

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3429
January 11, 1989

R E S O L U T I O N

(RES. W-3429) LUCERNE WATER COMPANY, (LWC). ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING \$44,038
OR 19.8% ADDITIONAL ANNUAL REVENUE.

LWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on July 15, 1988, requested authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$86,470 or 38.64%. After removing the effects of LWC's Safe Drinking Water Bond Act (SDWBA) loan which are considered separately from general rate increases, and user fee surcharges which are not considered for ratemaking, LWC's request shows 1988 gross revenue of \$223,788 at present rates increasing to \$310,258 at proposed rates to produce a rate of return on rate base of 16.84%. LWC serves 1198 metered customers and 1 flat rate customer in the unincorporated community of Lucerne and vicinity, Lake County.

The present rates became effective August 21, 1985 pursuant to Resolution W-3275 which authorized a general rate increase. LWC's rates include a surcharge which was established on April 27, 1981 pursuant to Commission Decision (D.) 92711 to repay a SDWBA loan. No change in the surcharge is proposed at this time.

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

The Branch's estimates of metered revenue are slightly lower than LWC's because the Branch's estimate of water consumption in the test year is lower. The Branch's estimate is based on the recorded average water consumption per customer over the years 1985, 1986 and 1987 while LWC's is based only on recorded 1987 data. The Branch used a three year average because water consumption per customer has fluctuated over the last three years, showing no apparent trend.

The differences in estimates for operating expenses are in purchased water, purchased power, employee labor, contract work, management salary, transportation expense, professional services, insurance, general expense, pensions and benefits, regulatory commission expense, depreciation, payroll taxes, property taxes and income taxes.

The Branch's estimate of purchased water expense is slightly lower than LWC's due to the Branch's lower estimate of water consumption in the test year as noted above. Because its cost of purchased water is determined by sales, not production, its water losses do not affect its purchased water expense.

The Branch's \$27,326 estimate of purchased power was derived by multiplying the average recorded energy usage per unit of water sold during the past three years by the Branch's estimated test year water consumption. The Branch then applied Pacific Gas and Electric Company's most recent electric rates effective May 17, 1988 which were not available when LWC made its estimate. LWC's \$31,109 figure was based on a slightly higher energy consumption figure, but LWC was unable to recall how it priced its estimated usage to arrive at its final purchased power cost.

LWC estimated employee labor expense in the test year to be \$55,380. Later recorded data, however, show that its actual total employee labor payroll in 1988 will be only about \$52,780. LWC's workpapers estimate that about 5% of its employee labor is related to plant construction and thus should be capitalized. The Branch capitalized 5% of the \$52,780 figure to arrive at its estimate of \$50,141.

For contract work, both the Branch's \$3,241 estimate and LWC's \$2,907 estimate were based on the average of recorded amounts from 1983 through 1987. The Branch's figure is higher because it adjusted for inflation and customer growth while LWC did not. The escalation factors used by the Branch for this and other accounts were those provided by the Advisory Branch of Commission Advisory and Compliance Division.

The Branch derived its \$11,296 management salary estimate for 1988 by escalating the recorded 1987 figure, and then allocating 10% to capital projects. By D.90060 (March 13, 1979) the Commission authorized LWC's then-controlling stockholder (who is today its president) to transfer stock gradually to the couple who now are LWC's office manager and plant manager, and he has done so. The new majority stockholders are fully employed in the utility and will presumably eventually take over management duties. LWC provided no explanation for its \$13,000 estimate.

LWC's estimate of \$18,810 for transportation expense consists of \$8,910 for general transportation expense, \$1,500 for backhoe maintenance and repair and \$8,400 for a backhoe lease. The Branch's \$10,190 estimated includes \$4,994 for general transportation expense based on the average of the last three years' recorded amounts escalated for inflation and customer growth, \$500 for backhoe maintenance and repair less 40% (\$200) of that amount capitalized,

and \$8,160 for the backhoe lease less 40% (\$3,264) capitalized. In June, 1988 LWC retired an old company-owned backhoe and is now leasing one for utility operation. LWC's \$1,500 estimate for backhoe maintenance and repair was based on the poor maintenance and repair history of the old backhoe whereas the Branch's \$500 estimate better reflects the current situation. According to LWC, approximately 40% of the backhoe time is spent on construction projects which are capitalized.

All of LWC's professional services expense is for accountant fees. LWC's estimate of \$2,800 for 1988 is based on the amount originally billed (but not paid) for accounting services in 1987. The Branch's \$2,028 estimate is based on the actual amount paid for accounting services in 1987 escalated for inflation and growth to test year 1988. The accountant who handled LWC's accounting work recently passed away and his partner took over the business. When this occurred, the charges to LWC increased substantially. LWC was able to negotiate a lower bill for 1987 but based its 1988 estimate on the original, higher amount. LWC has now retained a new, local accountant who will handle its accounting needs at a more reasonable cost.

The Branch's estimate of insurance expense in the test year is greater than LWC's because it is based on later policy and premium information which LWC did not have available when it made its estimate.

The Branch's estimate for general expense is \$382 compared to LWC's \$3,000. The difference is due to the Branch's having excluded the president's personal income taxes from the account.

The Branch's \$5,020 estimate of employee pension and benefits expense reflects the fact that one of LWC's employees quit unexpectedly during 1988 and was immediately replaced. The new worker is considerably younger than the worker he replaced, thus resulting in a significant reduction in annual health insurance premiums. LWC's \$6,000 estimate did not reflect this change.

LWC did not include regulatory commission expense in its request. The \$150 annual estimate by the Branch is based on the number of hours worked by LWC personnel in preparing the rate increase request and the average office and management salary rate. The resulting amount was spread over the three year rate case cycle.

The Branch's estimate of depreciation expense in the test year is slightly lower than LWC's because of the Branch's lower estimate of plant additions in 1988 as explained under utility plant below.

The Branch's estimate of payroll taxes is based on its estimated payroll. It exceeds LWC's estimate because LWC inadvertently failed to include a portion of its estimated payroll for 1988 in its tax calculation.

The Branch's estimate of property taxes is slightly less than LWC's because it is based on later recorded utility plant data which was not available to LWC when it made its estimate. The specific plant differences are detailed in the plant discussion below.

LWC estimated income taxes in the test year to be \$7,000 without any explanation. The Branch's income tax estimate reflects current tax rates under the Federal Tax Reform Act of 1986 and the corresponding state tax rate for 1988.

The difference between LWC and the Branch in rate base estimates is due to differences in average utility plant, average depreciation reserve, unamortized investment tax credit, working cash and materials and supplies.

The Branch's estimate of average plant in service is lower than LWC's. LWC inappropriately combined its SDWBA plant with its other plant in the initial increase request; the Branch has reversed those amounts out and has shown the result in the Appendix A Summary of Earnings. SDWBA plant and related items are not included in general rate increase showings because surcharges to amortize the loans are separately established at the time the loans are authorized by the Commission. In addition, there are differences in the Branch's and LWC's estimates of plant additions and retirements in the test year. LWC estimated the installation cost of a new 200,000 gallon storage tank to be \$100,000. The Branch's figure reflects the \$79,105 final recorded cost. Also, LWC has not installed as much distribution main in test year 1988 as it had originally anticipated. The Branch based its figure on actual main installations through September and LWC's best estimate of main to be installed through the rest of the year. LWC retired an old backhoe in June, 1988, but did not account for it in its utility plant estimate in the test year. The Branch removed the \$12,000 original cost of the backhoe from utility plant in 1988, and made a corresponding adjustment to the depreciation reserve.

The Branch's estimate of average depreciation reserve is lower than LWC's because of the difference in utility plant addition and retirement estimates as explained above.

The Branch's adjustment to rate base for unamortized investment tax credits (ITC) was determined in accordance with the Economic Recovery Tax Act of 1981 (ERTA). Although investment tax credits are no longer available, LWC's ITC reserve derives from plant investment prior to 1987 and is gradually being reduced over the life of the associated plant. LWC did not make this adjustment.

Both the Branch and LWC based their working cash estimates on the simplified method for water utilities using bi-monthly billing at metered rates as prescribed in the Commission's Standard Practice U-16, "Determination of Working Cash Allowance." The Branch's estimate of working cash is lower than LWC's because of its lower total operating expenses estimate.

The Branch's estimate of materials and supplies is less than LWC's. LWC inappropriately included its entire inventory of materials and supplies, including capital items which will eventually be part of utility plant, whereas the Branch's estimate includes only materials and supplies on hand necessary to carry out normal day to day utility operations.

LWC's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 3.63%. After removing the effects of SDWBA funds from rate base as explained above, LWC's summary of earnings at its proposed rates shows a rate of return of 16.84%. 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 Commission Advisory and Compliance Division for small, 100% equity financed water utilities.

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

A notice of the proposed rate increase and public meeting was mailed to each customer on July 29, 1988. Seventeen letters of protest were received, all complaining about the magnitude of the increase requested. One of the letters commended LWC for supplying excellent quality water. There were no service complaints.

The Branch recently responded by letter to those who protested, conveying the results of its investigation and explaining why it is recommending an increase.

On September 7, 1988 an informal public meeting attended by approximately 75 customers was held in the LWC service area. A Branch representative conducted the meeting and representatives of LWC were there to answer questions. Most of the concerns expressed related to the magnitude of the increase proposed, although several customers also complained of taste and odor problems in the water in the summer months of August and September. According to the California Department of Health Services (DHS), LWC's water meets all state quality standards. DHS also indicated that the taste and odor problem in the water, which is caused by the algae bloom which occurs in Clear Lake in the summer, was alleviated when LWC installed a new filtration system with SDWBA loan money in 1984. On occasion when the algae bloom in the lake is very heavy, there may still be a hint of taste and odor, but the water is healthful.

Branch engineers conducted a field investigation on August 1 and 2 and September 7, 1988. Visible portions of the system were inspected, pressures checked, company records researched and customers interviewed. The investigation indicated that service is satisfactory and that LWC's system is in compliance with the requirements of the Commission's G.O. 103, "Rules Governing Water Service Including Minimum Standards for Design and Construction." Two customers contacted during the field investigation complimented LWC on its service and water quality. One complained of the taste and odor problem described above.

There are no outstanding Commission orders requiring system improvements.

LWC obtains all of its water from Clear Lake, paying Yolo County Flood Control District a fee based on the amount sold. The supply is adequate and there are no restrictions imposed by the District on the amount of water LWC may use. All but one of LWC's customers are metered and usage per customer

is relatively low. The installation of a new tank in August, 1988 has lowered LWC's water loss. LWC has been gradually replacing its old mains in recent years as available capital permits, and plans to continue the program. This effort should lead to continuing lower water losses and pumping power usage. No additional conservation measures are needed at this time.

LWC provides general metered service, annual residential flat rate service, limited private fire protection service, and public fire hydrant service. The Branch proposes to increase all schedules by approximately the system overall average percentage increase.

LWC's general metered service schedule has a 300 Ccf (one Ccf is one hundred cubic feet) lifeline block, a single tail block for all usage over 300 Ccf, and separate, higher monthly service charges for nonpermanent residents. The Branch proposes a metered rate design with a service charge which eliminates the distinction between permanent and nonpermanent residents, and which has a single quantity rate for all water used. This is consistent with the Commission's rate design policy for water companies established by D.86-05-064 which calls for phasing out lifeline rates and allows for reduction of multiple blocks to a single block. The separate, higher service charge for nonpermanent residents was originally established to ensure that they pay their fair share of the utility's fixed costs. With fixed cost coverage having been addressed by D.86-05-064, the Branch recommends that the rate distinction between permanent residents and others now be eliminated by setting service charges for all metered customers at the level currently paid by nonpermanent residents. This will result in service charges recovering 58% of fixed costs, higher than the 50% goal established by D.86-05-064, but as low as possible without decreasing the service charge currently paid by nonpermanent residents.

LWC proposes to add a 4-inch connection rate to tariff Schedule No. 4L, Limited Fire Protection Service, so that it can provide 4-inch connections for private fire protection to two prospective customers in the next two to three years. The Branch concurs.

LWC and the Lucerne Recreation and Park District have a written contract agreement which allows LWC to charge the District for public fire hydrant service at rates established by the Commission. This complies with Public Utilities Code Section 2713 which prohibits such charges to a public agency absent a written agreement.

The Branch recommends that the Commission authorize an increase in gross annual revenue of \$44,038 or 19.8%. This increase provides a 10.50% estimated rate of return on rate base in test year 1988.

At the Branch's recommended rates shown in Appendix B, the bill for a typical permanent resident customer with a 5/8 x 3/4-inch meter using the system average of 9 Ccf per month would increase from \$14.45 to \$18.35 per month, exclusive of the SDWBA surcharge. Nonpermanent resident metered customers would see an increase from \$16.00 to \$18.35 per month. Customers' SDWBA surcharges will remain unchanged. A comparison of the present and recommended rates is shown in Appendix C.

FINDINGS

1. The Branch's recommended summary of earnings (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. The rate increase authorized herein is justified and the resulting rates are just and reasonable.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Lucerne Water Company to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedule Nos. 1, 2AR, 4L and 5. Its filing shall comply with General Order 96-A. The effective date of the revised rate schedules shall be the date of filing.
2. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on January 11, 1989. The following commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
JOHN B. CHANIAN
Commissioners



VICTOR R. WEISSER
Executive Director

APPENDIX A

LUCERNE WATER COMPANY

SUMMARY OF EARNINGS
Test Year 1988

Item	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Private Fire	\$ 742	\$ 1,002	\$ 742	\$ 1,002	\$ 890
Public Fire	1,482	2,106	1,482	2,106	1,794
Flat Rate	116	163	116	163	139
Metered	221,448	306,987	219,679	304,470	263,234
Total Revenue	223,788	310,258	222,019	307,741	266,057
<u>Operating Expenses</u>					
Purchased Water	7,834	7,834	7,721	7,721	7,721
Purchased Power	31,109	31,109	27,326	27,326	27,326
Employee Labor	55,380	55,380	50,141	50,141	50,141
Materials	35,000	35,000	35,000	35,000	35,000
Contract Work	2,907	2,907	3,241	3,241	3,241
Office Salaries	18,980	18,980	18,980	18,980	18,980
Management Salaries	13,000	13,000	11,296	11,296	11,296
Transportation	18,810	18,810	10,190	10,190	10,190
Office Serv. & Rent	0	0	0	0	0
Office Supplies	9,000	9,000	9,000	9,000	9,000
Professional Services	2,800	2,800	2,028	2,028	2,028
Insurance	10,200	10,200	11,681	11,681	11,681
General Expense	3,000	3,000	382	382	382
Pensions & Benefits	6,000	6,000	5,020	5,020	5,020
Reg. Comm. Expense	0	0	150	150	150
Subtotal	214,020	214,020	192,156	192,156	192,156
Depreciation Exp.	12,670	12,670	12,434	12,434	12,434
Property Tax	5,236	5,236	5,124	5,124	5,124
Payroll Tax	7,904	7,904	10,060	10,060	10,060
Income Taxes	7,000	7,000	514	23,558	10,601
Total Deductions	246,830	246,830	220,288	243,332	230,375
Net Revenue	(23,042)	63,428	1,731	64,409	35,682
<u>Rate Base</u>					
Average Plant	611,841	611,841	592,288	592,288	592,288
Avg. Depr. Reserve	221,726	221,726	215,608	215,608	215,608
Net Plant	390,115	390,115	376,680	376,680	376,680
Less: Advances	0	0	0	0	0
Contributions	75,830	75,830	75,830	75,830	75,830
Unamortized ITC	0	0	10,068	10,068	10,068
Plus: Working Cash	42,290	42,290	36,366	36,366	36,366
Mat'l & Supplies	20,000	20,000	12,708	12,708	12,708
Rate Base	376,575	376,575	339,856	339,856	339,856
Rate of Return	(Loss)	16.84%	0.51%	18.95%	10.50%

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LUCERNE WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Lucerne and vicinity, Lake County

RATES

Quantity Rate: (D)
(T)

All water, per 100 cu. ft. \$ 1.161 (I)

	<u>Per Meter Per Month</u>	<u>SDWBA* Monthly Surcharge</u>
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 7.90 (I)	\$ 4.60
For 3/4-inch meter	8.70	6.90
For 1-inch meter	11.85	11.50
For 1 1/2-inch meter	15.85	23.00
For 2-inch meter	21.35	36.80
For 3-inch meter	39.60 (I)	69.00

The SDWBA monthly surcharge for mobile home parks is \$1.85 (T)
per space for all size meters. (T)

The service charge is a readiness-to-serve charge which is (T)
applicable to all metered service and to which is to be
added the monthly charge computed at the quantity rate. (T)

*NOTE: This surcharge is in addition to the regular monthly (D)
metered water bill. The total monthly surcharge must be (T) (L)
identified on each bill. This surcharge is specifically for the
repayment of the California Safe Drinking Water Bond Act loan
authorized by Decision No. 92711. It shall apply only to service
rendered on or after December 1, 1981. (L)
(D)

LUCERNE WATER COMPANY

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Lucerne and vicinity, Lake County.

RATE

	Per Service Connection Per Year	
	<u>Charge</u>	<u>SDWBA* Surcharge</u>
For a single-family residential unit, including premises	\$ 138.90 (I)	\$ 55.20

SPECIAL CONDITIONS

1. The above flat rate applies to service connections not larger than 3/4-inch in diameter.

2. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General 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 rate payment shall be made on or before that day.

3. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly, or quarterly) in accordance with the utility's established billing periods. (T)

*SDWBA - Safe Drinking Water Bond Act

(Continued)

ANNUAL RESIDENTIAL FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Continued)

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

SDWBA SURCHARGE

NOTE: This surcharge is in addition to the regular charge of \$138.90 per 3/4-inch service connection per year. The total yearly 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 No. 92711. It shall apply only to service rendered on or after December 1, 1981. (I)

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LUCERNE WATER COMPANY

Schedule No. 4L

LIMITED PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all private fire protection service. (T)

TERRITORY

Lucerne and vicinity, Lake County.

RATES

Per Month

For a 4-inch connection	\$ 23.00	(N)
For a 10-inch connection	74.15	(I)

SPECIAL CONDITIONS

1. 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 shall be paid by the applicant. Such payment shall not be subject to refund. (T)

2. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system. (T)

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LUCERNE WATER COMPANY

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the State.

TERRITORY

Lucerne and vicinity, Lake County.

RATE

	<u>Per Month</u>	
For each hydrant	\$ 2.30	(I)

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rate under Schedule No. 1, General Metered Service. (T)
2. The cost of installation and maintenance of hydrants shall be borne by the public authority.
3. Relocation of any hydrant shall be at the expense of the party requesting the relocation.
4. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

APPENDIX C

LUCERNE WATER COMPANY

COMPARISON OF RATES (1)

<u>Flat Rate Service</u>	<u>Per Service Connection Per Year</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
For a single-family residential unit, including premises	\$ 115.90	\$ 138.90	19.8%

<u>Metered Rate Service</u>	<u>Per Service Connection Per Month</u>		
	<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Percent Increase</u>
<u>Quantity Rates:</u>			
First 300 cu. ft. or less per month	\$ 0.80	\$ 1.161	45.1%
Over 300 cu. ft., per 100 cu. ft.	0.95	1.161	22.2
<u>Service Charge, Permanent Residents:</u>			
For 5/8 x 3/4-inch meter	6.35	7.90	24.4%
For 3/4-inch meter	6.95	8.70	25.2
For 1-inch meter	9.50	11.85	24.7
For 1-1/2-inch meter	12.65	15.85	25.3
For 2-inch meter	17.10	21.35	24.9
For 3-inch meter	31.65	39.60	25.1
<u>Service Charge, Nonpermanent Residents:</u>			
For 5/8 x 3/4-inch meter	7.90	7.90	0
For 3/4-inch meter	8.70	8.70	0
For 1-inch meter	11.85	11.85	0
For 1-1/2-inch meter	15.85	15.85	0
For 2-inch meter	21.35	21.35	0
For 3-inch meter	39.60	39.60	0

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

<u>Usage</u> <u>100 cu. ft.</u>	<u>Present Bills</u>	<u>Recommended Bills</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
0	\$ 6.35	\$ 7.90	\$ 1.55	24.4%
5	10.65	13.71	3.06	28.7
9 (average)	14.45	18.35	3.90	27.0
10	15.40	19.51	4.11	26.7
15	20.15	25.32	5.17	25.7
20	24.90	31.12	6.22	25.0
30	34.40	42.73	8.33	24.2
40	43.90	54.34	10.44	23.8
50	53.40	65.95	12.55	23.5

(1) Not including SDWA surcharges

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LUCERNE WATER COMPANY

ADOPTED QUANTITIES
Test Year 1988

Federal Tax Rate:	15½
State Tax Rate:	9.3½
Business License:	0
Uncollectible Rate:	0

Expenses:

1. Purchased Power

Pacific Gas & Electric Co.	A-1	A-10	EX 1 (Tier 1)	EX 1 (Tier 2)
Rate Schedule	5/17/88	5/17/88	5/17/88	5/17/88
Eff. Date of Sched.	3,187	296,731	6,015	4,747
Kwh Used Total	2,097	173,439	1,504	1,186
Kwh Used-Summer	1,090	123,292	4,511	3,561
Kwh Used-Winter	0.10424	.08678	.06918	.12052
\$/kwh - Summer	0.08570	.06851	.06918	.12052
\$/kwh - Winter	\$ 219	\$15,051	\$ 104	\$ 143
Summer Charge	93	8,447	312	429
Winter Charge	75	600	0	0
Customer Charge	0	1,853	0	0
Demand Charge	387	25,951	416	572
Total				\$ 27,326
Total Purchased Power				

2. Purchased Water (Yolo County Flood Control District)

Quantity (AF, based on sales)	294.13
Cost (\$/AF)	26.25
Total Cost	\$ 7,721

3. Payroll & Employee Benefits

Employee Labor	\$ 50,141
Management Salary	11,296
Office Salary	18,980
Total Payroll	80,417
Pensions and Benefits	5,020
Payroll Taxes	10,060

4. Ad Valorem Taxes

Tax Rate	\$ 5,124
Special Assessments	1.0364½
Assessed Value	380
	457,754

5. Water Testing

\$ 976

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Service Connections:

Metered		
5/8 x 3/4-inch	1,185	
3/4-inch	0	
1-inch	9	
1 1/2-inch	2	
2-inch	2	
3-inch	0	
	1,198	

Flat Rate Residential 1

Total 1,199

Public Fire Hydrant Service 65

Private Fire Protection Service (10-inch) 1

Metered Water Sales Used To Design Rates: 128,122 Ccf

ADOPTED TAX CALCULATIONS
1988 Test Year

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenues	\$ 266,057	\$ 266,057
2.	Expenses	192,156	192,156
3.	Taxes Other Than Income	15,184	15,184
4.	Depreciation Expense	12,434	12,434
5.	Interest	0	0
6.	Taxable Income for State Tax	46,283	
7.	State Tax (@ 9.3%)	4,304	4,304
8.	Taxable Income for FIT		41,979
9.	Federal Income Tax (@ 15%)		6,297
10.	Total Income Tax		10,601

(END OF APPENDIX D)