at the lower end of the recommended range, reflecting our concern with the number of customer complaints and the previous lack of communications with ratepayers. On the other hand, we are impressed with the utility's recent steps to deal promptly with

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<sup>2</sup> Metered service should present minimum risk for the utility. In our decision in D.92-03-093, we authorized Class D utilities to recover up to 100% of fixed costs in the service charge portion of their rate design. Previously, these small water companies, like their larger Class A brethren, were authorized to collect only 50% of fixed costs in the service charge, with the remainder of fixed costs allotted to the use charge portion of the rate design. Metered rates in Appendix B have been designed to provide the same revenue as flat rates if average water use is not exceeded.

complaints, to upgrade plant, and to improve communications. It was obvious at hearing that the utility's president has a good relationship with ratepayers. A 14.15% rate of return will give Sequoia Crest the opportunity to make a modest return on investment, and it should further encourage the utility to improve service.

In that connection, we note that our decision in D.92-03-093 also authorizes Class D water utilities to establish a memorandum account to record unanticipated repair costs. If such costs are not already reflected in rates, and if the repairs are crucial to the operation of the utility, a small water company may (following reasonableness review) recover the costs through a temporary surcharge. Again, this new procedure is intended to encourage small utilities like Sequoia Crest to solve repair problems quickly and efficiently.

#### 8. Comments on ALJ's Proposed Decision

In accordance with Public Utilities Code Section 311 and Rule 77.1 of the Rules of Practice and Procedure, the draft decision prepared by the assigned administrative law judge was issued on May 1, 1992. No comments or objections have been filed by any party.

#### Findings of Fact

1. Sequoia Crest serves 88 customers in mountain homes and cabins in and around Camp Nelson in eastern Tulare County.
2. Seven of the homes served are occupied year-around; 45 are used on weekends, and the rest are summer vacation homes.
3. Ratepayers are billed for their water at a flat rate of \$150 once a year.
4. The utility was incorporated in 1959, and its operating certificate was granted in D.62390 in 1961.
5. The utility is served by one well, a 35,000-gallon steel tank, and a 100,000-gallon redwood tank. Water is distributed through some 21,000 feet of 3-, 4- and 6-inch pipelines.

6. Sequoia Crest filed a draft advice letter on April 29, 1991, seeking a rate increase of 109% (\$14,400) in 1992 and another 30% increase (\$8,300) in 1993.

7. Branch conducted an informal public meeting on May 8, 1991. Customers at the meeting objected to the size of the proposed rate increase and complained of unreliable service.

8. The Commission has received 60 letters opposing the rate increase and complaining of unsatisfactory service.

9. Sequoia Crest converted its advice letter to a formal application on September 9, 1991, seeking a 100% increase in rates for 1992 and an additional 30% increase in 1993. Under the proposal, annual flat rates would increase to \$300 in 1992 and to \$390 in 1993.

10. A combined public participation hearing and evidentiary hearing was conducted on March 17, 1992, in Camp Nelson, to consider the utility's application.

11. Branch's summary of operating revenue, operating expenses and rate base is set forth in Appendix A in this decision.

12. Branch based its recommendations for test year 1992 on recorded costs as verified by receipts and accounts.

13. Branch reconstructed the utility's rate base starting with the adopted figures from the previous general rate case and applying Commission-approved treatment for plant additions, retirements, refunds and advances.

14. Branch recommends that the utility develop a second source of water supply, affix measuring devices to water sources, and modify the system to correct excess water pressure, all as required by GO 103.

15. The Commission in D.92-03-093 authorized a generic rate of return for Class D water companies within the range of 13.9% and 14.4%.

16. The Commission in D.92-03-093 authorized Class D water companies to establish a memorandum account to record unanticipated repair costs.

17. The Commission in D.92-03-093 authorized Class D water companies to recover up to 100% of fixed costs in the service charge portion of their rate design for metered customers.

Conclusions of Law

1. Branch's estimates of income, expenses and rate base for test year 1992 are reasonable and should be adopted.

2. A rate of return of 14.15% for this Class D water company takes account of customer complaints and is reasonable based on this record.

3. The utility should be required to develop a second source of water, to install measuring devices on its sources of water, and to install pressure valves to reduce water pressure, all as required by GO 103.

4. The utility should be authorized to file by advice letter to recover by way of rate base offset for those system improvements required by this decision. Such filing should be subject to reasonableness review.

5. Because the utility is sustaining losses at its current rates, this order should be made effective immediately.

O R D E R

IT IS ORDERED that:

1. Sequoia Crest, Inc., (Sequoia Crest) is authorized to file an advice letter incorporating the summary of earnings and the rate schedules in Appendix A and B, respectively, and concurrently cancel its presently effective Schedule No. 2R in compliance with General Order (GO) Series 96 after the effective date of this order. In its filing, Sequoia Crest shall update its Tariff Title Page, Preliminary Statement, and Rules 15 and 16. The revised

schedules shall apply only to service rendered on and after their effective date, which shall be 5 days after filing.

2. Sequoia Crest is directed to proceed with and to have completed within two (2) years from the effective date of this order the development of a second source of water supply, to install measuring devices at each source of water supply, and to take reasonable steps to modify the system to correct excess water pressure, all as required by GO 103.

3. Sequoia Crest is authorized to file by advice letter for a rate base offset to recover reasonable costs of the system improvements required by this decision.

4. Sequoia Crest shall follow the Uniform System of Accounts for Class B, C and D water utilities prescribed by the Commission and shall record in its 1992 Annual Report to the Commission the following beginning of year balances: \$73,447, Water Plant in Service; \$39,012, Accumulated Depreciation; and \$2,095, Advances for Construction.

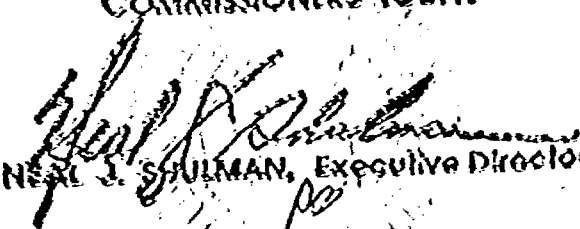
5. This proceeding is closed.

This order is effective today.

Dated June 3, 1992, at San Francisco, California.

DANIEL Wm. FESSLER  
President  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
Commissioners

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

  
NEAL J. SPULMAN, Executive Director

## APPENDIX A

## SEQUOIA CREST, INC.

SUMMARY OF EARNINGS  
Test Year 1992

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Flat-Rate	\$13,200	\$27,600	\$13,200	\$27,600	\$24,490
<u>Operating Expenses</u>					
Power	3,500	3,500	2,141	2,141	2,141
Purchased Water	0	0	0	0	0
Other Vol. Rel. Exp.	0	0	0	0	0
Employee Labor	0	0	0	0	0
Materials	0	0	0	0	0
Contract Work	3,000	3,000	2,200	2,200	2,200
Transportation Exp.	500	500	500	500	500
Other Plant Maint.	1,200	1,200	0	0	0
Office Salaries	0	0	0	0	0
Management Salaries	6,000	6,000	8,400	8,400	8,400
Uncollectibles	1,380	1,380	66	138	122
Office Serv. & Rent	600	600	600	600	600
Office Suppl. & Exp.	100	100	100	100	100
Professional Service	1,100	1,100	1,100	1,100	1,100
Insurance	1,600	1,600	1,000	1,000	1,000
Regulatory Comm. Exp.	200	200	0	0	0
General Expenses	50	50	50	50	50
Subtotal	19,230	19,230	16,157	16,229	16,213
Depreciation Expense	756	756	1,763	1,763	1,763
Franchise Tax	0	0	0	0	0
Property Taxes	450	450	324	324	324
Payroll Taxes	0	0	0	0	0
Income Taxes	600	600	800	2,127	1,608
Total Deductions	21,036	21,036	19,044	20,443	19,909
<u>Net Revenue</u>	(7,836)	6,564	(5,844)	7,157	4,581
<u>Rate Base</u>					
Average Plant	55,300	55,300	73,022	73,022	73,022
Aver. Accum. Deprec.	24,100	24,100	38,130	38,130	38,130
Net Plant	31,200	31,200	34,892	34,892	34,892
Less: Advances	0	0	2,520	2,520	2,520
Contributions	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l. & Suppl.	0	0	0	0	0
Rate Base	31,200	31,200	32,372	32,372	32,372
<u>Rate of Return</u>	(loss)	21.04%	(loss)	22.11%	14.15%

(END OF APPENDIX A)

APPENDIX B  
Page 1

SEQUOIA CREST, INC.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Tract No. 308, Sequoia Crest Subdivision, and vicinity, located approximately 24 miles northeast of the community of Springville, Tulare County.

RATES

Quantity Rates:

All water used per 100 cubic feet . . . . . \$ 1.10

Service Charge:

Per Meter  
Per Month

For 5/8 x 3/4-inch meter . . . . .	\$ 14.50
For 3/4-inch meter . . . . .	21.75
For 1-inch meter . . . . .	36.25
For 1-1/2-inch meter . . . . .	72.50
For 2-inch meter . . . . .	116.00

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UP.

APPENDIX B  
Page 2

SEQUOIA CREST, INC.

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The unincorporated area known as Tract No. 308, Sequoia Crest Subdivision, and vicinity, located approximately 24 miles northeast of the community of Springville, Tulare County.

RATES

	<u>Per Service Connection Per Year</u>
For a single-family residential unit including premises . . . . .	\$267.00 (1)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch diameter.
2. The flat rate charge applies to service during the 12-month period commencing January 1 and is payable in advance.

(END OF APPENDIX B)



APPENDIX C  
 SEQUOIA CREST, INC.  
COMPARISON OF RATES

A comparison of the present and Branch's recommended rates is shown below:

Residential Flat Rate Service

	Per Service Connection		
	Per Year		
	Present	Adopted	Percent
	Rates	Rates	Increase
For a single family residence unit including premises .....	\$150.00	\$267.00	78.00%

General Metered Rate Service

The utility presently has no metered rate customers. The metered rate schedule has been designed so that the charges will be approximately equal to the charges under the flat rate schedule for a customer who uses approximately the system average of seven Ccf (one Ccf is one hundred cubic feet) per month.

(END OF APPENDIX C)

## APPENDIX D

Page 1

## SEQUOIA CREST, INC.

ADOPTED QUANTITIES  
Test Year 1992

Federal Income Tax Rate	15.0%
California Income Tax Rate	9.3%
Uncollectible Rate	0.5%

Expenses:

## 1. Power

Southern California Edison Company

Rate Schedule

PA-1

Effective Date

1/20/92

Energy Charge:

kWh used

20,632

Rate, per kWh

\$0.09364

Amount

\$1,932

Customer Charge:

No. of meters

1

Rate, per meter per month

\$11.65

Amount

140

Service Charge:

No. of horsepower

5

Rate, per horsepower per month

\$ 1.15

Amount

69

Total Power Cost

\$2,141

## 2. Purchased Power

None

## 3. Ground Water Replenishment Tax

None

## 4. Water Testing Expenses (in Contract Work)

\$1,000

## 5. Insurance Expense

\$1,000

## 6. Payroll, Payroll Taxes, and Employee Benefits:

Employee Labor

\$ 0

Office Salaries

0

Management Salaries

8,400

Amount

\$8,400

Payroll Taxes

0

Employee Benefits

0

Total

\$8,400

APPENDIX D  
Page 2

## SEQUOIA CREST, INC.

ADOPTED QUANTITIES  
Test Year 1992  
(Continued)

7.	Ad Valorem Taxes:		
	Tax Rate	1.00000%	
	Assessed Valuation	\$ 32,372	
	Total		\$ 324
8.	Number of Flat-rate Customers	92	

ADOPTED INCOME TAX CALCULATIONS  
Test Year 1992

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$24,490	\$24,490
2.	Expenses	16,213	16,213
3.	Taxes Other than Income	324	324
4.	Depreciation	1,763	1,763
5.	Interest	0	0
6.	Taxable Income for State Tax	6,190	
7.	State Tax at 9.3% (\$800 min.)	800	
8.	Taxable Income for Federal Tax		5,390
9.	Federal Tax at 15% of 1st \$50,000		808
10.	Total Income Taxes	\$1,608	

(END OF APPENDIX D)