

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3486  
March 14, 1990

R E S O L U T I O N

(Res W-3486) GERBER WATER WORKS, INC. (GWW). ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUE, \$13,994 (29.6%) IN 1989, \$1,445 (2.4%) IN 1990, AND \$1,576 (2.5%) IN 1991.

GWW, by draft advice letter accepted by the Water Utilities Branch (Branch) on July 5, 1989, 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 \$14,040 or 29.6% in 1989, an additional \$1,450 (2.4%) in 1990, and an additional \$1,580 (2.5%) in 1991. GWW's request shows 1989 gross revenue of \$47,510 at present rates increasing to \$61,550 at proposed rates in 1989, to \$63,000 in 1990, and to \$64,580 in 1991 to produce a rate of return on rate base of 10.5% for the years 1989 through 1991. GWW presently serves approximately 270 flat rate and 16 metered customers in the community of Gerber and vicinity, Tehama County.

The present rates became effective June 30, 1986 pursuant to Resolution W-3320 which authorized a general rate increase of \$10,660 or 29.4%. GWW's customers also pay a SDWBA surcharge which was authorized in the amount of \$100,075 by Decision 91197 dated January 8, 1983.

The Branch made an independent analysis of GWW's summary of earnings. Appendices A-1 through A-3 show GWW's and the Branch's estimated summary of earnings at present, proposed and adopted rates for test years 1989, 1990, and 1991. Appendices A-1 through A-3 show differences in revenue, expenses and rate base.

The Branch's \$47,357 estimate of revenues at present rates and \$61,216 at proposed rates are slightly lower than GWW's corresponding estimates of \$47,510 and \$61,550 respectively. The main reason for this difference is that GWW computed its estimates by using unsubstantiated numbers of services connections for the test year, while the Branch used an average recorded number of active connections from 1982 through 1987 and projected this average to the test year. The Branch used a five year average because the number of service connections has fluctuated over the last five years, showing no apparent trend.

The differences in estimates for operating expenses are in purchased power, contract work, professional service expense, general expense, regulatory commission expense, office services and rental, payroll taxes, property taxes, and income taxes.

The Branch's estimate of purchased power is higher than GWW's. The Branch's estimate was derived by using the latest twelve-month (October 1988 through September 1989) recorded year's total energy consumption per customer multiplied by the estimated number of customers during the test year. The Branch then applied PG&E's most recent electric rates effective January 1, 1990. GWW's estimate was based on the total energy used in 1988 applied to the PG&E rates effective March 22, 1989, which are now superseded by the rates used by the Branch.

The Branch's estimate of contract work expense exceeds GWW's by \$238. The Branch's estimate is based on the average recorded costs from 1985 through 1988, escalated for inflation to the test year. It also includes volatile organic chemical testing costs for the test year. GWW's estimate is based on a three-year recorded average, which did not include increases for inflation. The escalation factors used by the Branch for this and other accounts to estimate 1989 through 1991 expenses were those recommended by the Advisory Branch of Commission Advisory and Compliance Division.

The Branch's estimate of professional service expense is \$481 less than GWW's. The Branch based its estimate on the latest three-years average recorded costs less consulting charges, inappropriately placed in this account by GWW's accountant, escalated for inflation to the test year. The utility used an average of recorded costs less consulting charges for 1986 through 1988 plus \$600 for increased accounting services. The Branch's investigation revealed that the \$600 extra accounting expense will not materialize.

The Branch's estimate of general expense is \$115 less than GWW's. GWW included contributions to charity and an expense for cash shortage. The Commission does not allow these types of expenses to be passed on to the ratepayers.

The Branch's estimate of regulatory commission expense, \$1,920, is \$30 lower than GWW's estimate of \$1,950. This minor difference is due to the Branch estimating \$30 less for preparing the advice letter, which accompanies the workpapers. GWW's consultant has a generic advice letter on a computer disk which requires minor changes from one utility to another. GWW did not properly justify its estimate.

The Branch's estimate of office services and rentals is lower than GWW's. The Branch's estimate is based on recorded 1988 expense of \$50 per month escalated for inflation to the test year. This expense is estimated to remain essentially constant. GWW's estimate is inexplicably based on \$50 per month for three months and \$70 per month for the remaining months of the year.

The Branch's estimate of payroll taxes is lower than GWW's. The Branch used the appropriate maximum taxable salary for calculating unemployment tax for GWW's president. Since she is paid from two separate accounts, GWW used a separate maximum salary from each account, but the Branch properly applied only one maximum total salary for this employee. Both the Branch and GWW used the same tax rates.

The Branch's \$384 estimate of property taxes is \$1,116 lower than GWW's estimate. GWW's utility plant in service is intermingled in the property tax records with the plant financed by the Safe Drinking Water Bond Act loan which is non-taxable. At the request of GWW, the Tehama County Tax Assessor recently revised its assessment to exclude plant financed by the Safe Drinking Water Bond Act loan. Therefore, GWW will pay less in property taxes. The Branch used net plant value as a surrogate for assessed value and applied the current property tax rate to obtain its estimate. Both the Branch and GWW used a tax rate of 1.005%.

Both the Branch's and GWW's income tax estimates reflect the current rates under the Federal Tax Reform Act of 1986 and the corresponding state rates for 1989. The difference in estimates is due to differing estimates of revenues and expense and also to the Branch's inclusion of uncollectible expense.

The difference in rate base is due to differences in average plant in service estimates.

The Branch's estimate of average plant in service is higher than GWW's. Branch's estimate is higher because GWW inadvertently excluded capitalized labor from its plant additions estimate and also GWW made an inadvertent addition error in calculating total plant additions.

GWW included the costs of the installation of six shut-off valves and boxes in each year for 1989, 1990 and 1991. The Branch concurs with this proposal and has included these 18 units in its estimate. GWW has also requested that it be allowed to install approximately 150 additional shut-off valves and boxes. Since GWW does not have a definite time schedule for installation of these shut-off valves and boxes, the Branch recommends that GWW should be authorized to file an advice letter to begin recovering the reasonable costs of approximately 150 shut-off valves and boxes after they have been placed in service.

The Branch's recommended summary of earnings would produce rates of return of 10.64% for 1989, 10.58% for 1990, and 9.92% for 1991 at the Branch's recommended rates. The 1991 rate of return, although lower than the 10.50% to 11.00% rate of return range recommended by the Finance Branch of the Commission Advisory and Compliance Division for small water utilities with 100% equity financing, results in GWW being granted the total revenue percentage increase requested. The authorized rate of return in the last rate case is generally used to determine whether a utility's earnings are excessive when the Commission is considering granting rate relief for offsetable items such as purchased power. The Branch therefore recommends that the Commission find a rate of return on rate base not exceeding 11.00% to be reasonable for the purpose of future earnings tests for GWW.

GWW 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 the proposed rate increase and public meeting was mailed to each customer on July 17, 1989. No letters of protest have been received. There were no service complaints.

On August 2, 1989 an informal public meeting attended by approximately 33 customers was held in GWW's service area. A Branch engineer conducted the meeting and GWW's owner, manager, and consultant were there to answer questions. Customers complained of the magnitude of the rate increase and also about the quality of the water (alkali salts). It was explained that to remove the alkali salts from the water would require extensive treatment and filtration of the water. When asked, no customer was willing to pay more for water than the rates proposed.

According to the California State Department of Health Services, GWW's water meets all primary and secondary drinking water standards currently in effect. There are no outstanding Commission orders requiring system improvements.

Branch engineers conducted a field investigation of GWW's service area on August 2, and September 27, 1989. Visible portions of the system were inspected, pressures checked, and company records researched. The investigation revealed that service was satisfactory and that GWW's system was in compliance with the requirements of the Commission's General Order 103, "Rules Governing Water Service Including Minimum Standards for Design and Construction."

GWW currently has no conservation program. With its two deep wells, GWW foresees no problems with water supply. The Branch does not recommend a conservation program at this time.

GWW currently has three schedules: Schedule No. 1, General Metered Service; Schedule No. 2, General Flat Rate Service; and Schedule No. 5, Public Fire Hydrant Service. The Metered Service rate schedule consists of two quantity blocks of 0 to 3 Ccf (one Ccf is one-hundred cubic feet) and over 3 Ccf, and a monthly service charge determined by meter size.

The rates proposed by the Branch increase flat rates by the system average increase. The Branch also recommends increasing metered rates by the system average increase, but using a metered service charge that recovers approximately 50% of the fixed costs and a single metered quantity rate. This is consistent with the Commission's rate design policy for water companies established by Decision 86-05-064 which calls for phasing out lifeline rates, allows for reduction of multiple blocks to a single block and recovery of up to 50% of fixed expenses through the service charge.

GWW requested and the Branch concurs that tariff Schedule No. 5, Public Fire Hydrant Service should be cancelled. Pursuant to Section 2713 of the Public Utilities Code, GWW has entered into an agreement with the local fire protection agency which provides that there will be no charge for public fire hydrant service. Since its rates outlined in the agreement are different from those contained in Schedule No. 5, the Branch recommends this schedule be cancelled.

Because GWW is located in a highly transient area, GWW requested that they be allowed to collect six months of service charges from new customers, in advance, to reduce potential uncollectibles. Most of the residents in GWW's service area are on fixed incomes and a payment of six months of service

charges in advance would be an extreme hardship on some of these customers. The issue of collection of several months service charge in advance is currently being considered by the Commission in a generic proceeding, OII 84-11-013. The Branch recommends that no change in collection of service charges in advance be authorized until a decision in OII 84-11-013 is issued.

The Branch recommends that the Commission authorize an increase in gross revenue of \$13,994, or 29.6% in 1989; \$1,445 or 2.4% in 1990; and \$1,576 or 2.5% in 1991. These increases provide for a 10.64%, 10.58%, and 9.92% rate of return on rate base, respectively, but authorizes the utility the full amount of the increase requested for the three test years.

Since the calendar year 1989 has already passed, the rates shown in Appendix B-1 are for 1990. The additional increases shown in Appendix B-2 should not become effective prior to January 1, 1991.

At the Branch's recommended rates shown in Appendix B-1 and B-2, the monthly bill for a residential flat rate customer would increase from \$12.30 to \$16.30 or 32.5% in 1990 and to \$16.70 or an additional 2.5% in 1991. The monthly bill for a typical customer with a 5/8 x 3/4-inch meter using the system average of 1,500 cubic feet of water per month would increase from \$17.85 to \$23.34 or 30.8% in 1990 and to \$24.23 or an additional 3.8% in 1991. A comparison of present and recommended rates is shown in Appendix C.

#### FINDINGS

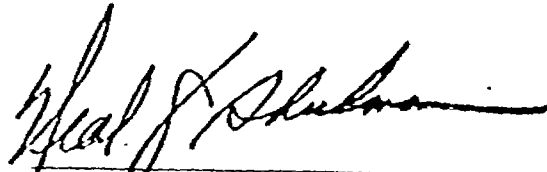
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B-1 and B-2) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. GW's request to install approximately 150 additional shut-off valves and boxes is reasonable. GW should be authorized to file an advice letter to begin recovering the reasonable costs of its installations after they have been placed in service.
5. GW should be authorized to cancel tariff schedule No. 5, Public Fire Hydrant Service.
6. 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 Gerber Water Works, Inc. to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A, and B-1 respectively, and concurrently to cancel the presently effective rate Schedule Nos. 1, 2, and 5. Such filing shall comply with General Order 96-A. The effective date of the revised rate schedules shall be the date of filing.
2. Authority is granted under Public Utilities Code Section 454 for Gerber Water Works, Inc. to file an advice letter incorporating the summary of earnings attached to this resolution as Appendix A-3. This filing shall include a rate schedule which adds the rates contained in Appendix B-2 to the rates which would otherwise be in effect on that date. The effective date of the new rates shall be no earlier than January 1, 1991. Such filing shall comply with General Order No. 96-A.
3. Gerber Water Works, Inc. is authorized to file an advice letter to begin recovering the reasonable costs of the installation of 150 additional shut-off valves and boxes after they have been placed in service.
4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on March 14, 1990. The following commissioners approved it:

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OGANIAN  
PATRICIA M. ECKERT  
Commissioners

  
NEAL J. SHULMAN  
Executive Director.

## APPENDIX A-1

GERBER WATER WORKS, INC.  
SUMMARY OF EARNINGS  
Test Year 1989

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
<u>Operating Revenue</u>					
Flat Rate	\$ 43,910	\$ 56,880	\$ 43,909	\$ 56,886	\$ 56,884
Metered	3,600	4,670	3,448	4,330	4,467
Total Revenue	47,510	61,550	47,357	61,216	61,351
<u>Operating Expenses</u>					
Purchased Power	11,440	11,440	12,526	12,526	12,526
Employee Labor	7,840	7,840	7,840	7,840	7,840
Materials	1,320	1,320	1,320	1,320	1,320
Contract Work	4,820	4,820	5,058	5,058	5,058
Transportation	1,100	1,100	1,100	1,100	1,100
Office Salaries	6,600	6,600	6,600	6,600	6,600
Management Salaries	4,200	4,200	4,200	4,200	4,200
Office Supplies & Exp.	3,200	3,200	3,200	3,200	3,200
Professional Services	1,750	1,750	1,269	1,269	1,269
Insurance	3,640	3,640	3,640	3,640	3,640
General Expenses	720	720	605	605	605
Employee Pen. & Ben.	80	80	80	80	80
Reg. Comm. Exp.	1,950	1,950	1,920	1,920	1,920
Other Plant Maintenance	1,380	1,380	1,380	1,380	1,380
Office Serv. & Rent	780	780	627	627	627
Uncollectibles	800	800	800	800	800
Subtotal	51,620	51,620	52,165	52,165	52,165
Depreciation Exp.	1,530	1,530	1,530	1,530	1,530
Payroll Tax	1,640	1,640	1,622	1,622	1,622
Property Tax	1,500	1,500	384	384	384
Income Tax	300	1,210	600	1,337	1,528
Total Deductions	56,590	57,500	55,856	57,038	57,229
Net Revenue	( 9,080)	4,050	( 8,494)	4,178	4,122
Average Plant	66,910	66,910	67,074	67,074	67,074
Avg. Depr. Reserve	28,850	28,850	28,850	28,850	28,850
Net Plant	38,060	38,060	38,224	38,224	38,224
Less: Contributions	0	0	0	0	0
Advances	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l & Suppl.	500	500	500	500	500
Rate Base	38,560	38,560	38,724	38,724	38,724
Rate of Return	(Loss)	10.50%	(Loss)	10.79%	10.64%

APPENDIX A-2

GERBER WATER WORKS, INC.  
SUMMARY OF EARNINGS  
Test Year 1990

Item	Utility Estimated		Branch Estimated	
	Present	Requested	Present	Requested
	Rates	Rates	Rates	Rates
Operating Revenue	\$ 43,580	\$ 57,650	\$ 43,586	\$ 57,715
Flat Rate	4,050	5,350	3,880	4,968
Metered	47,630	63,000	47,466	62,683
Total Revenue				\$ 57,663
Operating Expenses				5,133
Purchased Power	11,440	8,220	12,526	12,526
Employee Labor	8,220	1,320	8,220	8,220
Materials	1,320	4,820	1,320	1,320
Contract Work	4,820	1,150	5,260	5,260
Transportation	1,150	6,860	1,150	1,150
Office Salaries	6,860	4,380	6,860	6,860
Management Salaries	4,380	3,250	4,380	4,380
Office Supplies & Exp.	3,350	1,320	3,250	3,250
Professional Services	1,830	3,810	1,320	1,320
Insurance	3,810	720	3,810	3,810
General Expenses	720	80	622	622
Employee Pen. & Ben.	80	1,960	80	80
Reg. Comm. Exp.	1,960	1,380	1,920	1,920
Other Plant Maintenance	1,380	900	1,380	1,380
Office Serv. & Rent	900	800	645	645
Uncollectibles	800	53,020	800	800
Subtotal	53,020	53,020	53,543	53,543
Depreciation Exp.	1,560	1,560	1,560	1,560
Payroll Tax	1,710	1,710	1,682	1,682
Property Tax	1,500	1,500	385	385
Income Tax	300	1,190	800	1,507
Total Deductions	58,090	58,980	57,970	58,677
Net Revenue	(10,460)	4,020	(10,104)	4,006
Average Plant	68,160	68,160	68,679	68,679
Avg. Depr. Reserve	30,390	30,390	30,390	30,390
Net Plant	37,770	37,770	38,289	38,289
Less: Contributions	0	0	0	0
Plus: Advances	0	500	0	0
Working Cash	500	0	500	500
Mat'l & Suppl.	0	0	0	0
Rate Base	38,270	38,270	38,789	38,789
Rate of Return	(Loss)	10.50%	(Loss)	10.33%
				10.58%



# **CORRECTION**

**THIS DOCUMENT HAS  
BEEN REPHOTOGRAPHED**

**TO ASSURE**

**LEGIBILITY**

## APPENDIX A-2

GERBER WATER WORKS, INC.  
SUMMARY OF EARNINGS  
Test Year 1990

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
<u>Operating Revenue</u>					
Flat Rate	\$ 43,580	\$ 57,650	\$ 43,586	\$ 57,715	\$ 57,663
Metered	4,050	5,350	3,880	4,968	5,133
Total Revenue	47,630	63,000	47,466	62,683	62,796
<u>Operating Expenses</u>					
Purchased Power	11,440	11,440	12,526	12,526	12,526
Employee Labor	8,220	8,220	8,220	8,220	8,220
Materials	1,320	1,320	1,320	1,320	1,320
Contract Work	4,820	4,820	5,260	5,260	5,260
Transportation	1,150	1,150	1,150	1,150	1,150
Office Salaries	6,860	6,860	6,860	6,860	6,860
Management Salaries	4,380	4,380	4,380	4,380	4,380
Office Supplies & Exp.	3,350	3,350	3,250	3,250	3,250
Professional Services	1,830	1,830	1,320	1,320	1,320
Insurance	3,810	3,810	3,810	3,810	3,810
General Expenses	720	720	622	622	622
Employee Pen. & Ben.	80	80	80	80	80
Reg. Comm. Exp.	1,960	1,960	1,920	1,920	1,920
Other Plant Maintenance	1,380	1,380	1,380	1,380	1,380
Office Serv. & Rent	900	900	645	645	645
Uncollectibles	800	800	800	800	800
Subtotal	53,020	53,020	53,543	53,543	53,543
Depreciation Exp.	1,560	1,560	1,560	1,560	1,560
Payroll Tax	1,710	1,710	1,682	1,682	1,682
Property Tax	1,500	1,500	385	385	385
Income Tax	300	1,190	800	1,507	1,524
Total Deductions	58,090	58,980	57,970	58,677	58,694
Net Revenue	(10,460)	4,020	(10,104)	4,006	4,102
Average Plant	68,160	68,160	68,679	68,679	68,679
Avg. Depr. Reserve	30,390	30,390	30,390	30,390	30,390
Net Plant	37,770	37,770	38,289	38,289	38,289
Less: Contributions	0	0	0	0	0
Advances	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l & Suppl.	500	500	500	500	500
Rate Base	38,270	38,270	38,789	38,789	38,789
Rate of Return	(Loss)	10.50%	(Loss)	10.33%	10.58%

## APPENDIX A-3

GERBER WATER WORKS, INC.  
SUMMARY OF EARNINGS  
Test Year 1991

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :		: Requested :		
	: Rates :	: Rates :	: Rates :	: Rates :	
<u>Operating Revenue</u>					
Flat Rate	\$ 43,580	\$ 59,090	\$ 43,586	\$ 59,032	\$ 59,110
Metered	4,050	5,490	3,880	5,098	5,262
Total Revenue	47,630	64,580	47,466	64,130	64,372
<u>Operating Expenses</u>					
Purchased Power	11,440	11,440	12,526	12,526	12,526
Employee Labor	8,610	8,610	8,610	8,610	8,610
Materials	1,320	1,320	1,320	1,320	1,320
Contract Work	4,820	4,820	5,497	5,497	5,497
Transportation	1,210	1,210	1,210	1,210	1,210
Office Salaries	7,170	7,170	7,170	7,170	7,170
Management Salaries	4,580	4,580	4,580	4,580	4,580
Office Supplies & Exp.	3,520	3,520	3,520	3,520	3,520
Professional Services	1,920	1,920	1,379	1,379	1,379
Insurance	4,000	4,000	4,000	4,000	4,000
General Expenses	780	780	652	652	652
Employee Pen. & Ben.	90	90	90	90	90
Reg. Comm. Exp.	1,970	1,970	1,920	1,920	1,920
Other Plant Maintenance	1,380	1,380	1,380	1,380	1,380
Office Serv. & Rent	940	940	677	677	677
Uncollectibles	800	800	800	800	800
Subtotal	54,550	54,550	55,331	55,331	55,331
Depreciation Exp.	1,580	1,580	1,580	1,580	1,580
Payroll Tax	1,780	1,780	1,748	1,748	1,748
Property Tax	1,500	1,500	385	385	385
Income Tax	300	1,180	800	1,443	1,479
Total Deductions	59,710	60,590	59,844	60,487	60,523
Net Revenue	(12,080)	3,990	(12,378)	3,643	3,849
Average Plant	69,360	69,360	70,289	70,289	70,289
Avg. Depr. Reserve	31,960	31,960	31,980	31,980	31,980
Net Plant	37,400	37,400	38,309	38,309	38,309
Less: Contributions	0	0	0	0	0
Advances	0	0	0	0	0
Plus: Working Cash	0	0	0	0	0
Mat'l & Suppl.	500	500	500	500	500
Rate Base	37,900	37,900	38,809	38,809	38,809
Rate of Return	(Loss)	10.53%	(Loss)	9.39%	9.92%

APPENDIX B-1  
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GERBER WATER WORKS, INC.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered service.

TERRITORY

Gerber and vicinity, Tehama County.

RATES

Quantity Rate:

All water, per 100 cu.ft. .... \$ 1.009 (C)

Service Charge:

		<u>Per Meter</u>	<u>Per Month</u>	
		<u>Charge</u>	<u>SDWBA</u> <u>Surcharge</u>	(T)
For 5/8 x 3/4-inch meter .....	\$ 8.20 (I)		\$ 2.00	         (T)
For 3/4-inch meter .....	9.05		2.00	
For 1-inch meter .....	12.35		3.40	
For 1 1/2-inch meter .....	16.40		6.60	
For 2-inch meter .....	22.20 (I)		10.60	

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate. (T)

SPECIAL CONDITIONS:

1. The established billing cycle for the water used is every month. The billing cycle may be at longer intervals during the winter season. (C)
2. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. (T)  
This surcharge must be identified on each bill. (T)  
The surcharge is specifically for the repayment of the California SDWBA loan authorized by D.91197.
3. All bills are subject to reimbursement fee set forth on Schedule No. UF. (L)  
(L)

APPENDIX B-1  
Page 2

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate service. (T)

TERRITORY

Gerber and vicinity, Tehama County.

RATES

Per Service Connection  
Per Month

1. For a single-family residential unit including premises not exceeding 7,500 sq.ft. in area. ....	\$ 16.30	(I)
a. For each 100 sq.ft. of premises in excess of 7,500 sq.ft. ....	0.086	(I)
2. For each small store or business. ....	12.25	(I)
3. SDWBA Loan Surcharge		(T)
3/4-inch service .....	2.00	
1-inch service .....	3.40	
1-1/2-inch service .....	6.60	
2-inch service .....	10.60	(T)

SPECIAL CONDITIONS

1. All service not covered by the above classification will be furnished only on a metered basis.
2. For service covered by the above classification, if either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.

(Continued)

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Schedule No. 2  
(Continued)

GENERAL FLAT RATE SERVICE

3. The established billing cycle is every month. The billing cycle may be at longer intervals during the winter season. (C)
4. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. (T)  
This surcharge must be identified on each bill. (T)  
The surcharge is specifically for the repayment of the California SDWBA loan authorized by D.91197.
5. All bills are subject to reimbursement fee set forth on Schedule No. UF. (L)  
(L)

APPENDIX B-2

GERBER WATER WORKS, INC.

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

Effective Date  
1-1-91

SCHEDULE No. 1 - GENERAL METERED SERVICE

Service charge:

For 5/8 x 3/4-inch meter .....	\$ 0.20
For 3/4-inch meter .....	0.20
For 1-inch meter .....	0.30
For 1 1/2-inch meter .....	0.40
For 2-inch meter .....	0.55

Quantity Rate:

All water, per 100 cu.ft.....	0.046
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SCHEDULE No. 2 - GENERAL FLAT RATE SERVICE

For a single-family residential unit, including premises not exceeding 7,500 sq.ft. in area .....	0.40
For each 100 sq.ft. of premises in excess of 7,500 sq.ft. ....	0.002
For each small store or business .....	0.30

APPENDIX C

Page 1

GERBER WATER WORKS, INC.

COMPARISON OF RATES

METERED SERVICE

Per Meter Per Month					
: Present:	Recom'd:	Increase		:Recom'd:	
: Rates :	Rates :	Amount :	Percentage:	Rates :	Rates :
	<u>1990</u>	<u>1990</u>		<u>1991</u>	

Quantity Charge

First 300 cu.ft., per 100 cu.ft.	\$0.60	\$1.009	\$0.409	68.2%	\$1.055
Over 300 cu.ft., per 100 cu.ft.	0.90	1.009	0.109	12.1%	1.055
All use, per 100 cu.ft.		1.009			1.055

Per Meter Per Month					
: Present:	Recom'd:	Increase		:Recom'd:	
: Rates :	Rates :	Amount :	Percentage:	Rates :	Rates :
	<u>1990</u>	<u>1990</u>		<u>1991</u>	

For 5/8 x 3/4-inch meter .....	\$ 5.25	\$ 8.20	\$ 2.95	56.2%	\$ 8.40
For 3/4-inch meter .....	5.80	9.05	3.25	56.0%	9.25
For 1-inch meter .....	7.90	12.35	4.45	56.3%	12.65
For 1 1/2-inch meter .....	10.50	16.40	5.90	56.2%	16.80
For 2-inch meter .....	14.20	22.20	8.00	56.3%	22.75

Typical monthly bill for a typical user on a 5/8 x 3/4-inch meter

<u>Monthly Usage</u> <u>in Ccf</u>	<u>Present</u> <u>Rates</u>	<u>Recommended</u> <u>Rates</u> <u>1990</u>	<u>Increase</u>		<u>Recommended</u> <u>Rates</u> <u>1991</u>
			<u>Amount</u>	<u>Percentage</u> <u>1990</u>	
0	\$ 5.25	\$ 8.20	\$ 2.95	56.2%	\$ 8.40
3	7.05	11.23	4.18	59.2%	11.57
7	10.65	15.26	4.61	43.3%	15.79
10	13.35	18.29	4.94	37.0%	18.95
15 (avg.)	17.85	23.34	5.49	30.8%	24.23
20	22.35	28.38	6.03	27.0%	29.50
30	31.35	38.47	7.12	22.7%	40.05
50	49.35	58.65	9.30	18.8%	61.15



APPENDIX C  
Page 2

GERBER WATER WORKS, INC.

COMPARISON OF RATES

FLAT RATE SERVICE

	<u>Per Service Connection Per Month</u>				
	<u>Present:</u>	<u>Recom'd:</u>	<u>Increase</u>		<u>Recom'd:</u>
	<u>Rates</u>	<u>Rates</u>	<u>Amount</u>	<u>Percentage</u>	<u>Rates</u>
	<u>1990</u>	<u>1990</u>	<u>1990</u>	<u>1990</u>	<u>1991</u>
For a single-family residential unit including premises not exceeding 7,500 sq.ft. in area...	\$12.30	\$16.30	\$ 4.00	32.5%	\$16.70
For each 100 sq.ft. of premises in excess of 7,500 sq.ft. ....	0.065	0.086	0.021	32.3	0.088
For each small store or business. ....	9.25	12.25	3.00	32.4	12.55

APPENDIX D  
Page 1

## GERBER WATER WORKS, INC.

ADOPTED QUANTITIES  
Test Years 1989, 1990, 1991

Federal Tax Rate: 15.0%  
 State Tax Rate: 9.3%  
 Uncollectibles Rate: 1.3%

Expenses:

1. Purchased Power	1989, 1990, 1991		
Pacific Gas & Electric Company			
Rate Schedule	A-1P		
Effective Date of Schedule	1/1/90		
Kwh Used - Total	106,866		
Kwh Used - Summer	75,011		
Kwh Used - Winter	31,855		
\$/Kwh - Summer	0.12170		
\$/Kwh - Winter	0.10006		
Summer Charge	\$ 9,129		
Winter Charge	3,187		
Customer Charge	210		
Total Purchased Power	\$ 12,526		
2. Purchased Water	None		
3. Pump Tax-Replenishment Tax	None		
4. Payroll and Employee Benefits	1989	1990	1991
Employee Labor	\$ 7,840	8,220	8,610
Office Salaries	6,600	6,860	7,170
Management Salary	4,200	4,380	4,580
Total	18,640	19,460	20,360
Payroll Taxes	1,622	1,682	1,748
5. Ad Valorem Taxes			
Tax Rate	1.005		
Assessed Value	\$ 38,224		
Total	384	385	385
6. Water Testing Expense (In Contract Work)	2,370	2,465	2,576

APPENDIX D  
Page 2

GERBER WATER WORKS, INC.

ADOPTED QUANTITIES  
Test Years 1989, 1990, 1991

<u>1. Number of Services</u>				
	<u>Metered-Size</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
	5/8 x 3/4-inch .....	16	18	18
	3/4-inch .....	-	-	-
	1-inch .....	-	-	-
	1 1/2-inch .....	-	-	-
	2-inch .....	-	-	-
2.	Flat Rate .....	<u>270</u>	<u>268</u>	<u>268</u>
	Total .....	286	286	286
3.	Public Fire Hydrant Service .....	18	18	18
<u>4. Metered Water Sales - Ccf</u>				
	Total used to design metered rates .....	2,880	3,240	3,240
5.	Excess square footage for flat rates ....	543,540	540,000	540,000

ADOPTED INCOME TAX CALCULATIONS  
Test Years 1989, 1990, 1991

<u>Line No.</u>	<u>Item</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
1.	Operating Revenue	\$ 61,351	\$62,796	\$64,372
2.	Expenses	52,165	53,543	55,331
3.	Taxes Other Than Income	2,006	2,067	2,133
4.	Depreciation	1,530	1,560	1,580
5.	Interest	0	0	0
6.	Taxable Income for State Tax	5,650	5,626	5,328
7.	State Tax @ 9.3% (\$800 Minimum)	800	800	800
8.	Taxable Income for FIT	4,850	4,826	4,528
9.	Federal Income Tax @ 15%	728	724	679
10.	Total Income Tax	1,528	1,524	1,479

(END OF APPENDIX D)