

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Orig. and copy  
to Executive Director

RESOLUTION NO. W-3317

EVALUATION & COMPLIANCE DIVISION  
 BRANCH/SECTION: Water Utilities  
 DATE: May 28, 1986

Director  
 Numerical File  
 Alphabetical File  
 Accounting Officer

R E S O L U T I O N

TAHOE PARADISE WATER CO. (TPWC). ORDER AUTHORIZING  
 A GENERAL RATE INCREASE PRODUCING \$49,390 OR 18.4%  
 IN 1986 AND A FURTHER STEP INCREASE OF \$5,195 OR  
 ABOUT 1.7% IN 1987.

TPWC by draft advice letter received by the Water Utilities Branch (Branch) on September 16, 1985, requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$65,598 or 25% in 1985, by \$34,290 or 10.5% in 1986 and an unspecified attrition allowance for 1987. TPWC estimates that the 1985 gross revenue of \$262,364 at present rates would increase to \$327,962 for 1985 and to \$362,252 for 1986 at proposed rates and the rate of return on rate base would increase from a loss to 12%. TPWC serves 2,267 flat rate and 29 metered customers in the resort community of Tahoe Paradise and vicinity, located near the City of Meyers, El Dorado County.

The present rates have been in effect since July 13, 1982 pursuant to Resolution No. W-2996, which authorized a general rate increase.

The Branch made an independent analysis of TPWC's summaries of earnings. Since the year 1985 has elapsed, the Branch recommends that 1986 be used as the test year for establishing new rates. Appendix A shows TPWC's and the Branch's estimates of the summary of earnings for 1986 at present, requested and adopted rates. The differences between TPWC's and the Branch's estimates of the summary of earnings are in operating expenses, rate base, and rate of return.

The differences in estimates of operating expenses are in purchased power, employee labor, materials and supplies (related to maintenance and repairs), office supplies, general expenses, vehicle expenses, employee benefits, depreciation, and payroll taxes.

TPWC's estimate of purchased power is \$84,426 versus the Branch's estimate of \$52,355. In its estimate TPWC used water production factors (measures of energy consumed to produce a unit of water) that were much higher than those used by the Branch. TPWC also used estimated future electric power rates.

The Branch believes its estimate is more accurate because it is based on TPWC provided recorded data which indicates that the water production factors have remained fairly constant over the past five years. Also, the Branch used the current power rates and notes that in the event these rates increase, TPWC will be able to cover the increase under the Commission's offset rate increase procedures for water companies.

TPWC's estimate of employee labor expense is higher than the Branch's. TPWC's estimate was made by escalating the recorded 1984 amount by 9% for 1985 and 6% for 1986. The Branch's estimate was made by escalating the same recorded figure for 1984 by 3.5% for 1985 and 3.1% for 1986. These labor escalation amounts were found reasonable by the Evaluation and Compliance Division (ECD) and are based on forecasting information published by Data Resources, Inc. TPWC's factors for escalation are its own estimates and considered to be excessive by the Branch in light of the moderating trend in inflation since the last rate case.

The differences in the estimates of materials and office supplies result from differences in the estimates of inflation rates. TPWC's estimates were made by inflating the 1984 recorded expenses for these items by 6% to determine the 1985 expenses, and again by 6% for the 1986 expense estimates. The Branch used the same method but used labor inflation rates of 0.8% for 1985, and 1.8% for 1986. These non-labor factors were found reasonable by ECD's Research Branch and in the Branch's view are reasonable and reflect the current trends in inflation.

TPWC's estimate of general expenses is higher than the Branch's. In addition to the differences in the inflation adjustments discussed above for materials and office supplies, the Branch excluded from its estimate for ratemaking, certain association dues related to political advocacy, and reduced certain other association dues to reflect actual amounts paid.

TPWC's estimated vehicle expenses are higher than the Branch's. TPWC's estimate included major repair expenses to two older vehicles. TPWC revised its estimate to reflect a replacement purchase of one vehicle in 1986. With less reliance on the older and more costly to maintain vehicles, TPWC believes that its overall vehicle expenses will be \$8,774 instead of \$11,335 it originally proposed. The Branch agrees with TPWC's revised estimate of \$8,774 and the addition of \$14,138 to rate base for the new vehicle.

Employee benefit estimates differ because of the differences in the estimate of employee labor.

The difference in the depreciation expense estimates is due to the difference in plant estimates.

Payroll tax estimates differ because of differences in the level of employee labor discussed previously and the Branch's use of the latest tax rates for social security and unemployment insurance.

The difference in rate base estimates results from differences in the estimates of plant, depreciation reserve, and materials and supplies (related to plant).

The Branch's estimate of plant is higher than TPWC's because of the addition of a new vehicle as explained earlier in the discussion on vehicle expenses.

The Branch's estimate of depreciation reserve is higher than TPWC's primarily due to arithmetic errors by TPWC and the Branch's higher depreciation accrual for the test year due to its higher estimate of plant.

The difference in the estimates of material and supplies related to plant results from differences in inflation factors, which were addressed previously in the discussion on materials and supplies related to maintenance and repairs.

TPWC requests a rate of return of 12% on rate base for the year 1986. TPWC also requests an operational attrition allowance for 1987 sufficient to maintain a rate of return of 12% for that year. The requested rate of return is above the rate of return range (10.75% to 11.25%) recommended by ECD's Financial Branch for small water utilities. The Branch recommends the midpoint rate of return of 11.0% for TPWC and believes this amount is reasonable.

The operational attrition allowance is in the form of a step rate increase and is to compensate TPWC for the anticipated drop in the return on rate base between the years 1986 and 1987 due to operating expense increases rising faster than operating revenue, primarily because of inflation. An attrition allowance of \$5,195 for 1987 will maintain the the Branch's recommended 11% rate of return on rate base.

TPWC was informed about the Branch's differing views on expenses, rate base, and rate of return, and has stated that it accepts the Branch's estimates.

A notice of the proposed rate increase was mailed to each customer on September 14, 1985. The public notice of the proposed rate increase resulted in seven letters to the Commission. Most of the letters were from non-resident property owners that felt that they used very small amounts of water, and therefore the rates and rate increases were exorbitant. One customer objected to the requested increases on the basis that it constituted excessive pay increases. One customer said that their neighbors wasted water and should be metered.

The Branch has drafted a letter of reply to the customers who responded. It explains the Commission's action and will be mailed after the resolution is signed. It is attached as Appendix E.

A member of the Branch made a field investigation in November 1985. TPWC's plant facilities were inspected, pressures checked, customers interviewed and the records examined. The investigation indicated that the service is good and that TPWC's system is well operated and in compliance with the the Commission's General Order 103, Rules Governing Water Service. There are no outstanding Commission orders requiring system improvements. According to the California Department of Health Services there are no water quality problems.

TPWC's metered rate structure conforms to the Commission's model rate structure of a service charge, a 300 cubic-foot first block and an inverted tail block. The Branch's recommended percentage increase to TPWC's flat rate, metered rate, and private fire protection service schedules is approximately equal to the

overall system increase of 18.4%. The annual bill for the flat rate residential customer will increase from \$112.14 to \$132.81 for 1986. The monthly bill for the average metered customer will increase from \$13.76 to \$16.32. A comparison of present and recommended rates is shown in Appendix C.

TPWC filed by Advice Letter No. 55, effective August 30, 1983, a Uniform Fire Hydrant Service Agreement, which provides that there will be no separate charge for supplying public fire hydrant water service. Such an agreement is permissible under Section VIII-4, of General Order 103. Since the tariffs for the public fire hydrant service are no longer used, the Branch recommends cancelling the current tariff sheet Schedule No. 5, Public Fire Hydrant Service.

The Branch recommends that the Commission authorize an increase of \$48,390 or 18.4% for 1986, and an attrition step increase of \$5,195 or about 1.7% in 1987. These increases provide a return on rate base of 11% for both test year 1986 and attrition year 1987.

The Commission's opinion, after investigation by the Branch is that:

- a. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
- b. The rates recommended by the Branch (Appendix B) are reasonable and should be authorized.
- c. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
- d. The current tariff sheet for Public Fire Hydrant Service, Schedule No. 5, is unnecessary and should be canceled.
- e. An operational attrition step rate increase of \$5,195 (1.7%) should be allowed for 1987.

THE COMMISSION FINDS that the increased rates hereby authorized are justified and that the present rates are, for the future, unjust and unreasonable.

IT IS RESOLVED that:

1. Authority is granted under Public Utilities Code Section 454 for Tahoe Paradise Water Co., Inc. to file an advice letter incorporating the Summary of Earnings and revised rate schedules attached to this resolution as Appendices A and B, and concurrently to cancel the presently effective rate Schedules Nos. 1A, 2RA, 4, and 5. Such filing shall comply with General Order 96-A.
2. On or before November 15, 1986, Tahoe Paradise Water Company is authorized to file an advice letter, with appropriate workpapers, requesting an operational attrition step rate increase of \$5,195 (1.7%) or to file a lesser increase in the event that TPWC's rate of return on rate base, adjusted to reflect the rates then in effect and normal rate-making adjustments, for the 12 months ended September 30, 1986, exceeds 11.0%. Such filing shall comply with General Order 96-A. The requested rates shall be reviewed by the staff to determine their conformity with this resolution and shall go into effect upon

the staff's determination of conformity. The staff shall inform the Commission if it finds that the proposed rates are not in accord with this resolution, and the Commission may then modify the increase. The effective date of the revised schedule shall be no earlier than January 1, 1987, or 30 days after the filing of the rates, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof.

3. The effective date of the revised rate schedules shall be the date of filing.

4. This Resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 28, 1986. The following Commissioners approved it:

DONALD VIAL  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
FREDERICK R. DUDA  
STANLEY W. HULETT  
Commissioners

*Howard A. Sarasohn*

HOWARD A. SARASOHN  
Acting Executive Director

## APPENDIX A

## TAHOE PARADISE WATER CO., INC.

SUMMARY OF EARNINGS  
(Estimated Year 1986)

| Item                      | : Utility Estimated : |               | : Branch Estimated : |               | : Adopted : |
|---------------------------|-----------------------|---------------|----------------------|---------------|-------------|
|                           | : Present :           | : Requested : | : Present :          | : Requested : |             |
|                           | : Rates :             | : Rates :     | : Rates :            | : Rates :     |             |
| <b>Operating Revenue</b>  |                       |               |                      |               |             |
| Flat                      | \$255,609             | \$352,917     | \$255,609            | \$352,917     | \$302,725   |
| Metered                   | 6,444                 | 8,900         | 6,444                | 8,900         | 7,660       |
| Private Fire Prot.        | 311                   | 435           | 311                  | 435           | 369         |
| Total Revenue             | \$262,364             | \$362,252     | \$262,364            | \$362,252     | \$310,754   |
| <b>Operating Expenses</b> |                       |               |                      |               |             |
| Purchased Water           | 175                   | 175           | 175                  | 175           | 175         |
| Purchased Power           | 84,426                | 84,426        | 52,355               | 52,355        | 52,355      |
| Employee Labor            | 123,420               | 123,420       | 113,855              | 113,855       | 113,855     |
| Materials & Supplies      | 12,230                | 12,230        | 11,170               | 11,170        | 11,170      |
| Office Supplies           | 21,393                | 21,393        | 19,538               | 19,538        | 19,538      |
| Insurance                 | 14,435                | 14,435        | 14,435               | 14,435        | 14,435      |
| Acctg., Legal             | 7,100                 | 7,100         | 7,100                | 7,100         | 7,100       |
| General Expenses          | 8,156                 | 8,156         | 7,450                | 7,450         | 7,450       |
| Vehicle Expenses          | 11,335                | 11,335        | 8,774                | 8,774         | 8,774       |
| Employee Benefits         | 18,744                | 18,744        | 17,290               | 17,290        | 17,290      |
| Total Expenses            | \$301,414             | \$301,414     | \$252,142            | \$252,142     | \$252,142   |
| Depreciation              | 18,903                | 18,903        | 19,226               | 19,226        | 19,226      |
| Property Taxes            | 5,999                 | 5,999         | 5,999                | 5,999         | 5,999       |
| Payroll Taxes             | 9,334                 | 9,334         | 10,745               | 10,745        | 10,745      |
| Income Taxes              | 200                   | 6,161         | 200                  | 20,474        | 5,244       |
| Total Deductions          | \$335,850             | \$341,811     | \$288,312            | \$308,586     | \$293,356   |
| Net Revenue               | (\$ 73,486)           | \$ 20,441     | (\$ 25,948)          | \$53,666      | \$ 17,398   |
| <b>Rate Base</b>          |                       |               |                      |               |             |
| Average Plant             | 2,201,990             | 2,201,990     | 2,216,228            | 2,216,228     | 2,216,228   |
| Average Depr. Res.        | 889,074               | 889,074       | 913,743              | 913,743       | 913,743     |
| Net Plant                 | 1,312,916             | 1,312,916     | 1,302,485            | 1,302,485     | 1,302,485   |
| Less: Advances            | 315,221               | 315,221       | 315,221              | 315,221       | 315,221     |
| Contributions             | 846,886               | 846,886       | 846,886              | 846,886       | 846,886     |
| Plus: Working Cash        | 1,000                 | 1,000         | 1,000                | 1,000         | 1,000       |
| Mat'ls. & Suppls          | 18,446                | 18,446        | 16,846               | 16,846        | 16,846      |
| Rate Base                 | \$170,255             | \$170,255     | \$158,224            | \$158,224     | \$158,224   |
| Rate of Return            | (Loss)                | 12.00%        | (Loss)               | 33.92%        | 11.00%      |

APPENDIX B  
(Page 1)

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Tahoe Paradise and vicinity, near Meyers, El Dorado County.

RATES

Monthly Quantity Rates:

Per Meter Per Month

|                                       |        |     |
|---------------------------------------|--------|-----|
| First 300 cu.ft., per 100 cu.ft. .... | \$ .45 | (I) |
| Over 300 cu.ft., per 100 cu.ft. ....  | .68    | (I) |

Annual Service Charge:

Per Meter Per Year

|                                |          |     |
|--------------------------------|----------|-----|
| For 5/8 x 3/4-inch meter ..... | 89.00    | (I) |
| For 3/4-inch meter .....       | 98.00    |     |
| For 1-inch meter .....         | 134.00   |     |
| For 1-1/2-inch meter .....     | 178.00   |     |
| For 2-inch meter .....         | 240.00   |     |
| For 3-inch meter .....         | 442.00   |     |
| For 4-inch meter .....         | 604.00   |     |
| For 6-inch meter .....         | 1,004.00 |     |
| For 8-inch meter .....         | 1,492.00 | (I) |

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 Rates.

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Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

Applicability

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Tahoe Paradise and vicinity, near Meyers, El Dorado County.

RATES

Per Service Connection  
Per Year

|                                                                                                                           |          |     |
|---------------------------------------------------------------------------------------------------------------------------|----------|-----|
| For a single-family residential unit, including premises .....                                                            | \$132.81 | (I) |
| For each additional single-family residential unit on the same premises and served from the same service connection ..... | 117.47   | (I) |

SPECIAL CONDITIONS

1. The above flat rate applies to a service connection not larger than one inch in diameter.
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under 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 prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.



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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Tahoe Paradise and vicinity, near Meyers, El Dorado County.

RATE

Per Month

|                                                       |        |     |
|-------------------------------------------------------|--------|-----|
| For each inch of diameter of service connection ..... | \$1.28 | (I) |
|-------------------------------------------------------|--------|-----|

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.
5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.

(END OF APPENDIX B)

APPENDIX C

COMPARISON OF RATES

A comparison of present and Branch's recommended rates for metered service is shown below:

| <u>ANNUAL METERED SERVICE</u>       | <u>Per Meter Per Month</u> |                          | <u>Percent Increase</u> |
|-------------------------------------|----------------------------|--------------------------|-------------------------|
|                                     | <u>Present Rates</u>       | <u>Recommended Rates</u> |                         |
| <u>Monthly Quantity Rates:</u>      |                            |                          |                         |
| First 300 cu.ft., per 100 cu.ft. .. | \$ .38                     | \$ .45                   | 18.4                    |
| Over 300 cu.ft., per 100 cu.ft. ..  | .57                        | .68                      | 19.3                    |
| <u>Annual Service Charge:</u>       |                            |                          |                         |
|                                     | <u>Per Meter Per Year</u>  |                          |                         |
| For 5/8 x 3/4-inch meter .....      | \$ 75.00                   | \$ 89.00                 | 18.7                    |
| For 3/4-inch meter .....            | 83.00                      | 98.00                    | 18.1                    |
| For 1-inch meter .....              | 113.00                     | 134.00                   | 18.6                    |
| For 1-1/2-inch meter .....          | 150.00                     | 178.00                   | 18.7                    |
| For 2-inch meter .....              | 202.00                     | 240.00                   | 18.8                    |
| For 3-inch meter .....              | 372.00                     | 442.00                   | 18.8                    |
| For 4-inch meter .....              | 508.00                     | 604.00                   | 18.9                    |

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

| <u>Usage</u><br><u>100 cu.ft.</u> | <u>Present</u><br><u>Bills</u> | <u>Recommended</u><br><u>Bills</u> | <u>Amount</u><br><u>Increase</u> | <u>Percent</u><br><u>Increase</u> |
|-----------------------------------|--------------------------------|------------------------------------|----------------------------------|-----------------------------------|
| 0                                 | \$ 6.92                        | \$ 8.17                            | \$ 1.25                          | 18.1                              |
| 3                                 | 8.06                           | 9.52                               | 1.46                             | 18.1                              |
| 5                                 | 9.20                           | 10.88                              | 1.68                             | 18.3                              |
| 10                                | 12.05                          | 14.28                              | 2.23                             | 18.5                              |
| 13 (Avg.)                         | 13.76                          | 16.32                              | 2.56                             | 18.6                              |
| 20                                | 17.75                          | 21.08                              | 3.33                             | 18.8                              |
| 30                                | 23.45                          | 27.88                              | 4.43                             | 18.9                              |
| 50                                | 34.85                          | 41.48                              | 6.63                             | 19.0                              |

| <u>ANNUAL RESIDENTIAL FLAT RATE SERVICE</u>                                                                               | <u>Per Meter Per Year</u> |          |      |
|---------------------------------------------------------------------------------------------------------------------------|---------------------------|----------|------|
| For a single-family residential unit, including premises .....                                                            | \$112.14                  | \$132.81 | 18.4 |
| For each additional single-family residential unit on the same premises and served from the same service connection ..... | 99.18                     | 117.47   | 18.4 |

| <u>PRIVATE FIRE PROTECTION SERVICE</u>                |      |      |      |
|-------------------------------------------------------|------|------|------|
| For each inch of diameter of service connection ..... | 1.08 | 1.28 | 18.5 |

## APPENDIX D

Page 1

ADOPTED QUANTITIES  
(1986 Test Year)

Name of Company: Tahoe Paradise Water Company

|                           |        |
|---------------------------|--------|
| Net-to-Gross Multiplier:  | 2.0492 |
| Federal Tax Rates:        | 46.0%  |
| State Tax Rate:           | 9.6%   |
| Local Franchise Tax Rate: | 0.0%   |
| Business License:         | 0.0%   |
| Uncollectible Rates:      | 0.0%   |

Expenses Test Year 1986

- Purchased Power (Electric)  
Sierra Pacific Power Co.

|                 |           |
|-----------------|-----------|
| Total Cost (\$) | \$52,355  |
| kWh             | 553,083   |
| Eff. Sch. Date  | 2/5/86    |
| Rate Schedule   | A-1       |
| \$/kWh used     | \$0.09466 |

- Purchased Water: (land lease) \$175.00

- Pump Tax-Replenishment Tax: None

- Payroll and Employee Benefits:
 

|                   |                 |
|-------------------|-----------------|
| Payroll, Salaries | \$113,855       |
| Employee Benefits | <u>\$17,290</u> |

|       |           |
|-------|-----------|
| Total | \$131,145 |
|-------|-----------|

|               |          |
|---------------|----------|
| Payroll Taxes | \$10,745 |
|---------------|----------|

- Ad Valorem Taxes:
 

|                |           |
|----------------|-----------|
| Tax Rate       | \$5,999   |
| Assessed Value | 1.2665%   |
|                | \$473,665 |

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ADOPTED QUANTITIES  
(1986 Test Year)

| <u>Service Connections</u>                  | <u>Number</u> |
|---------------------------------------------|---------------|
| 1. Meter Size                               |               |
| 3/4-inch .....                              | 16            |
| 1-inch .....                                | 4             |
| 1/1/2-inch .....                            | 4             |
| 2-inch .....                                | 3             |
| 3-inch .....                                | 1             |
| 4-inch .....                                | 1             |
| Total                                       | <u>29</u>     |
| 2. Private Fire Protection                  |               |
| 6-inch .....                                | 4             |
| 3. Flat Rate                                |               |
| Single Residence .....                      | 2,267         |
| Single Residence Additional Units .         | 14            |
| 4. Metered Water Sales Used to Design Rates |               |
| Range-Ccf                                   | Usage-Ccf     |
| Block 1 0-3                                 | 38            |
| Block 2 > 3                                 | 4,498         |
| Total                                       | <u>4,536</u>  |

ADOPTED TAX CALCULATIONS

| <u>Line No.</u> | <u>Item</u>             | 1986<br><u>Adopted Rates</u> |              |
|-----------------|-------------------------|------------------------------|--------------|
|                 |                         | <u>CCFT</u>                  | <u>FIT</u>   |
| 1.              | Operating Revenues      | \$310,754                    | \$310,754    |
| 2.              | Operating Expenses      | 252,142                      | 252,142      |
| 3.              | Taxes Other Than Income | 16,744                       | 16,744       |
| 4.              | Tax Depreciation        | 19,226                       | 19,226       |
| 5.              | State Income Tax        | <u>0</u>                     | <u>2,174</u> |
| 7.              | Sub-total Deduction     | \$288,112                    | \$290,286    |
| 8.              | State Taxable Income    | 22,642                       | -            |
| 9.              | State Income Tax        | 2,174                        | -            |
| 10.             | Federal Table Income    | -                            | 20,469       |
| 11.             | Federal Income Tax      | -                            | 3,070        |
| 12.             | Total Income Tax        | 2,174                        | 5,244        |

(END OF APPENDIX D)

## APPENDIX E

TO ALL PARTIES WHO HAVE WRITTEN TO THE COMMISSION REGARDING THE REQUEST FOR A 38.1% TOTAL RATE INCREASES BY TAHOE PARADISE WATER COMPANY, INC.

After considering all factors presented, the Commission has authorized Tahoe Paradise Water Company, Inc. a general rate increase producing approximately 18.4% additional revenue in 1986 and approximately 1.7% in 1987. The major factors affecting the rate increases are inflation, and the recent dramatic increases in insurance premiums. The annual rate for the flat rate residential customer will increase from the current rate of \$112.14 to \$132.81 or \$20.67 in 1986 and to \$135.03 or \$2.22 more in 1987.

Seven letters protesting the magnitude of the rate increase were received by the Commission. Most of the letters were from non-resident customers, that felt that they used very little water, and consequently should not pay as much. One customer assumed that the increases were excessive pay raises, and one customer felt that the water should be metered.

The Commission's staff made a field investigation of TPWC's water in November 1985 to observe the operations and to determine the level of service. The staff also interviewed a number of customers and held discussions with the California Department of Health Services. As indicated in the letters to the Commission, these customers were not happy with the size of the rate increase request, but were basically satisfied with the water service.

With respect to the non-residents concerned with high costs for low water use, it is important to recognize that a large part of the cost that is included in the water rates is for the cost of the pipes in the ground, the pumps, the maintenance, and the depreciation of the system regardless of use. The uniform rates provide the most economical means of serving all customers.

With respect to the request for meters. The cost to install meters for the present customers of TPWC would be substantial. To recover these costs, TPWC would have to further raise its rates for each customer. The usual reason for metering is to conserve water. In light of the costs to meter, the Commission determined that there is no economic justification for it at this time, because TPWC does not face a water shortage, and in fact has an ample supply of water.

We appreciate your writing to us. If anyone wishes further details about the rate increase, please feel free to contact W. R. Koerting at (415) 557-0544.

Very truly yours,

WESLEY FRANKLIN, Chief  
Water Utilities Branch