

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3495  
May 22, 1990

## R E S O L U T I O N

(RES. W-3495) MEADOWBROOK WATER COMPANY OF MERCED,  
INC. (MWC). ORDER AUTHORIZING A GENERAL RATE  
INCREASE PRODUCING ADDITIONAL ANNUAL LEVELIZED  
REVENUE OF \$57,615 (56.3%) IN 1990 AND 1991.

MWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on December 13, 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 \$46,360 or 47.1% in 1989, an additional \$16,550 or 11.4% in 1990, and an additional \$13,850 or 8.6% in 1991. MWC's request shows 1989 gross revenue of \$98,490 at present rates increasing to \$144,850 at proposed rates in 1989, to \$161,400 in 1990, and to \$175,250 in 1991 to produce a rate of return on rate base of 10.5%. MWC presently serves approximately 823 flat rate and 6 metered customers in an area located one and one-half miles northwest of the City of Merced in Merced County.

The present rates were authorized by Resolution W-3015 dated August 18, 1982 which authorized a general rate increase of \$16,590 or 30%. Ordering Paragraph 2 of Resolution W-3015 stated that "The effective date of the revised rate schedule shall be the date of filing." MWC inadvertently overlooked this filing requirement and commenced collecting the new rates after Resolution W-3015 was issued. As soon as MWC's consultant discovered this oversight, MWC on May 19, 1989, filed an advice letter incorporating the rates authorized by Resolution W-3015. According to MWC's filed tariffs, the new rates became effective on May 19, 1989. Since MWC was authorized to collect the new rates anyway if it had filed as authorized, the Water Utilities Branch recommends that MWC not be required to make any refunds for the amounts it collected up to the time of filing the advice letter.

The Branch made an independent analysis of MWC's summary of earnings. Appendices A-1 and A-2 show MWC's and the Branch's estimated summary of earnings at present, proposed, and adopted rates for test years 1990 and 1991. Appendices A-1 and A-2 show differences in revenue, expenses, and rate base.

The Branch's estimate of flat rate revenue is lower than MWC's at both present and requested rates and the Branch's estimate of metered revenues is higher than MWC's at both present and requested rates (Branch's estimate of metered revenue at proposed rates for 1991 is lower than MWC). The primary reason for these differences is due to miscellaneous minor mathematical errors in MWC's workpapers.

The differences in estimates for operating expenses are in purchased power, employee labor, materials, contract work, transportation, other plant maintenance, office salaries, management salaries, pensions and benefits, office supplies and expenses, professional services, insurance, depreciation expense, payroll taxes, property taxes, and income taxes.

The Branch's estimate for purchased power is higher than MWC's. MWC escalated 1988 recorded electric power consumption by using a growth rate which was not consistent with the growth rate it used to estimate number of customers and revenues. MWC then applied PG&E's rates which were in effect when it prepared its estimate for purchased power. The Branch's estimate is based on the the same recorded 1988 consumption escalated by the same growth factor used by both MWC and the Branch to calculate numbers of customers for the test year. The Branch then applied PG&E's current tariffs to arrive at its estimate.

The Branch's estimate of employee labor is lower than MWC's. The Branch moved the fee of a consultant from this account to professional services. The current maintenance employee received a 23.5% pay increase late in 1989 for passing a higher grade water treatment operator license and MWC does not plan to give this employee a further raise in 1990. Branch therefore did not escalate this employee's salary for 1990 but applied the labor escalation factor for 1991. The escalation factors used by the Branch for this and other accounts were those recommended by the Advisory Branch of Commission Advisory and Compliance Division. MWC applied both its own customer growth factor and labor escalation factor to recorded figures.

The Branch's estimate for materials expense is higher than MWC's. Both MWC and the staff used three years average recorded data but Branch applied its estimate of growth and inflation, while MWC inconsistently applied its own growth and inflation estimates.

The Branch's estimate of contract work is higher than MWC's. The State Department of Health Services (DHS) has recently increased the number of tests required to be performed on water systems such as MWC. MWC had no knowledge of the increased number of tests when it prepared its workpapers. The Branch's estimate includes the minimum number of tests now required by DHS.

The Branch's estimate of transportation expense is higher than MWC's. Both the Branch and MWC concur on total utility related mileage. The Branch applied a rate of \$0.24 per mile, the rate allowed by the Internal Revenue Service for business mileage. MWC used \$0.225 and \$0.23 per mile rate for its 1990 and 1991 estimates.

The Branch's estimate of other plant maintenance is lower than MWC's. MWC's estimate is based on the cost to coat the inside of two hydropneumatic tanks with epoxy in 1990, and the cost to coat two more in 1991. The Branch's estimate is based on the cost to coat two tanks in 1990, two tanks in 1991, and one tank in 1992 amortized over the life (10 years) of the tank coatings.

The Branch's estimate of office salaries is lower than MWC's and the Branch's estimate of management salaries is higher than MWC's. MWC's owner works full time for the utility. The owner's salary is allocated 35% to office salaries and 65% to management salaries. The Branch used the high end of the range of hourly wages for these categories for MWC's size category. Since the high end of the range was used, additional amounts due to inflation were not added.

The Branch's estimate of pensions and benefits is lower than MWC's. The Branch investigation revealed that MWC's only expense in this category will be \$1,000 in 1990 and \$1,050 for 1991 for part of the maintenance worker's health insurance. The worker covered by this category has agreed to pay the remainder of the premium himself. MWC's estimate is based on the full cost of this health insurance.

The Branch's estimate of office supplies and expense is higher than MWC's. MWC included the cost of electrical power for the office under purchased power instead of under this account. The Branch properly accounted for it in this category.

The Branch's estimate of professional services is higher than MWC's. As described earlier, MWC included the cost of a consultant under employee labor. The Branch's estimate properly included this expense in professional services.

The Branch's estimate of insurance is higher than MWC's. The Branch properly included the costs of workers' compensation insurance in this category but excluded the cost of auto insurance which is included in the \$0.24 per mile allowed under transportation expense.

The Branch's estimate of payroll taxes is lower than MWC's. The major difference between the two estimates is due to differences in payroll estimates.

The Branch's estimate of property taxes is higher than MWC's. The Branch had access to actual 1989 property tax bills which were not available when MWC prepared its estimate.

The Branch's income tax estimate reflects the current rates under the Federal Tax Reform Act of 1986 and the corresponding state rates for 1990. Since MWC and the Branch have differing estimates of expenses, their income tax estimates differ.

The difference in rate base is due to differences in plant, depreciation reserve, advances, and materials and supplies.

The Branch's estimate of plant in service is lower than MWC's. The Branch had access to later recorded information for its estimate. MWC's estimate included \$15,000 for pumping equipment for well number one to be installed in test year 1990, however, no firm plans to install this equipment exist at this time. The Branch agrees this is a necessary improvement. For test year 1991, the Branch also excluded \$89,220 for drilling and equipping the fourth well as there are no firm plans to install this equipment, but the

Branch agrees this is a necessary improvement. The Branch recommends that MWC be authorized to file advice letters to begin recovering the reasonable costs of these installations after the pumping equipment in well number one and well number four have been placed into service.

The Branch's estimate of depreciation reserve and expense is lower than MWC's. This is due to the differences in the plant estimates explained above.

The Branch's estimate of advances is higher than MWC's in 1990 and lower in 1991. The Branch was informed that in 1990 MWC's original estimates did not contain an additional \$13,000 in improvements that will be paid by advances. For 1991, the cost for equipping the fourth well, as discussed above, was not included in the Branch's estimate of plant, and consequently is not included in advances.

MWC's draft advice letter requested rates which would produce a return on rate base of 10.50% in 1990 and 10.49% in 1991. The Branch's recommended summary of earnings for the years 1990 and 1991 would produce a rate of return of 11.00% at the Branch's recommended rates. This 11.00% rate of return is the high point of the 10.50% to 11.00% standard rate of return range recommended by the Finance Branch of the Commission Advisory and Compliance Division for small 100% equity financed utilities.

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

A notice of the proposed rate increase was mailed to each customer on December 29, 1989. One letter protesting the magnitude of the rate increase was received by the Branch. This customer complained that the rate increase should have been incrementally applied over a number of years rather than as a large increase at one time. One service complaint was received by the Consumer Affairs Branch in the last three fiscal years. CAB's records indicate it was solved shortly thereafter.

On January 23, 1990 a public meeting, attended by 30 members of the public, was held in MWC's service territory. A Branch representative conducted the meeting and MWC's owner was there to answer questions. A group of customers complained about a strong chlorine odor in the water. MWC's owner explained that, in order to obtain a satisfactory chlorine residual at the end of the system, sometimes excess chlorine needs to be used at the pumping facility. He assured the group that he would attempt to balance the system more efficiently to eliminate this problem.

According to the Merced County Environmental Health Department MWC's water meets all primary and secondary drinking water standards currently in effect.

There are no outstanding Commission orders requiring system improvements; however, during its investigation the Branch discovered that MWC was overcharging customers with lots larger than one acre. Five customers were being charged \$17 per month instead of the \$9.50 per month required by the tariff schedule. MWC has agreed to refund the overcharges in one lump sum to these customers. To be assured of compliance, MWC should be required to refund the overcharges to these flat rate customers in a lump sum of \$1,506.29 as agreed to in a letter from MWC dated March 7, 1990.

Branch engineers conducted a field investigation of MWC's facilities and service area on December 23, 1989. Visible portions of the water system were inspected, pressures checked, customers and company employees interviewed, and methods of operation checked. The investigation indicated that service is satisfactory and that MWC'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."

MWC currently has no conservation program. The utility indicated that its water supply was more than adequate during the last two drought years and it does not expect any shortages in the near future. The Branch does not recommend a conservation program at this time.

MWC currently has two rate schedules: Schedule No. 1, General Metered Service, and Schedule No. 2R, Residential Flat Rate Service.

By Decision 86-05-064 the Commission adopted a policy calling for recovery of up to 50% of a water company's fixed expenses through service charges. The policy also calls for phasing out lifeline rates and encourages the reduction of multiple blocks to a single block.

The present metered rate schedule consists of a service charge, a quantity block for the first 300 cubic feet of water consumed and a second quantity block for over 300 cubic feet. The service charges currently recover 9.5% of MWC's fixed expenses relative to metered revenue; the Branch proposes to revise the metered service charges to recover 16% of fixed expenses relative to metered revenue. A rate design with higher service charges would recover a greater proportion, but would also result in customers with low to moderate usage receiving an increase far greater than the overall percentage increase. A single quantity block rate was utilized to recover the remainder of the metered revenue requirement.

MWC requested that the number of flat rate size categories be increased from three to seven. As mentioned above, MWC erroneously charged certain customers on large lots higher than authorized rates because there were an insufficient number of flat rate tariff categories. The Branch concurs in this request and has included seven lot size categories in its flat rate tariff rate design. The existing flat rates were increased by approximately the system average so that, with the extra lot size categories mentioned above, the flat rate revenue requirement was met.

The Branch's recommended Summaries of Earnings in Appendices A-1 and A-2 indicate an increase in gross revenue of \$57,493, or 56.2% in 1990; and an additional \$245 or 0.1% in 1991. These increases provide an 11.00% rate of return on rate base in their respective test years.

In order to allow MWC an opportunity to earn an 11% rate of return, the rates should be increased by \$57,493 or 56.2% for 1990, and \$245 or 0.1% for 1991. Since the increase for 1991 is very small, the Branch recommends that one set of rates for 1990 and 1991 be authorized to cover the revenue requirements for both years. The resulting revenue increase is \$57,615 (56.3%) in both years.

At the Branch's recommended rates shown in Appendix B, the monthly bill for a typical residential flat rate customer would increase from \$9.50 to \$14.80 or 55.8% in 1990 and 1991. The typical metered customer is a large commercial user. The increase in metered rates will vary depending on usage, but overall will amount to 40.5%. 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) 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. MWC should be authorized to recover the reasonable costs of furnishing and installing pumping equipment for well number one of approximately \$15,000, and drilling and equipping well number four of approximately \$89,220 after the equipment has been placed in service.
5. MWC should be required to refund the overcharges for affected flat rate customers in a lump sum payment within 90 days as agreed to by letter dated March 7, 1990.
6. The rate increase authorized herein is justified and the resulting rates are just and reasonable.

IT IS ORDERED THAT:

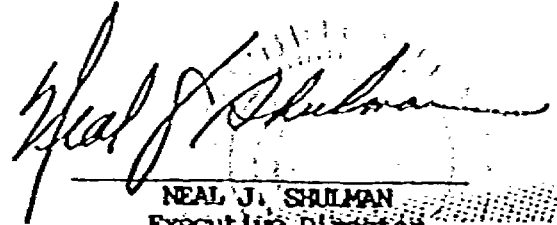
1. Authority is granted under the Public Utilities Code Section 454 for Meadowbrook Water Company of Merced, Inc. to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedules 1 and 2. Its filing shall comply with General Order 96-A. The effective date of the new schedules shall be the date of filing.
2. Meadowbrook Water Company of Merced, Inc. is authorized to file an advice letter to begin recovering the reasonable costs of furnishing and installing pumping equipment for well number one of approximately \$15,000, and drilling and equipping well number four of approximately \$89,220 after the equipment has been placed into service.
3. Within 90 days of the effective date of this resolution Meadowbrook Water Company of Merced, Inc. shall refund the amount overcharged to affected flat rate customers (total amount of \$1,506.29) in a single lump sum payment to each customer, as proposed in its letter dated March 7, 1990. Meadowbrook Water Company of Merced, Inc. shall inform the Water Utilities Branch in writing within 10 days after completing the refunds, setting forth the date refunds were made, customer names, and amounts refunded to each.

4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 22, 1990. The following commissioners approved it:

G. MITCHELL WILK  
President  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA H. ECKERT  
Commissioners

Commissioner Frederick R. Duda,  
being necessarily absent, did  
not participate.



NEAL J. SHULMAN  
Executive Director

## APPENDIX A-1

MEADOWBROOK WATER COMPANY OF MERCED, 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	\$ 91,440	\$142,370	\$ 90,085	\$142,363	\$142,615
Metered	12,230	19,030	12,269	19,181	17,232
Total Revenue	103,670	161,400	102,354	161,544	159,847
<u>Operating Expenses</u>					
Purchased Power	22,640	22,640	25,747	25,747	25,747
Employee Labor	15,450	15,450	14,880	14,880	14,880
Materials	1,280	1,280	1,531	1,531	1,531
Contract Work	5,100	5,100	7,794	7,794	7,794
Transportation	2,140	2,140	2,280	2,280	2,280
Other Plant Maintenance	11,000	11,000	4,000	4,000	4,000
Office Salaries	15,400	15,400	6,173	6,173	6,173
Management Salaries	14,900	14,900	20,415	20,415	20,415
Pensions and Benefits	1,960	1,960	1,000	1,000	1,000
Office Supplies & Exps.	1,950	1,950	2,188	2,188	2,188
Professional Services	3,450	3,450	4,900	4,900	4,900
Insurance	300	300	532	532	532
Regulatory Comm. Exps.	1,700	1,700	1,700	1,700	1,700
General Expenses	1,000	1,000	1,000	1,000	1,000
Subtotal	98,270	98,270	94,140	94,140	94,140
Depreciation Exp.	15,350	15,350	14,984	14,984	14,984
Payroll Tax	4,550	4,550	3,414	3,414	3,414
Property Tax	8,190	8,190	8,319	8,319	8,319
Income Tax	0	4,200	800	9,319	8,931
Total Deductions	126,360	130,560	121,657	130,176	129,788
Net Revenue	(22,690)	30,840	(19,303)	31,368	30,059
Average Plant	735,300	735,300	719,966	719,966	719,966
Avg. Depr. Reserve	151,580	151,580	151,210	151,210	151,210
Net Plant	583,720	583,720	568,756	568,756	568,756
Less: Contributions	12,840	12,840	12,840	12,840	12,840
Advances	277,850	277,850	284,180	284,180	284,180
Plus: Working Cash	0	0	0	0	0
Mat'l & Suppl.	600	600	1,531	1,531	1,531
Rate Base	293,630	293,630	273,267	273,267	273,267
Rate of Return	(Loss)	10.50%	(Loss)	11.48%	11.00%



## APPENDIX A-2

## MEADOWCROOK WATER COMPANY OF MERCED, INC.

SUMMARY OF EARNINGS  
Test Year 1991

Item	Utility Estimated		Branch Estimated		Adopted
	Present	Requested	Present	Requested	
	Rates	Rates	Rates	Rates	Rates
<u>Operating Revenue</u>					
Flat Rate	\$ 98,690	\$155,950	\$ 97,249	\$155,711	\$153,314
Metered	12,230	19,300	12,269	19,224	17,232
Total Revenue	110,920	175,250	109,518	174,935	170,546
<u>Operating Expenses</u>					
Purchased Power	23,460	23,460	28,018	28,018	28,018
Employee Labor	17,810	17,810	15,461	15,461	15,461
Materials	1,340	1,340	1,591	1,591	1,591
Contract Work	4,830	4,830	9,594	9,594	9,594
Transportation	2,190	2,190	2,280	2,280	2,280
Other Plant Maintenance	12,000	12,000	4,000	4,000	4,000
Office Salaries	16,920	16,920	6,414	6,414	6,414
Management Salaries	16,740	16,740	21,211	21,211	21,211
Pensions and Benefits	2,050	2,050	1,000	1,000	1,000
Office Supplies & Exps.	2,040	2,040	2,274	2,274	2,274
Professional Services	3,620	3,620	5,070	5,070	5,070
Insurance	300	300	553	553	553
Regulatory Conn. Exps.	1,700	1,700	1,700	1,700	1,700
General Expenses	1,050	1,050	1,050	1,050	1,050
Subtotal	106,050	106,050	100,216	100,216	100,216
Depreciation Exp.	17,420	17,420	15,975	15,975	15,975
Payroll Tax	5,030	5,030	3,481	3,481	3,481
Property Tax	8,310	8,310	9,293	9,293	9,293
Income Tax	0	4,980	800	10,529	9,524
Total Deductions	136,810	141,790	129,765	139,494	138,489
Net Revenue	(25,890)	33,460	(20,247)	35,441	32,057
Average Plant	821,610	821,610	761,266	761,266	761,266
Avg. Depr. Reserve	168,310	168,310	167,040	167,040	167,040
Net Plant	653,300	653,300	594,226	594,226	594,226
Less: Contributions	12,500	12,500	12,500	12,500	12,500
Advances	322,700	322,700	291,890	291,890	291,890
Plus: Working Cash	0	0	0	0	0
Mat'l & Suppl.	800	800	1,591	1,591	1,591
Rate Base	318,900	318,900	291,427	291,427	291,427
Rate of Return	(Loss)	10.49%	(Loss)	12.16%	11.00%

APPENDIX B  
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MEADOWBROOK WATER COMPANY OF MERCED, INC.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Meadowbrook Tract, including additions Nos. 1 and 2, located approximately 1-1/2 miles northwest of the City of Merced, Merced County.

RATES

Quantity Rate:

All water, per 100 cu.ft. . . . .	\$ 0.43	(C)
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Service Charge:

	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter . . . . .	\$ 7.20	(I)
For 3/4-inch meter . . . . .	8.00	
For 1-inch meter . . . . .	10.80	
For 1-1/2-inch meter . . . . .	15.20	
For 2-inch meter . . . . .	19.60	
For 3-inch meter . . . . .	36.20	
For 4-inch meter . . . . .	49.20	
For 6-inch meter . . . . .	82.00	(I)

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 General Metered Service is every two months. (N)  
(N)
2. All bills are subject to the reimbursement fee set forth on Schedule No. UP. (T)

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MEADOWBROOK WATER COMPANY OF MERCED, INC.

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area known as Meadowbrook Tract, including additions Nos. 1 and 2, located approximately 1-1/2 miles northwest of the City of Merced, Merced County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For a single-family residential unit, including premises having the following areas:		(N)
6,000 sq. ft., or less . . . . .	\$12.50	(I)
6,001 - 10,000 sq. ft. . . . .	14.80	(C)
10,001 - 15,000 sq. ft. . . . .	16.80	(N)
15,001 - 25,000 sq. ft. . . . .	19.50	
25,001 - 43,559 sq. ft. . . . .	22.50	
One acre or larger . . . . .	26.50	(N)
For each additional single-family residential unit on the same premises and served from the same service connection. . . . .	9.10	(I)

SPECIAL CONDITIONS

1. The above flat rate charges apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered basis.

(Continued)

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MEADOWCROOK WATER COMPANY OF MERCED, INC.

Schedule No. 2R  
(Continued)

RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (Continued)

3. For service covered by the above classification(s), if the utility 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 difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.
4. The established billing cycle for residential flat rate service is every two months.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(D)  
(N)

(N)

(T)

## APPENDIX C

## MEADOWBROOK WATER COMPANY OF MERCED, INC.

COMPARISON OF RATESMETERED SERVICE

	Per Meter Per Month			
	Present	Recommended	Increase	
	Rates	Rates	Amount	Percentage
<b>Quantity Charge:</b>				
First 300 cu.ft., per 100 cu.ft.	\$0.22	\$0.43	\$0.21	95.5%
Over 300 cu.ft., per 100 cu.ft.	0.32	0.43	0.11	34.4
All use, per 100 cu.ft.		0.43		
<b>Service Charge:</b>				
For 5/8 x 3/4-inch meter . . . . .	3.60	7.20	3.60	100.0
For 3/4-inch meter . . . . .	4.00	8.00	4.00	100.0
For 1-inch meter . . . . .	5.40	10.80	5.40	100.0
For 1 1/2-inch meter . . . . .	7.60	15.20	7.60	100.0
For 2-inch meter . . . . .	9.80	19.60	9.80	100.0
For 3-inch meter . . . . .	18.10	36.20	18.10	100.0
For 4-inch meter . . . . .	24.60	49.20	24.60	100.0
For 6-inch meter . . . . .	41.00	82.00	41.00	100.0

FLAT RATE SERVICESize of Lot

6,000 sq.ft. or less . . . . .	8.00	12.50	4.50	56.3
6,001 - 10,000 sq.ft. . . . .	9.50	14.80	5.30	55.8
10,001 - 15,000 sq.ft. . . . .	9.50	16.80	7.30	76.8
15,001 - 25,000 sq.ft. . . . .	9.50	19.50	10.00	105.3
25,001 - 43,559 sq.ft. . . . .	9.50	22.50	13.00	136.8
One acre or larger . . . . .	9.50	26.50	17.00	178.9
Additional units . . . . .	5.85	9.10	3.25	55.6

APPENDIX D  
Page 1

## MEADOWBROOK WATER COMPANY OF MERCED, INC.

ADOPTED QUANTITIES  
Test Years 1990 & 1991

Federal Tax Rate: 15.0%  
 State Tax Rate: 9.3%  
 Uncollectibles Rate: 0.0%

Expenses:

	<u>1990</u>	<u>1991</u>
1. Purchased Power:		
Pacific Gas & Electric Company		
Rate Schedule	A-1P	A-1P
Effective Date of Schedule	1/1/90	1/1/90
Kwh Used - Total	219,536	239,294
Kwh Used - Summer	151,125	164,726
Kwh Used - Winter	68,411	74,568
\$/Kwh - Summer	0.12170	0.12170
\$/Kwh - Winter	0.10006	0.10006
Summer Charge	\$ 18,392	\$ 20,047
Winter Charge	6,845	7,461
Customer Charge	510	510
Total Purchased Power	\$ 25,747	\$ 28,018
2. Purchased Water:	None	None
3. Pump Tax-Replenishment Tax:	None	None
4. Payroll and Employee Benefits:		
Employee Labor	\$ 14,880	\$ 15,461
Office Salaries	6,173	6,414
Management Salary	20,415	21,211
Employee Benefits	1,000	1,000
Total	\$ 42,468	\$ 44,086
Payroll Taxes	3,414	3,481
5. Ad Valorem Taxes:		
Tax Rate	1.0142%	1.0142%
Assessed Value	820,218	916,303
Tax Paid	8,319	9,293
6. Water Testing (in contract work):	7,794	9,594

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MEADOWBROOK WATER COMPANY OF MERCED, INC.

ADOPTED QUANTITIES  
Test Years 1990 & 1991

1. Number of Services

Metered Size of Meter	<u>1990</u>	<u>1991</u>
5/8 x 3/4-inch . . . . .	-	-
3/4-inch . . . . .	1	1
1-inch . . . . .	-	-
1-1/2-inch . . . . .	-	-
2-inch . . . . .	2	2
3-inch . . . . .	1	1
4-inch . . . . .	<u>2</u>	<u>2</u>
Subtotal metered . . . . .	6	6

2. Flat Rate  
Size of Lot

6,000 sq.ft. or less . . . . .	84	85
6,001 sq.ft. - 10,000 sq.ft. . . . .	671	732
10,001 sq.ft. - 15,000 sq.ft. . . . .	4	4
15,001 sq.ft. - 43,559 sq.ft. . . . .	0	0
One acre or larger . . . . .	13	14
Additional units . . . . .	51	51
Subtotal Flat Rate . . . . .	823	886
Total . . . . .	829	892

3. Metered Water Sales - Ccf

Total used to design metered rates	35,000	35,000
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APPENDIX D  
Page 3

## MEADOWBROOK WATER COMPANY OF MERCED, INC.

ADOPTED INCOME TAX CALCULATIONS  
Test Year 1990

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$ 159,847	\$ 159,847
2.	Expenses	94,140	94,140
3.	Taxes Other Than Income	11,733	11,733
4.	Depreciation	14,984	14,984
5.	Interest	0	0
6.	Taxable Income for State Tax	38,990	
7.	State Tax @ 9.3% (\$800 Minimum)	3,626	3,626
8.	Taxable Income for FIT		35,364
9.	Federal Income Tax @ 15%		5,305
10.	Total Income Tax		8,931

ADOPTED INCOME TAX CALCULATIONS  
Test Year 1991

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$ 170,546	\$ 170,546
2.	Expenses	100,216	100,216
3.	Taxes Other Than Income	12,774	12,774
4.	Depreciation	15,975	15,975
5.	Interest	0	0
6.	Taxable Income for State Tax	41,581	
7.	State Tax @ 9.3% (\$800 Minimum)	3,867	3,867
8.	Taxable Income for FIT		37,714
9.	Federal Income Tax @ 15%		5,657
10.	Total Income Tax		9,524

(END OF APPENDIX D)