

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3423
November 23, 1988

R E S O L U T I O N

(RES. W-3423) BODFISH WATER COMPANY (BWC). ORDER AUTHORIZING
A GENERAL RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUE
OF \$14,740 OR 14.5% IN 1988, \$1,342 OR 1.1% IN 1989, AND
\$913 OR 0.7% IN 1990.

BWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on April 27, 1988, requested authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase revenues for water service by \$29,110 or 28.6% in 1988, an additional \$4,888 or 3.7% in 1989, and a further \$2,946 or 2.1% in 1990. After removing the effects of user fee surcharges which are not considered for ratemaking, BWC's request shows 1988 gross revenue of \$101,640 at present rates increasing to \$130,750 at proposed rates in 1988, to \$138,050 in 1989, and to \$143,610 in 1990 to produce a rate of return on rate base each year of 10.75%. BWC serves 727 metered customers in the noncontiguous unincorporated areas known as Bodfish and vicinity and Canyon Heights near Lake Isabella, Kern County.

BWC also requests authority to amortize a \$4,949 overcollection in its balancing account over twenty-three months.

The present rates became effective November 3, 1983 pursuant to Resolution No. W-3133 which authorized a general rate increase. BWC's rates include a surcharge for the repayment of a Safe Drinking Water Bond Act (SDWBA) loan pursuant to various Commission authorizations of which Resolution W-3252, dated June 21, 1985, is the most recent. No change in the surcharge is requested at this time.

The Branch made an independent analysis of BWC's summary of earnings. Appendix A shows BWC's and the Branch's estimated summary of earnings at present, requested, and adopted rates for test years 1988, 1989, and 1990. Appendix A shows differences in revenue, expenses and rate base.

The Branch's estimates of revenues are slightly higher at present rates and slightly lower at proposed rates than BWC's for each year. The differences are due primarily to the Branch's slightly lower estimated water sales per customer and an inconsistency discovered in the number of customers assumed in BWC's revenue calculations. The Branch determined its water sales per customer from a three year average whereas BWC used only its 1987 recorded water sales per customer.

The differences in estimates for operating expenses are in purchased power, materials expenses, contract work, office supplies and expense, depreciation expenses, payroll taxes, property taxes, other taxes, and income taxes. Except where differences are noted, both the Branch and BWC used inflation adjusted averages of the last three years' recorded expenses to derive their estimates for 1988, and escalated those values to obtain 1989 and 1990 amounts. With minor differences, the escalation factors used by both were those recommended by the Advisory Branch of the Commission Advisory and Compliance Division.

The Branch's estimate of 1988 purchased power expense is \$15,600 compared to BWC's \$17,730. The difference is due to two primary factors. First, the Branch used a lower estimate of water sales per customer as noted in the revenue discussion above, and thus a lower estimate of water production. In addition, since BWC lacks working production meters on its well pumps, the Branch's water production had to be ascertained by applying Southern California Edison's efficiency tests of BWC's pumps to the historical power usage. Doing so produced an implied equivalent water loss figure of approximately 20% in the Branch's calculations, whereas BWC's imply a 40% loss. The Branch maintains that BWC's implied water loss figure is unrealistically high and the result of pumping control problems described more fully later. Secondly, the Branch used the latest Southern California Edison power rates which are higher than the older rates used by BWC.

The Branch agrees with BWC's estimate of materials expense in 1988 and 1989, but shows a lower figure than BWC's for 1990 because BWC erred in escalating from 1989 to 1990.

The Branch's 1988 estimate for contract work is \$9,750 as opposed to BWC's \$18,910. BWC's contract work has in the past been performed by Starr Drilling and Pump Company which is owned by BWC's owners. Starr Drilling has historically charged BWC \$40 to \$60 per hour for activities such as main repairs, pump replacements, and water system maintenance, and \$25 per hour for many other routine maintenance activities. These rates are far above what other small water utilities pay independent firms for similar work. For the future, BWC proposes to charge the costs of such work to the utility payroll accounts directly and to discontinue having its affiliate perform and bill it for these activities. Accordingly, BWC's payroll for the three test years includes these labor costs and is far higher than that recorded in the past. The Branch has allowed all of BWC's requested payroll amounts, but has reduced the contract work account to reflect the fact that Starr Drilling will play a much smaller part in BWC's operations in the future.

BWC's 1988 estimate of office supplies and expense is \$2,720 while the Branch's estimate is \$1,950. The Branch's investigation revealed that BWC has discontinued the telephone remote pump control services which it had included in its office supplies and expense account.

The Branch's estimate of depreciation expense is considerably lower than BWC's for each test year. BWC's workpapers show that it used a 4.25% composite depreciation rate on plant (2.19% on contributed plant and 5.5% on non-contributed plant), somewhat higher than that usually seen for water companies. The Branch recalculated the depreciation accrual rate in accordance with the Commission's Standard Practice U-4, "Determination of Straight-Line Remaining Life Depreciation Accruals," and arrived at a 3.52% composite rate (2.19% on contributed plant and 4.2% on non-contributed plant). The remaining differences in depreciation expense are due to the Branch's different estimates of plant as explained below.

The Branch recommends that BWC be ordered to use the 3.52% composite depreciation rate until a future straight line remaining life depreciation study reviewed by the Branch indicates that a revision is warranted.

BWC has not included payroll taxes in its summary of earnings. The Branch calculated payroll taxes consistent with its recommended payroll.

BWC's estimates of property taxes are based on its actual taxes and penalties for 1988, with increases in 1989 and 1990 reflecting the same level of additions as from 1987 to 1988. In arriving at its figures, the Branch excluded penalties and used its estimate of plant additions for each test year.

The Branch's estimate of other taxes for 1988 is higher than BWC's. This figure represents a 2% Kern County franchise tax applied through a complex formula involving BWC's gross revenues, the ratio of its total transmission and distribution plant investment to its total water system plant investment, and the ratio of the footage of its county franchise affected lines to its total footage of lines. The Branch's estimate reflects its estimates of gross revenues which are different from BWC's.

The Branch estimated income taxes using current federal tax rates under the Tax Reform Act of 1986 and the corresponding state tax rates for 1988, 1989 and 1990.

The differences in rate base between BWC and the Branch are due to differences in average plant, average depreciation reserve, working cash and materials and supplies.

BWC's estimate of test year 1988 average utility plant is \$256,320 while the Branch's estimate is \$241,760. The Branch removed or adjusted several plant additions and a retirement BWC had booked between 1985 and 1987 but for which it was unable to provide documentation. BWC also included in its estimates for test years 1988 and 1989 significant plant additions for aeration facilities, wells, pumps, and production meters. As discussed below, the Branch believes many of these facilities are needed, but recommends that BWC be authorized to file advice letters each year to begin recovering their costs as they are completed and placed in service rather than including them in rates prospectively.

The Branch's estimate of depreciation reserve is slightly higher than BWC's for test year 1988 and somewhat lower for 1989 and 1990. The differences are due to the differences in depreciation expense and plant retirements explained above.

To prevent future inconsistencies between the figures adopted by the Commission and BWC's annual reports, the Branch recommends that BWC be directed to record on its books of account the plant in service and depreciation reserve balances upon which the average amounts adopted in this resolution are based, and to reflect those balances in its 1988 annual report to the Commission. Those balances are \$240,383 for plant in service and \$131,838 for depreciation reserve as of December 31, 1987.

BWC's estimate of working cash in test year 1988 is \$19,820 as compared to the Branch's estimate of \$17,490. There are similar differences in 1989 and 1990. The differences are due to differences in estimated expenses.

BWC's estimate for material and supplies in 1988 is \$2,600. The Branch's examination of BWC's books revealed that it carries no permanent inventory of materials and supplies. What materials and supplies it does have are typically expensed throughout the year. The Branch therefore did not include an amount for materials and supplies capitalized.

BWC estimated that its request at proposed rates would produce a rate of return on rate base of 10.75%. The Branch recommends a rate of return of 10.50%, the midpoint of the 10.25% to 10.75% standard rate of return range recommended by the Accounting and Financial Branch of the Commission Advisory and Compliance Division for small, 100% equity financed water utilities.

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

A notice of BWC's proposed rate increase and public meeting was distributed to all customers on May 23 and 24, 1988. One letter of protest was received. The Branch recently responded by letter to the customer who wrote to protest, conveying the results of the Branch's investigation and explaining why it is recommending an increase.

On June 9, 1988 an informal public meeting was held in Lake Isabella. Representatives of the Branch, the California Department of Health Services (DHS) and BWC were there to explain the reasons for the rate increase request and to answer customers' questions. About 25 customers attended and complained of water outages, fluctuating pressure, excessive air in the lines, and not having the charge for metered water used shown on bills. The general sentiment expressed was that the increase requested was excessive and that any increase should be conditioned on service improvements. The DHS representative answered questions about the healthfulness of BWC's water, including questions about radon in the water.

BWC's customer bills show water consumption and the total dollar amount due, but not the breakdown between the service charge and the quantity charge. Consistent with good practice, the Branch recommends that BWC be required to show in its billings to customers, in addition to the total amount due and the quantity of water used, a breakdown of all current charges including the meter service charge, quantity charge, SDWBA surcharge, and the FUC Reimbursement Fee surcharge.

On July 5, 1988 a BWC customer delivered to the Branch a petition containing nearly 200 signatures protesting the proposed rate increase. The petition specifically requested an audit of BWC's books, citing the fact that the owners and their son are on the payroll, and that customer growth should offset expense increases. It also complained of air in the lines and requested a hearing on the grounds that the earlier public meeting notices had blown away. The Branch discussed these items with the petition's sponsor, promised that the staff would conduct a thorough investigation and recommend service improvement measures as a condition of the increase if needed, and later responded in writing with an offer to return to the area to meet again with customers at a time and place of their choosing. No such meeting was subsequently requested. The Branch has discussed the results of its investigation with the petition's sponsor and believes that he is generally satisfied with the outcome.

Branch engineers conducted a field inspection of BWC's service area and plant facilities on June 9 and 10, 1988. The inspection indicated three areas in which system improvements are needed: water supply; system control and metering; and radon removal.

BWC's water sources are thirteen generally low capacity wells, eleven of which are in operation. Because of the hydrogeologic nature of the area, there is no well defined aquifer from which to draw. BWC's production is barely adequate for its current customers' needs; the loss of one or more of its wells could put it into an unacceptable water supply situation, and its moderate rate of growth is also causing it to outrun its supply. It did, in fact, suffer outages in August, 1987 when one well was out of service for repairs.

In February, 1988 DHS requested that BWC develop plans to increase its source capacity, warning that failure to comply may result in the issuance of a water service connection moratorium. BWC's response was that it would like to comply but lacked well sites and the financial resources to drill additional wells. The Branch believes that the measures DHS is already requiring would allow BWC to meet its customers' needs, and therefore recommends that the Commission not make additional orders in this informal rate case. As noted earlier, the Branch has not included in rates the added plant investments associated with new wells, but it does recommend that BWC be granted authority to file advice letters to begin recovering the reasonable costs of facilities added to comply with DHS's water supply requirements as those facilities are completed and placed in service during test years 1988, 1989 and 1990. This should lessen the financial disincentive to BWC of adding new plant by allowing it to earn on that plant immediately upon its completion.

Until such time as adequate new supplies are developed, BWC's customers remain vulnerable to water shortages. As a cautionary measure, the Branch also recommends that BWC be required to prepare a conservation and rationing plan to be included in its tariffs. The plan should allow BWC to declare a shortage and limit usage in the event supplies are insufficient to meet demand. The Branch is prepared to assist BWC in drawing up and filing such a plan.

The second category in which BWC needs improvements is system control and metering. During its field inspection, the Branch noted an instance of a well pump operating without producing water. This would appear to be caused by a combination of two factors: BWC's wells are of such low capacity that their recharge cannot keep up with continuous pumping; and BWC relies on manual cutoffs for well pumps rather than automatic controls. When pumps run dry they are prone to excessive heating, eventual efficiency degradation and, ultimately, failure. BWC has in fact experienced an inordinate number of pump failures in past years and several of its pumps were rated as being of low efficiency when tested by Southern California Edison. Pumps running dry may also contribute to customers' complaints of fluctuating pressure and air in the water. The Branch believes that BWC should take steps to correct dry pumping; automatic controls may be a viable solution. BWC should submit to the Branch an engineering study outlining remedial measures. The study should include cost estimates and a timetable for completion before its next general rate proceeding. Upon the Branch's review and concurrence, BWC should implement its plan.

Some of BWC's wells do not have meters to record water production as required by General Order 103, "Rules Governing Water Service Including Minimum Standards for Design and Construction," and others have nonfunctioning meters. As a result, system water losses cannot be determined. In order to monitor the well pumps' performance accurately and to alert BWC's management to declines of efficiency which may affect water service, the Branch recommends that BWC be directed to install a production meter at each well. DHS is also requiring that BWC install production metering and storage tank level monitoring. Again, the Branch has not included these plant items in its summary of earnings for the test years because BWC has not committed itself to the work. BWC should be permitted to file advice letters to begin recovering the reasonable costs of its control system, storage tank monitoring equipment, and production meters when they have been placed in service.

The third category of plant deficiency arises from DHS's finding that water from BWC's Canyon Heights wells contains potentially unhealthy levels of radon. DHS has therefore requested that Well CH1 be equipped with a holding tank with splash plates to promote radon removal. The Branch concurs and recommends that BWC be allowed to file an advice letter to begin recovering the reasonable cost of the holding tank after it has been placed in service.

According to DHS, with the exception of the items noted above, BWC's water meets all state quality standards. BWC has no outstanding Commission orders requiring system improvements.

BWC's rates consists of a metered service schedule with a 300 cubic foot lifeline block. The Branch proposes to raise the metered service schedule rates by the system average increase, to include a service charge which would recover revenue equal to 50% of BWC's fixed expenses, and to move to a single metered quantity rate. This is consistent with the Commission's rate design policy for water companies established in Decision 86-05-064 effective May 28, 1986 which calls for phasing out lifeline rates, allows for reduction of multiple blocks to a single block and permits recovery of up to 50% of fixed expenses through the service charge.

BWC has historically suffered from an excessive uncollectibles rate (7%) because of its high customer turnover and large proportion of seasonal renters and part year residents. BWC requests that it be allowed to revise its tariffs to require new customers to pay the first year's service charge and SDWBA surcharge in advance, and the Branch concurs. The Commission's standard annual general metered service tariff which specifies such conditions is used by many similarly situated small water companies, and the Branch recommends that BWC be authorized to adopt such a tariff.

BWC also requests authority to amortize a \$4,949 overcollection in its balancing account for purchased power over twenty-three months. Since power use is related to the amount of water consumed, the surcredit has been applied to the metered quantity rate. The twenty-three month period was chosen to allow the surcredit per one hundred cubic feet to be a round figure.

The Branch recommends that the Commission authorize an increase in annual gross revenue of \$14,740 or 14.5% in 1988, an additional \$1,342 or 1.1% in 1989, and a further \$913 or 0.7% in 1990. These increases provide a 10.50% estimated rate of return on rate base in each test year.

At the Branch's recommended rates shown in Appendix B, the average monthly bill for a typical single family residential customer using the system average 750 cubic feet per month would increase from \$11.70 to \$13.65 (16.7%) in 1988, to 13.80 (1.1%) in 1989, and to 13.90 (0.7%) in 1990, exclusive of the SDWBA surcharge. A comparison of the present and recommended rates is shown in Appendix C.

FINDINGS

1. The Branch's recommended summary of earnings shown in Appendix A is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be authorized.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.

4. BWC should use a 3.52% depreciation rate until a future straight line remaining life depreciation study reviewed by the Branch indicates that a revision is warranted.
5. BWC should be required to record on its books of account the plant in service and depreciation reserve balances upon which the average amounts adopted in this resolution are based, and to reflect those balances in its 1988 annual report to the Commission. Those balances are \$240,383 for plant in service and \$131,838 for depreciation reserve as of December 31, 1987
6. BWC should be required to show in its billings to customers, in addition to the total amount due and the quantity of water used, a breakdown of all current charges including the meter service charge, quantity charge, SDWBA surcharge, and the FUC Reimbursement Fee surcharge.
7. BWC is being required by DHS to develop additional sources of water. BWC should be allowed to file advice letters to begin recovering the reasonable costs of facilities added to comply with DHS's water supply requirements as those facilities are completed and placed in service during the test years.
8. BWC should be required to prepare and submit a water conservation and rationing plan to the Branch for review. The plan should allow BWC to declare a shortage and limit usage in the event supplies are insufficient to meet demand. Upon the Branch's review and concurrence, BWC should file an advice letter to include the plan in its tariffs.
9. BWC should be required to prepare and submit to the Branch an engineering study outlining steps to correct the problem of its pumps running dry. The study should include cost estimates and a timetable for completion before its next general rate proceeding. Upon the Branch's review and concurrence, BWC should implement its plan. BWC should be allowed to file an advice letter to begin recovering the reasonable costs of improvements called for in the plan when they have been placed in service.
10. BWC should be ordered to comply with G.O. 103 by installing a suitable measuring device or otherwise determining production at each source of supply. BWC should be allowed to file an advice letter to begin recovering the reasonable costs of such installations after they have been put into operation.
11. BWC is being required by DHS to equip Well CH1 with a holding tank with splash plates to promote radon removal. BWC should be allowed to file an advice letter to begin recovering the reasonable cost of the holding tank after it has been placed in service.
12. BWC should be authorized to adopt the Commission's standard annual general metered service tariff in lieu of its present monthly metered tariff.
13. BWC should be required to amortize the overcollection in its purchased power balancing account over twenty-three months.
14. The rate increases authorized herein are justified and the resulting rates are just and reasonable.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Bodfish Water Company to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule No. 1. Its filing shall comply with General Order 96-A. The effective date of the new schedule shall be the date of filing.
2. Bodfish Water Company shall use a 3.52% composite depreciation rate until a future straight line remaining life depreciation study reviewed by the Water Utilities Branch indicates that a revision is warranted.
3. Bodfish Water Company shall record on its books of accounts the plant in service and depreciation reserve beginning balances upon which the average amounts adopted in this resolution are based, and shall reflect those balances in its 1988 annual report to the Commission.
4. Bodfish Water Company shall show in its billings to customers, in addition to the total amount due and the quantity of water used, a breakdown of all current charges including the meter service charge, quantity charge, SDWBA surcharge, and the FUC Reimbursement Fee surcharge.
5. Bodfish Water Company shall within 120 days of the effective date of this resolution prepare and submit a water conservation and rationing plan to the Water Utilities Branch for review. The plan shall allow Bodfish Water Company to declare a shortage and limit usage in the event supplies are insufficient to meet demand. Upon the Branch's review and concurrence, Bodfish Water Company shall file an advice letter to include the plan in its tariffs.
6. Bodfish Water Company shall within 180 days of the effective date of this resolution prepare and submit to the Water Utilities Branch an engineering study outlining steps to correct the problem of its pumps running dry. The study shall include cost estimates and a timetable for completion before its next general rate proceeding. Upon the Branch's review and concurrence, Bodfish Water Company shall implement its plan.
7. Bodfish Water Company shall install suitable measuring devices to determine water production at each source of supply within one year of the effective date of this resolution.

8. Bodfish Water Company is authorized to file advice letters to begin recovering the reasonable costs of the following items after they have been completed and placed in service during test years 1988, 1989 and 1990. It shall combine its advice letter filings for these items and shall not file them more often than once every six months:

a) Facilities necessary to comply with the California Department of Health Services' requirement for additional water supplies.

b) Facilities installed pursuant to Ordering Paragraph No. 6 to correct the problem of pumps running dry.

c) Measuring devices installed pursuant to Ordering Paragraph No. 7 to determine water production at each source of supply.

d) A holding tank with splash plates necessary to comply with the California Department of Health Services' requirement for removing radon at Well CH1.

9. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on November 23, 1988. The following commissioners approved it:

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



VICTOR R. WEISSER
Executive Director

APPENDIX A

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BODFISH WATER COMPANY

Summary of Earnings
(Test Year 1988)

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
OPERATING REVENUES					
Metered Rate					
Total Revenue	\$101,640	\$130,750	\$102,040	\$128,620	\$116,790
OPERATING EXPENSES					
Purchased Power	\$ 17,730	\$ 17,730	\$ 15,600	\$ 15,600	\$ 15,600
Employee Labor	12,480	12,480	12,480	12,480	12,480
Materials Expenses	5,460	5,460	5,460	5,460	5,460
Contract Work	18,910	18,910	9,750	9,750	9,750
Transportation Exp.	4,210	4,210	4,210	4,210	4,210
Other Plant Maint.	560	560	560	560	560
Office Salaries	9,960	9,960	9,960	9,960	9,960
Management Salaries	16,440	16,440	16,440	16,440	16,440
Employee Benefits	3,760	3,760	3,760	3,760	3,760
Uncollectibles	1,010	1,010	1,030	1,230	1,170
Office Serv. & Rent	2,000	2,000	2,000	2,000	2,000
Office Supplies	2,720	2,720	1,950	1,950	1,950
Profess. Services	2,040	2,040	2,040	2,040	2,040
Insurance	3,870	3,870	3,870	3,870	3,870
Reg. Com. Exp.	1,570	1,570	1,570	1,570	1,570
General Expenses	530	530	530	530	530
Subtotal Expenses	\$103,250	\$103,250	\$ 91,210	\$ 91,410	\$ 91,350
Depreciation Exp.	8,790	8,790	6,440	6,440	6,440
Payroll Taxes	-	-	3,630	3,630	3,630
Property Taxes	2,870	2,870	2,620	2,620	2,620
Other Taxes	700	870	700	870	800
Income Taxes	200	3,470	300	5,420	2,740
Total Deductions	\$115,810	\$119,250	\$104,900	\$110,390	\$107,580
Net Revenue	(\$ 14,170)	\$ 11,500	(\$ 2,860)	\$ 18,230	\$ 9,210
RATE BASE					
Average Plant	\$256,320	\$256,320	\$241,760	\$241,760	\$241,760
Avg. Depr. Reserve	135,260	135,260	135,320	135,320	135,320
Net Plant	121,060	121,060	106,440	106,440	106,440
Less: Advances					
Contributions	36,250	36,250	36,250	36,250	36,250
Plus: Working Cash	19,820	19,820	17,490	17,490	17,490
Mat'l & Supp.	2,600	2,600	-	-	-
Rate Base	\$107,230	\$107,230	\$ 87,680	\$ 87,680	\$ 87,680
RATE OF RETURN	(LOSS)	10.72% ^{1/}	(LOSS)	20.79%	10.50%

^{1/} BWC shows 10.75%

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BODFISH WATER COMPANY

Summary of Earnings
(Test Year 1989)

Item	Utility Estimated		Branch Estimated		Adopted
	Present Rates	Requested Rates	Present Rates	Requested Rates	
OPERATING REVENUES					
Metered Rate					
Total Revenue	\$103,740	\$138,050	\$104,140	\$135,440	\$120,440
OPERATING EXPENSES					
Purchased Power	\$ 18,090	\$ 18,090	\$ 15,880	\$ 15,880	\$ 15,880
Employee Labor	13,080	13,080	13,080	13,080	13,080
Materials Expenses	5,730	5,730	5,730	5,730	5,730
Contract Work	19,710	19,710	10,150	10,150	10,150
Transportation Exp.	4,410	4,410	4,410	4,410	4,410
Other Plant Maint.	590	590	590	590	590
Office Salaries	10,440	10,440	10,440	10,440	10,440
Management Salaries	17,160	17,160	17,160	17,160	17,160
Employee Benefits	3,940	3,940	3,940	3,940	3,940
Uncollectibles	1,030	1,030	1,050	1,360	1,200
Office Serv. & Rent	2,100	2,100	2,100	2,100	2,100
Office Supplies & Exp.	2,850	2,850	2,050	2,050	2,050
Profess. Services	2,140	2,140	2,140	2,140	2,140
Insurance	4,020	4,020	4,020	4,020	4,020
Reg. Com. Exp.	1,570	1,570	1,570	1,570	1,570
General Expenses	550	550	550	550	550
Subtotal Expenses	\$107,410	\$107,410	\$ 94,860	\$ 95,170	\$ 95,010
Depreciation Exp.	9,590	9,590	6,520	6,520	6,520
Payroll Taxes	-	-	3,770	3,770	3,770
Property Taxes	2,930	2,930	2,680	2,680	2,680
Other Taxes	680	860	710	880	810
Income Taxes	200	3,950	600	6,050	2,670
Total Deductions	\$120,810	\$124,740	\$109,140	\$115,070	\$111,460
Net Revenue	(\$ 17,070)	\$ 13,310	(\$ 5,000)	\$ 20,370	\$ 8,980
RATE BASE					
Average Plant	\$278,420	\$278,420	\$244,560	\$244,560	\$244,560
Avg. Depr. Reserve	144,770	144,770	143,080	143,080	143,080
Net Plant	133,650	133,650	101,480	101,480	101,480
Less: Advances	-	-	-	-	-
Contributions	34,220	34,220	34,220	34,220	34,220
Plus: Working Cash	20,650	20,650	18,220	18,220	18,220
Mat'l & Supp.	2,700	2,700	-	-	-
Rate Base	\$122,780	\$122,780	\$ 85,480	\$ 85,480	\$ 85,480
RATE OF RETURN	(LOSS)	10.84% ^{1/}	(LOSS)	23.03%	10.50%

^{1/} BWC shows 10.75%

APPENDIX A
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BODFISH WATER COMPANY

Summary of Earnings
(Test Year 1990)

Item	Utility Estimated		Branch Estimated		
	Present Rates	Requested Rates	Present Rates	Requested Rates	
OPERATING REVENUES					
Metered Rate					
Total Revenue	\$105,830	\$143,610	\$106,250	\$141,060	\$124,070
OPERATING EXPENSES					
Purchased Power	\$ 18,450	\$ 18,450	\$ 16,160	\$ 16,160	\$ 16,160
Employee Labor	13,680	13,680	13,680	13,680	13,680
Materials Expenses	6,440	6,440	6,020	6,020	6,020
Contract Work	20,600	20,600	10,290	10,290	10,290
Transportation Exp.	4,610	4,610	4,610	4,610	4,610
Other Plant Maint.	620	620	620	620	620
Office Salaries	10,920	10,920	10,920	10,920	10,920
Management Salaries	17,880	17,880	17,880	17,880	17,880
Employee Benefits	4,120	4,120	4,120	4,120	4,120
Uncollectibles	1,050	1,050	1,070	1,420	1,240
Office Serv. & Rent	2,190	2,190	2,190	2,190	2,190
Office Supplies & Exp.	2,980	2,980	2,150	2,150	2,150
Profess. Services	2,240	2,240	2,240	2,240	2,240
Insurance	4,170	4,170	4,170	4,170	4,170
Reg. Com. Exp.	1,570	1,570	1,570	1,570	1,570
General Expenses	570	570	570	570	570
Subtotal Expenses	\$112,190	\$112,190	\$ 98,260	\$ 98,610	\$ 98,430
Depreciation Exp.	9,930	9,930	6,620	6,620	6,620
Payroll Taxes	-	-	3,900	3,900	3,900
Property Taxes	2,990	2,990	2,740	2,740	2,740
Other Taxes	670	830	720	890	820
Income Taxes	200	4,110	800	6,480	2,650
Total Deductions	\$125,880	\$130,050	\$113,040	\$119,240	\$115,160
Net Revenue	(\$ 20,050)	\$ 13,560	(\$ 6,790)	\$ 21,820	\$ 8,910
RATE BASE					
Average Plant	\$289,920	\$289,920	\$247,460	\$247,460	\$247,460
Avg. Depr. Reserve	155,190	155,190	149,330	149,330	149,330
Net Plant	134,730	134,730	98,130	98,130	98,130
Less: Advances	-	-	-	-	-
Contributions	32,190	32,190	32,190	32,190	32,190
Plus: Working Cash	21,410	21,410	18,900	18,900	18,900
Mat'l & Supp	2,800	2,800	-	-	-
Rate Base	\$126,750	\$126,750	\$ 84,840	\$ 84,840	\$ 84,840
RATE OF RETURN	(LOSS)	10.70% ^{1/}	(LOSS)	25.72%	10.50%

1/ BWC shows 10.75%

APPENDIX B
Page 1

BODFISH WATER COMPANY
Schedule No. 1A
ANNUAL GENERAL METERED SERVICE

(N)
(N)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Bodfish and vicinity and a noncontiguous area known as Canyon Heights, Kern County.

RATES

Quantity Rate:

All water, per 100 cubic feet \$ 1.14 (I)

Service Charge:	Per Meter Per Year			
	1988	1989	1990	Surcharge
For 5/8 x 3/4-inch meter	\$ 61.20 (I)	\$ 63.00 (I)	\$ 64.20 (I)	\$ 30.90 (C)
For 3/4-inch meter	67.20	69.60	70.80	46.50
For 1-inch meter	91.80	94.80	96.00	77.40
For 1 1/2-inch meter	122.40	126.00	128.40	154.50
For 2-inch meter	165.60 (I)	170.40 (I)	174.00 (I)	247.20 (C)

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

Note: The Quantity Rate is subject to a reduction of \$0.04 per 100 cubic feet for 23 months after the effective date of this schedule for the amortization of an overcollection of the balancing account for purchased power. (R)
|
|
|
(R)

METERED SERVICE SURCHARGE

This surcharge is in addition to the regular metered water bill. The total surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan authorized by Decisions 93727 and 82-01-058. (T)

ANNUAL GENERAL METERED SERVICE
(continued)

(N)

SPECIAL CONDITIONS

1. The annual service charge and SDWBA surcharge apply to service during the 12-month period commencing January 1, and are due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the year, to pay the prorated service charge and surcharge in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods. Meters will be read and quantity charges billed monthly, bimonthly or quarterly in accordance with the utility's established billing periods except that meters may be read and quantity charges billed during the winter season at intervals greater than three months.

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

3. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.

(N)

APPENDIX C

BODFISH WATER COMPANY
COMPARISON OF RATES

METERED SERVICE

A comparison of monthly customer bills at present and the Branch's recommended rates for a 5/8 x 3/4-inch meter is shown below.

Monthly Usage Ccf	Present Rates	Authorized Rates	Percent Increase
0	\$ 4.50	\$ 5.10	13.3%
3	6.75	8.52	26.2%
5	8.95	10.80	20.7%
7.5 (Avg)	11.70	13.65	16.7%
10	14.45	16.50	14.2%
20	25.45	27.90	9.6%
30	36.45	39.30	7.8%
50	58.45	62.10	6.4%
100	113.45	119.10	5.0%

APPENDIX D
Page 1
BODFISH WATER COMPANY

ADOPTED QUANTITIES
1988, 1989, and 1990 Test Years

Federal Tax Rate	15%
State Tax Rate	9.3%
Business License	-
Uncollectible Rate	1.0%

Expenses

	<u>Test Years</u>		
	1988	1989	1990
1. Purchased Power			
Electric:			
S. C. Edison			
Rate Schedule	PA-1	PA-1	PA-1
Eff. Date of Sched.	07/25/88	07/25/88	07/25/88
kwh	166,030	169,450	172,880
\$/kwh	0.08261	0.08261	0.08261
Customer Charge	\$998.40	\$998.40	\$998.40
Service Charge	\$882	\$882	\$882
Total Cost	\$15,600	\$15,880	\$16,160
2. Payroll			
Employee Labor	\$12,480	\$13,080	\$13,680
Office Salaries	\$ 9,960	\$10,440	\$10,920
Management Salaries	\$16,440	\$17,160	\$17,880
3. Ad Valorem Taxes			
Tax Rate	\$ 2,620	\$ 2,680	\$ 2,740
Assessed Value	1.00%	1.00%	1.00%
	\$262,000	\$268,000	\$274,000
4. Other Taxes			
Tax Rate	\$800	\$810	\$820
Composite Amount	2%	2%	2%
	\$40,000	\$40,500	\$41,000
5. Water Testing (in Contract Work)	\$1,060	\$1,060	\$1,060

Service Connections

1. Metered Rate Service			
5/8 x 3/4-inch meter ...	725	740	755
2-inch meter	2	2	2
Total	727	742	757
2. Public Fire Hydrants	33	33	33
<u>Water Consumption</u> (Ccf)	63,250	64,550	65,860

APPENDIX D
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BODFISH WATER COMPANY
ADOPTED TAX CALCULATIONS
Test Year 1988

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$116,790	\$116,790
2.	O & M Expenses	91,350	91,350
3.	Taxes Other Than Income	7,050	7,050
4.	Tax Depreciation	6,440	6,440
5.	Interest	-	-
6.	Taxable Income for State Tax	11,950	
7.	State Tax (9.3%)	1,111	1,111
8.	Taxable Income for FIT		10,839
9.	Federal Income Tax (15%)		1,626
10.	Total Income Tax		2,737
		Use	2,740

ADOPTED TAX CALCULATIONS
Test Year 1989

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$120,440	\$120,440
2.	O & M Expenses	95,010	95,010
3.	Taxes Other Than Income	7,260	7,260
4.	Tax Depreciation	6,520	6,520
5.	Interest	-	-
6.	Taxable Income for State Tax	11,650	
7.	State Tax (9.3%)	1,083	1,083
8.	Taxable Income for FIT		10,567
9.	Federal Income Tax (15%)		1,585
10.	Total Income Tax		2,668
		Use	2,670

APPENDIX D

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BODFISH WATER COMPANY

ADOPTED TAX CALCULATIONS
Test Year 1990

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$124,070	\$124,070
2.	O & M Expenses	98,430	98,430
3.	Taxes Other Than Income	7,460	7,460
4.	Tax Depreciation	6,620	6,620
5.	Interest	-	-
6.	Taxable Income for State Tax	11,560	
7.	State Tax (9.3%)	1,075	1,075
8.	Taxable Income for FIT		10,485
9.	Federal Income Tax (15%)		1,573
10.	Total Income Tax		2,648
		Use	2,650