

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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to Executive Director

RESOLUTION NO. W-3336

EVALUATION & COMPLIANCE DIVISION
 BRANCH/SECTION: Water Utilities
 DATE: August 18, 1986

Director
 Numerical File
 Alphabetical File
 Accounting Officer

R E S O L U T I O N

CRYSTAL FALLS WATER COMPANY (CFWC). ORDER
 AUTHORIZING A GENERAL RATE INCREASE PRODUCING
 ADDITIONAL REVENUE OF \$57,540 OR 28.2% IN 1986
 AND A FURTHER INCREASE OF \$6,900 OR 2.6% IN 1987.

CFWC, by draft advice letter furnished to the Water Utilities Branch (Branch) on December 12, 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 \$63,210 or 31.5% in 1985, \$9,500 or 3.6% in 1986, and an attrition allowance of \$9,500 or 3.6% in 1987. These requested rate increases would produce rates of return of 11.3% for the test years, 1985, 1986, and 1987, respectively. The utility serves about eight flat rate and 1,155 meter rate customers in Willow Springs, Crystal Falls, Mono Vista, Oak Gardens Estates and Apple Valley Estates service areas. In addition, CFWC sells water for resale to Sonora Meadows Mutual Water Company (SMWMC). All of these systems are located about 10 miles east of Sonora, Tuolumne County.

The present rates for water service became effective on February 4, 1982 from an offset rate increase authorized by Resolution No. W-2934. The last general rate increase became effective on September 20, 1980 pursuant to Decision (D.) 92186, dated September 3, 1980. A Safe Drinking Water Bond Act (SDWBA) loan payment surcharge authorized in D. 93048 has been in effect since May 19, 1981 and was extended to the Oak Garden Estates Subdivision following the addition of that system in 1984.

The Branch made an independent analysis of CFWC's summary of earnings. CFWC submitted 1985 and 1986 test year summaries of earnings and treated 1987 as an attrition year. Since the rate proceeding is being processed in 1986, the Branch prepared 1986 and 1987 test year estimates. Appendix A-1 shows CFWC's and the Branch's estimated summaries of earnings at present, requested, and adopted rates for test year 1986. Appendix A-2 shows the Branch's estimated summary of earnings at present, requested and adopted rates for test year 1987. CFWC did not prepare expense estimates for 1987 because it considered 1987 an attrition year.

The significant differences in the 1986 test year are in revenues, purchased power, materials, insurance, vehicle expense, and rate of return.

CFWC estimated revenue at present rates as \$204,580 while the Branch estimated \$204,310. CFWC made an error in calculating the quantity blocks for the Oak Gardens Estates and Apple Valley Estates service areas which was corrected prior to designing the rates shown in the Notice to Customers. For the Oak Gardens Estates system, CFWC used the minimum charge rate for 5/8 x 3/4-inch meters when all 46 meters on the system are 3/4-inch. For Sonora Meadows, CFWC proposed reducing the service charge because of continuing protests from SFWAC. The Branch, however, recommended that SFWAC receive an increase proportional to the overall CFWC increase.

CFWC estimated purchased power expense at \$24,390 while the Branch estimated \$23,200. The Branch estimate reflects a rate reduction by Pacific Gas and Electric Company that became effective June 9, 1986.

CFWC estimated material expense of \$13,000 while the Branch estimated \$5,700. CFWC's original workpapers for this item were in error and it was unable to substantiate its estimate. The Branch's estimate is based on the average of those material costs the utility was able to substantiate over the last three years, adjusted by a non-labor escalation factor. All of the Branch's escalation factors were based on a recent Data Resources, Inc. publication.

CFWC estimated \$15,400 for insurance expense, projecting a 20% increase over 1985 recorded premiums. The Branch estimate of \$14,400 is based on the latest information from the insurance company and includes the actual premiums to be paid in 1986.

CFWC estimated vehicle expense of \$15,000 while the Branch estimated \$8,780. CFWC's estimate was determined by multiplying the estimated annual mileage by \$0.205 per mile. The \$0.205 per mile is reasonable when insurance and depreciation are not included as separate expense items, but those two items are duplicated elsewhere in the summary of earnings. The Branch used the average of the latest three years recorded costs and applied the non-labor escalation factor to determine its 1986 estimate.

CFWC requested an attrition allowance of \$9,500 or 3.6% for 1987. That figure was derived as the same amount it requested for 1986 over 1985. The Branch computed a summary of earnings for 1987, including customer growth and new plant that will be completed in 1986 as part of the 1987 rate base. To arrive at 1987 expense estimates, the Branch multiplied all of the expense items, except purchased water and purchased power which are eligible for offset rate relief, by the appropriate labor or non-labor escalation factors.

CFWC estimated its proposed rates would produce an 11.3% return on rate base. The Accounting and Financial Branch of Evaluation and Compliance Division reviewed CFWC's capital structure and recommended a rate of return of 11% as reasonable.

CFWC was informed of the Branch's differing views of revenues, expenses, rate of return and attrition and has stated that it accepts the Branch's estimates.

Notice of the proposed increase was mailed to each customer on April 2, 1986. Eight letters of protest were received. All complained about the magnitude of the rate increase. One customer, SSMAC, complained about the service charge.

SSMAC alleged that the present service charge is discriminatory and should be reduced. D.92186 (September 3, 1980) found that the then-effective rates to SSMAC would be discriminatory unless they were raised substantially, and that SSMAC had substantial equality of bargaining power in dealing with CFWC. The Branch notes that each of the service charge increases since that time were negotiated and agreed to in contracts by SSMAC. The Branch recommends that the service charge to SSMAC be increased to ensure that it continues to pay its fair share of the costs of providing water service.

The Branch has drafted a letter to SSMAC and another to all other customers who have written to the Commission about this rate increase (Appendices E-1 and E-2. They explain the Commission's action and will be mailed after this resolution is signed.

A field investigation of CFWC's system was made on April 4, 1986 by a member of the Branch. Visible portions of the water systems were inspected, customers and company employees were interviewed, and methods of operation reviewed. The Branch found the system and the service satisfactory. There are no outstanding Commission orders requiring system improvements.

CFWC proposed to switch the Oak Gardens Estates Subdivision system tariff schedule for metered service from its present minimum charge rate to the Crystal Falls rate schedule for metered service. Because the Oak Gardens Estates schedule is \$6.50 for the first 800 cubic feet of water, the increase to customers on the Oak Gardens Estates system would have been about 91% for a customer using 300 cubic feet per month. The Branch felt this was too large an increase and suggested reducing the minimum from 800 cubic feet to 500 cubic feet and increasing rates to get the same percent increase in revenue as the Crystal Falls system. CFWC agreed, and those rates were shown in the Notice to Customers.

CFWC's present rate structure conforms to the Commission's model rate structure with a service charge, 300 cubic feet lifeline-block, and an inverted tail block. The rates for all classes of service, including flat rate service, were increased approximately the same percent as the overall percent increase. Monthly bills for a typical full time residential customer will increase to \$17.33 from \$13.64 for the test year 1986. A comparison of present and Branch recommended rates is shown in Appendix C.

D.86-05-064 established a flatter rate design as Commission policy for water utilities in future general rate proceedings. That change was not implemented in this proceeding because the decision was issued after CFWC sent its notice to customers and no protests were received which addressed this aspect of the proposed increase. Rates may be revised to conform to the new rate structure in the next proceeding.

The Branch recommends that the Commission authorize a two-step increase of \$57,540 or 28.2% in 1986 and \$6,900 or 2.6% in 1987. At rates contained in

Appendix B, these increases would raise the estimated annual revenues from \$204,310 at present rates to \$261,850 in 1986 and to \$272,500 in 1987 and result in an 11% rate of return on rate base.

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

- a. The Branch's recommended Summary of Earnings statements (Appendices A-1 and A-2) are 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.

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 Crystal Falls Water Company to file an advice letter incorporating the Summaries of Earnings and revised schedules attached to this resolution as Appendices A-1, A-2, B-1, B-2, B-3, B-4, B-5, and B-6, respectively and concurrently to cancel the presently effective rate schedules. Such filing shall comply with General Order 96-A.
2. The effective date of the revised rate schedules shall be the date of filing.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on August 18, 1986. The following Commissioners approved it:

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



VICTOR R. WEISSER
Executive Director

APPENDIX A-1
CRYSTAL FALLS WATER COMPANY
Summary of Earnings
(Estimated Year 1966)

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	
Operating Revenues					
Metered-Crystal Falls	\$176,340	\$235,740	\$174,590	\$233,600	\$222,760
Oak Gardens	5,600	11,570	7,080	11,820	9,450
Sonora Meadows	21,700	29,580	21,700	34,080	28,450
Flat Oak Gardens	250	540	250	540	330
Crystal Falls	690	900	690	900	860
Total Revenues	\$204,580	\$278,330	\$204,310	\$280,940	\$261,850
Operating Expenses					
Purchased Water	16,125	16,125	16,125	16,125	16,125
Purchased Power	24,390	24,390	23,200	23,200	23,200
Employee Labor	40,200	40,200	40,200	40,200	40,200
Materials	13,000	13,000	5,700	5,700	5,700
Water Treatment Maint.	2,000	2,000	2,000	2,000	2,000
Contract Work	13,000	13,000	13,000	13,000	13,000
Pump Maintenance	4,280	4,280	4,280	4,280	4,280
Office Salaries	16,830	16,830	16,830	16,830	16,830
Management Salaries	34,635	34,635	34,635	34,635	34,635
Office Supplies & Exp.	8,350	8,350	8,350	8,350	8,350
Insurance	15,400	15,400	14,400	14,400	14,400
Accounting, Legal, etc.	3,250	3,250	3,250	3,250	3,250
General Expense	10,000	10,000	10,000	10,000	10,000
Vehicle Expense	15,000	15,000	8,780	8,780	8,780
Office & Storage Rental	2,400	2,400	2,400	2,400	2,400
Regulatory Expense	930	930	930	930	930
Employee Pension & Bene.	9,000	9,000	9,000	9,000	9,000
Total Expenses	\$228,790	\$228,790	\$213,080	\$213,080	\$213,080
Depreciation	9,101	9,101	8,830	8,830	8,830
Property Taxes	6,900	6,900	6,900	6,900	6,900
Other Taxes	7,640	7,640	7,640	7,640	7,640
Income Taxes	200	200	200	200	200
Total Deductions	\$252,631	\$252,631	\$236,650	\$236,650	\$236,650
Net Revenue (loss)	(48,051)	25,699	(32,340)	44,290	25,200
Average Rate Base					
Utility Plant	872,750	872,750	872,750	872,750	872,750
Depreciation Reserve	(333,115)	(333,115)	(333,115)	(333,115)	(333,115)
Net Plant	539,635	539,635	539,635	539,635	539,635
Less: Advances	(65,180)	(65,180)	(65,180)	(65,180)	(65,180)
Contribution	(303,680)	(303,680)	(303,680)	(303,680)	(303,680)
Plus: Working Cash	44,000	44,000	44,000	44,000	44,000
Mats & Suppls	14,000	14,000	14,000	14,000	14,000
Rate Base:	228,780	228,780	228,780	228,780	228,780
Rate of Return	Loss	11.3%	Loss	19.4%	11.0%

APPENDIX A-2
CRYSTAL FALLS WATER COMPANY
Summary of Earnings
(Estimated Year 1987)

Item	: Utility Estimated* :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	
<u>Total Operating Revenues</u>	\$208,060	\$284,100	\$272,500		
<u>Operating Expenses</u>					
Purchased Water	16,125	16,125	16,125		
Purchased Power	23,200	23,200	23,200		
Employee Labor	41,365	41,365	41,365		
Materials	5,780	5,780	5,780		
Water Treatment Maint.	2,060	2,060	2,060		
Contract Work	13,380	13,380	13,380		
Pump Maintenance	4,400	4,400	4,400		
Office Salaries	17,320	17,320	17,320		
Management Salaries	35,640	35,640	35,640		
Office Supplies & Exp.	8,460	8,460	8,460		
Insurance	14,590	14,590	14,590		
Accounting, Legal, etc.	3,340	3,340	3,340		
General Expense	10,290	10,290	10,290		
Vehicle Expense	8,900	8,900	8,900		
Office & Storage Rental	2,430	2,430	2,430		
Regulatory Expense	960	960	960		
Employee Pension & Bene.	9,260	9,260	9,260		
<u>Total Expenses</u>	<u>\$217,500</u>	<u>\$217,500</u>	<u>\$217,500</u>		
Depreciation	9,300	9,300	9,300		
Property Taxes	7,200	7,200	7,200		
Other Taxes	7,860	7,860	7,860		
Income Taxes	200	200	200		
<u>Total Deductions</u>	<u>\$242,060</u>	<u>\$242,060</u>	<u>\$242,060</u>		
Net Revenue (loss)	(34,000)	42,040	30,440		
<u>Average Rate Base</u>					
Utility Plant	924,299	924,299	924,299		
Depreciation Reserve	(358,435)	(358,435)	(358,435)		
Net Plant	565,864	565,864	565,864		
Less: Advances	(62,180)	(62,180)	(62,180)		
Contribution	(287,406)	(287,406)	(287,406)		
Plus: Working Cash	46,000	46,000	46,000		
Matls & Suppls	14,500	14,500	14,500		
Rate Base:	276,780	276,780	276,780		
Rate of Return	Loss	15.19%	11.0%		

* Utility did not provide summary of earnings estimates for 1987

APPENDIX B-1

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Oak Gardens Estates Subdivision and vicinity near Soulsbyville. (T)

RATES

Minimum Charge:		<u>Per Meter Per Month</u>	<u>Effective</u>	<u>Per Meter</u>
			<u>6/1/87</u>	<u>Per Month</u>
				<u>Surcharge (1)</u>
				(D)
For	3/4-inch meter	\$10.40 (I)	\$10.80 (I)	\$ 7.45
For	1-inch meter	15.50	16.10	12.40
For	1-1/2-inch meter	27.20	28.30	24.80
For	2-inch meter	39.40 (I)	40.90 (I)	39.68

Quantity Rates:

First 500 cu.ft. or less	10.40 (I)	10.80 (I)	(C)
Over 500 cu.ft., per 100 cu.ft.	0.53 (I)	0.55 (I)	(C)
			(D)

A minimum charge will entitle the customer to the quantity of water which the minimum charge will purchase at the Quantity Rates.

METERED SERVICE SURCHARGE (1)

Note: The Surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by Decision 86-04-015.

APPENDIX B-2

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water furnished on an annual basis.

TERRITORY

Willow Springs, Crystal Falls Ranch and vicinity, located approximately two miles southwest of Twain Harte, Tuolumne County.

RATES

Annual Service Charge:	<u>Per Meter</u>	<u>Per Year</u> Effective <u>6/1/87</u>	<u>Per Meter</u> <u>Per Month</u> <u>Surcharge</u>
For 3/4-inch meter	\$122.00 (I)	\$127.00 (I)	\$ 3.90
For 1-inch meter	180.00	186.00	6.50
For 1-1/2-inch meter	216.00	225.00	13.00
For 2-inch meter	288.00 (I)	312.00 (I)	20.80

Quantity Rates:

	<u>Per Meter</u>	<u>Per Month</u>
First 300 cu.ft., per 100 cu.ft..	0.66 (I)	0.67 (I)
Over 300 cu.ft., per 100 cu.ft..	0.74 (I)	0.76 (I)

The Service Charge is a readiness-to-serve charge, which (T)
is applicable to all metered service and to which is to be |
added the monthly charge computed at the Quantity Rates. (T)

SPECIAL CONDITIONS

1. In the event that a customer reinstates service within 12 months of termination of service for the same premises, a reconnection charge will be applied, equal to the service and surcharge charges which would have been billed had the customer not terminated service.

2. The cost of service pipes and meters shall be borne by the utility. Relocation of such facilities shall be at the expense of the party requesting relocation.

APPENDIX B-3

Schedule No. 2 RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Willow Springs, Crystal Falls Ranch and vicinity, located approximately two miles southwest of Twain Harte, Tuolumne County.

RATES

	<u>Per Service Connection Per Year</u>		<u>Per Service Connection Per Month Surcharge</u>
		<u>Effective 6/01/87</u>	
For a single-family residential unit, including premises	\$168.00 (I)	\$186.00 (I)	\$ 3.90
For each additional single-family residential unit on the same premises and served from the same service connection	142.20 (I)	147.00 (I)	2.60

SPECIAL CONDITIONS

1. The above flat rates apply 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 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.

APPENDIX B-4

Schedule No. 1A - AV

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water furnished on an annual basis.

TERRITORY

Apple Valley Estates, located approximately 2.75 miles north of Sonora, Tuolumne County.

RATES

Annual Service Charge:		<u>Per Meter</u>	<u>Per Year</u>
			<u>Effective</u>
			<u>6/1/87</u>
For	3/4-inch meter	\$122.00 (I)	\$127.00 (I)
For	1-inch meter	180.00	186.00
For	1-1/2-inch meter	216.00	225.00
For	2-inch meter	288.00 (I)	312.00 (I)

Quantity Rates:	<u>Per Meter</u>	<u>Per Month</u>
First 300 cu.ft., per 100 cu.ft....	0.66 (I)	0.67 (I)
Over 300 cu.ft., per 100 cu.ft....	0.74 (I)	0.76 (I)

The Service Charge is a readiness-to-serve charge, which (T)
 is applicable to all metered service and to which is to be |
 added the monthly charge computed at the Quantity Rates. (T)

SPECIAL CONDITIONS

1. In the event that a customer reinstates service within 12 months of termination of service for the same premises, a reconnection charge will be applied, equal to the service and surcharge charges which would have been billed had the customer not terminated service.

2. The cost of service pipes and meters shall be borne by the utility. Relocation of such facilities shall be at the expense of the party requesting relocation.

NOTE: The utility is not authorized to impose Meter Service Surcharge on customers of Apple Valley Estates.

APPENDIX B-5

Schedule No. 2R - 00

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water services.

TERRITORY

Oak Gardens Estates Subdivision and vicinity, near Soulsbyville,
Tuolumne County.

RATES

	<u>Per Service Connection Per Month</u>		<u>Per Service Connection Per Month Surcharge (1)</u>
		<u>Effective 6/01/87</u>	
For a single-family residential unit, including premises	\$ 9.00 (I)	\$10.00 (I)	\$ 7.45
For each additional single-family residential unit on the same premises and served from the same service connection	4.50 (I)	5.50 (I)	3.45

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.
2. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service.

FLAT RATE SERVICE SURCHARGE (1)

NOTE: This surcharge is in addition to the regular flat rate charge. (T)
The total monthly surcharge must be identified on each bill. (T)
This surcharge is specifically for the repayment of the
California Safe Drinking Water Bond Act loan as authorized by
Decision 86-04-015.

APPENDIX B-6

Schedule No. 3A

LIMITED METERED RESALE SERVICE

APPLICABILITY

Applicable to limited metered resale service.

TERRITORY

Sonora Meadows Mutual Water Company.

RATES

Quantity Rates:	<u>Per Meter</u>	<u>Per Month Effective 6/1/87</u>	<u>Per Meter Per Month Surcharge (1)</u>
First 300,000 cu.ft., per 100 cu.ft.	\$ 0.44 (1)	\$ 0.50 (1)	
Over 300,000 cu.ft., per 100 cu.ft.	0.57 (1)	0.62 (1)	

Monthly Service Charge:

For 4-inch meter 706.00 (1) 742.00 (1) \$820.00

SPECIAL CONDITIONS

1. Service under this schedule shall be limited to service to Sonora Meadows Mutual Water Company.

LIMITED METERED RESALE SERVICE SURCHARGE (1)

(T)

NOTE: This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by Decision 93048, dated May 19, 1981.

APPENDIX C
(Page 1)

CRYSTAL FALLS WATER COMPANY

COMPARISON OF RATES

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

METERED SERVICE

Willow Springs, Crystal Falls, and Apple Valley Estates:
(Schedules 1A & 1A-AV)

	Per Meter Per Year		
	Present Rates	Recommended Rates	
		(1986)	(1987)
Annual Service Charge:			
For 3/4-inch meter	\$ 93.00	\$122.00	\$127.00
For 1-inch meter	126.00	180.00	186.00
For 1-1/2-inch meter	168.00	216.00	225.00
For 2-inch meter	228.00	288.00	312.00

Quantity Rates:

First 300 cu.ft., per 100 cu.ft.	0.54	0.66	0.67
Next 300 cu.ft., per 100 cu.ft.	0.61	0.74	0.76

Sonora Meadows: (Schedule 3A)

Monthly Service Charge:

For 4-inch meter	559.00	706.00	742.00
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Quantity Rates:

First 300,000 cu.ft., per 100 cu.ft..	.35	.44	.50
Over 300,000 cu.ft., per 100 cu.ft..	.45	.57	.62

APPENDIX C
(Page 2)

A monthly bill comparison for a customer in Willow Springs, Crystal Falls, and Apple Valley Estates with a 3/4-inch meter is shown below:

Usage 100 cu.ft.	1986			1987	
	Present Bills	Recommended Bills	Percent Increase	Recommended Bills	Percent Increase
0	\$ 7.75	\$10.17	31.22	\$10.58	4.03
3	9.37	12.15	29.67	12.59	3.62
10	13.64	17.33	27.05	17.91	3.35
20	19.74	24.73	25.28	25.51	3.15
30	25.84	32.13	24.42	33.11	3.05
50	38.04	46.93	23.37	48.31	2.94

Oak Gardens Estates Subdivision (Schedule No. 1)

Minimum Charge:

	Per Meter Per Month		
	Present	Recommended (1986)	(1987)
For 5/8 x 3/4-inch meter	\$ 6.50	N/A	N/A
For 3/4-inch meter	8.60	\$10.40	\$10.80
For 1-inch meter	12.85	15.50	16.10
For 1-1/2-inch meter	22.50	27.20	28.30
For 2-inch meter	32.60	39.40	40.90

Quantity Rates:

First 500 cu.ft., or less	N/A	10.40	10.80
Over 500 cu.ft., per 100 cu.ft.	N/A	0.53	0.55

Flat Rate Service

Crystal Falls (Schedule 2 RA)

	Per Service Connection Per Year		
For a single-family residential unit, including premises	\$137.50	\$168.00	\$186.00
For each additional single-family residential unit on the same premises and served from the same service connection	108.60	142.20	147.00

Oak Gardens Estates Subdivision (Schedule 2R-0G)

	Per Service Connection Per Month		
For a single-family residential unit, including premises	7.00	9.00	10.00
For each additional single-family residential unit on the same premises and served from the same service connection	3.25	4.50	5.50

APPENDIX D
(Page 1)

ADOPTED QUANTITIES
(1986 Test Year)

Name of Company: Crystal Falls Water Company

Net-to-Gross Multiplier:	1.0
Federal Tax Rates:	0.0%
State Tax Rate:	\$200 minimum
Local Franchise Tax Rate:	0.0%
Business License:	0.0
Uncollectible Rates:	0.0%

Expenses Test Year 1986

1. Purchased Power: (Electric)

Total Cost (\$)	\$23,200
kWh	238,000
Eff. Sch. Date	6/09/86
\$/kWh used	0.0975 Rate Schedule A-1
Rate Schedule	PA-1

2. Purchased Water:

Total Cost	\$16,125
Quantity	8,836 MID
Effective Date	1/01/83
Service Charge	\$14.00 (each of two services)
First 50 MID	1.94
Next 150 MID	1.88
Over 200 MID	1.70

3. Payroll:

Operation and Maintenance	\$57,030
Administrative & General	<u>34,635</u>
Total	\$91,665

4. Ad Valorem Taxes:	\$6,900
Tax Rate	1.097%
Assessed Value	\$629,000

APPENDIX D
(Page 2)

ADOPTED QUANTITIES
(1986 Test Year, Contd)

Services

Willow Springs:	<u>1986</u>	<u>1987</u>
3/4"	1,093	1,119
1"	12	15
1-1/2"	0	0
2"	3	3
Flat Rate	5	0
Sonora Meadows:		
4"	1	1
Oak Gardens:		
3/4"	46	49
Flat Rate	<u>3</u>	<u>0</u>
Total	1,163	1,187

Metered Water Sales Used to Design Rates:

	<u>Range - ccf</u>	<u>1986 Usage - Ccf</u>	<u>1987 Usage - Ccf</u>
Willow Springs, Crystal Falls & Apple Valley			
Block 1	0-3	30,342	30,949
Block 2	Over 3	89,116	90,899
Sonora Meadows			
Block 1	0-3000	31,853	32,330
Block 2	Over 3000	8,539	8,670
Oak Gardens			
Block 1	0-5	2,966	2,966
Block 2	Over 5	6,330	6,330

APPENDIX D
(Page 3)

ADOPTED TAX CALCULATIONS

<u>Line No.</u>	<u>Item</u>	<u>1986 Adopted Rates</u>	
		<u>CCFT</u>	<u>FIT</u>
1.	Operating Revenues	\$261,850	\$261,850
2.	Operating Expenses	213,080	213,080
3.	Taxes Other Than Income	14,540	14,540
4.	Tax Depreciation	8,830	8,830
5.	Interest	47,000	47,000
6.	State Income Tax	-	200
7.	Sub-total Deduction	283,450	283,650
8.	State Taxable Income	(Loss)	(Loss)
9.	State Income Tax	200	-
10.	Federal Taxable Income	-	-
11.	Federal Income Tax	-	-
12.	Total Income Tax		200

(END OF APPENDIX D)

APPENDIX E-1

Vernon Turner, Vice President
Sonora Meadows Mutual Water Co.
P.O. Box 234
Soulsbyville CA 95372

Dear Mr. Turner:

This refers to your letter of May 17, 1986 concerning Crystal Falls Water Company's (CFWC) request for authority to increase rates for water service.

Following CFWC's request, the Commission staff conducted a thorough investigation of the company's operations, including an analysis of the revenue, expense, and plant investment data which CFWC relied on for its proposal. The staff's investigation showed that CFWC is presently operating at a loss.

After considering all factors, the Commission has authorized an overall increase in water rates averaging 28.2% for 1986 and a further 2.6% for 1987 to bring CFWC's rate of return up to 11%. For Sonora Meadows Mutual Water Company (SMWAC), the monthly service charge will increase to \$706 in 1986 and \$742 in 1987 from \$559 currently. For 1986, quantity rates will increase to \$0.44 per Ccf for the first 300,000 cubic feet and \$0.57 for usage above 300,000 cubic feet. For 1987, quantity rates will be \$0.50 and \$0.67.

Your letter maintained that the present service charge is discriminatory. In Decision 92186 issued September 3, 1980 the Commission looked into the contract between CFWC and SMWAC and found that the then-existing rates would discriminate against CFWC's customers unless they were raised. Additionally, the Commission found that SMWAC had substantial bargaining power in dealing with CFWC. The present rates are the result of a series of contracts approved by SMWAC. The forthcoming increase to SMWAC is proportionate to the increase for other customers and is intended to ensure that the customers of your mutual continue to pay a reasonable share of the cost of providing water service.

We appreciate that you took the time to provide your opinions on the proposed rate increase. If you have any questions, please call Bob Bennett of our staff at (213) 620-4656.

Very truly yours,

WESLEY FRANKLIN, Chief
Water Utilities Branch

APPENDIX E-2

TO CUSTOMERS WHO HAVE WRITTEN TO THE COMMISSION REGARDING THE REQUEST FOR A 31.5% RATE INCREASE BY CRYSTAL FALLS WATER COMPANY:

Dear Customer:

On April 2, 1986 Crystal Falls Water Company (CFWC) notified its customers by mail that it was requesting authority from the Public Utilities Commission to raise its rates for water service by an average of 31.5%. Customers were invited to write to the Commission if they had comments on CFWC's proposed increase. The Commission subsequently received eight customer letters protesting the magnitude of the proposed increase.

Following CFWC's request, the Commission staff conducted a thorough investigation of the company's operations, including an analysis of the revenue, expense, and plant investment data which the utility relied on for its proposal. The staff made adjustments to CFWC's estimates and recommended that the Commission authorize an increase. The major reason for the increase is to cover higher costs associated with purchased water, insurance, labor and electrical power for pumping.

After considering all factors presented, the Commission has authorized increases averaging 28.2% for 1986 and an additional 2.6% for 1987. For the typical customer this will mean an increase in the monthly bill to \$17.34 from \$13.64. Your increase may vary depending on your water usage.

In establishing rates, the Commission's role is twofold. Rates must be kept as low as possible and, at the same time, be sufficient to cover operating expenses and provide a fair return on the utility's investment in its water system. You may be assured that the utility's request was thoroughly reviewed and evaluated by the Commission staff before this increase was granted.

We appreciate that you took the time to provide your opinions on the proposed rate increase. If you have any questions, please call Bob Bennett of our staff at (213) 620-4656.

Very truly yours,

WESLEY FRANKLIN, Chief
Water Utilities Branch