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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS  
WATER AND SEWER ADVISORY BRANCH

RESOLUTION NO. W-4791  
OCTOBER 15, 2009

RESOLUTION

(RES. W-4791), LUKINS BROTHERS WATER COMPANY  
(Lukins). ORDER AUTHORIZING AN INTERIM GENERAL  
RATE INCREASE PRODUCING ADDITIONAL ANNUAL  
REVENUES OF \$126,460 OR 36.03% IN 2009.

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SUMMARY

Lukins Brothers Water Company, a Class C water utility serving 953 customers, has requested authority under General Order 96-B, Rule 7.6.2 and Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its gross revenues by \$223,804 or 66.7 % for Test Year 2009. By Draft Advice Letter accepted on June 14, 2008, Lukins requests this increase in rates to recover increases in operating costs and to provide a return on its rate base at an adequate rate of return. For Test Year 2009, this resolution grants an increase in gross annual revenues of \$126,460 or a system-wide increase of 36.03%. The increase will provide a 23% rate of margin on expenses of \$352,692. These expenses exclude income taxes and city franchise tax.

Lukins' present rates became effective on September 1, 2008, pursuant to Decision (D.) 92-03-093 and Res. W-4540. The last general rate increase was granted on June 8, 2000, pursuant to Res. W-4198.

System Description

Lukins provides domestic water service to 933 flat rate connections and 20 metered residential customers. By written agreement, Lukins also provides public fire protection water service to 13 fire hydrants. The service territory is in the Lukins Brothers Subdivision, totally within the City of South Lake Tahoe in El Dorado County.

The system began in the 1940's to serve seasonal and annual residents in the Lukins Brothers subdivision. In 1953, when Lukins was granted a Certificate of Public Convenience and Necessity, the system's 20 customers were served by two wells through two-inch and four-inch mains. The system now includes approximately 400 feet of two-inch main, 48,000 feet of 4-inch main, 7,600 feet of 6-inch main, and 1,300 feet

of 8-inch main. The mains and wells are almost fully depreciated; they are near the end of their normal service life. Some parts of the system cannot carry enough water for adequate fire flow because the mains are too small. Also, there are too few hydrants in the service area to meet current fire code standards.

## **DISCUSSION**

Lukins began serving customers near Lake Tahoe in 1947. In 1965, as the population increased, the City of South Lake Tahoe was incorporated, including the Lukins service area within its boundaries. Flat rate water service for a single-family home was \$283.24 per year until a Consumer Price Index rate increase on September 1, 2008 increased it to \$294.85.

The South Tahoe Public Utility District (STPUD) began serving water to the rest of the City in 1974. STPUD currently serves over 16,000 residences and 660 businesses. The STPUD system is much larger and newer. Water service for a flat-rate single-family home in the City of South Lake Tahoe is currently \$467.88 per year. The hookup fee for a new water service to a single-family home is about \$7,500.<sup>1</sup>

### **System Improvement Studies**

STPUD considered buying Lukins and commissioned a study by Brown & Caldwell Engineering. The engineering report, issued in August, 2006, estimated a cost of \$18.4 million to upgrade the system to State, local, and STPUD standards.

The South Lake Tahoe service area, that includes STPUD and Lukins, has an ISO fire safety rating of Class 5, based on a 1996 field inspection.<sup>2</sup> The low rating was due in part to not enough hydrants and inadequate fire flow capacity on the Lukins system water mains. On June 24, 2007, the Angora fire, ignited by an illegal campfire, burned 3,100 acres of land and destroyed 254 homes in and around the City of South Lake Tahoe. The fires did not come into the Lukins service area. The City, the local fire agencies, customers, and Lukins all want the Lukins system to be improved. Lukins does not have the funds to invest, and few or no grants are available for small water companies.

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<sup>1</sup> This includes capacity charge of \$5,024, meter cost of \$315, administration cost of \$150, and connection fee of about \$2,000.

<sup>2</sup> The ISO organization provides liability and casualty ratings to the insurance industry and other groups. They use a Fire Suppression Rating Schedule (FSRS) to assign a community a Public Protection Classification from 1 to 10.

At the request of Lukins, a consortium of local firms, C2me Engineering and Haen Engineering, prepared a Draft Design Report for overall water system rehabilitation. They are in the process of preparing construction plans for replacement of the 12th St. water main.<sup>3</sup> The Draft Design Report assumes that construction work would be done in eleven separate phases over several years.

All 11 phases would cost about \$24.4 million in today's dollars. Funding mechanisms would be needed to pay for each phase of design and construction.

### **Rate Increase to be Subject to Augmentation or Refund**

Lukins filed a Draft Advice Letter for a General Rate Increase on June 8, 1997. An audit was required before its last General Rate Case was granted in 2000 because its records at that time were incomplete or inaccurate. The Lukins' Annual Reports have continued to be inadequate or inaccurate.

As a result of incorrect and incomplete Annual Reports, the Utility Audit, Finance and Compliance Branch (UAFCB) suspended any rate increases for Lukins pending its submission of a complete and correct Annual Report. The revised 2008 Annual Report was received on August 14, 2009. It differs significantly from the last complete Annual Report for 2003. For that reason, the UAFCB requests this rate increase be interim, so that a surcharge or surcredit can be imposed in the future to adjust revenues to what they should have been based on an in-depth audit of Lukins records. Water and Sewer Advisory Branch concurs.

### **Affiliate Transactions**

The mobile office at Lukins is the personal property of Danny Lukins, president of Lukins, and his brother Larry, vice-president. The lot under the office, an emergency generator and water company materials, and the building which houses a well, a pump, and a pressure tank are also the property of the Lukins brothers. Also on the lot are equipment and vehicles owned by Danny Lukins. Some are used in system maintenance.

There is a conflict of interest between the Lukins brothers as officers of Lukins and as lessors of land to Lukins. For this reason, Branch requests that an independent

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<sup>3</sup> Res. W-4726 authorized a distribution system improvement surcharge of \$169,840 to pay for the design work. The surcharge per customer was proportional to meter sizes or flat rates.

appraiser acceptable to the Commission determine the lease value of land used. The Lukins brothers would pay for the appraisal. The appraised value would be used to adjust rates upward or downward.

Annual Reports show that Lukins' maintenance has been done by contract with Danny Lukins as an independent contractor, renting his equipment, and laborers to the company. For 2009 and thereafter, Lukins will treat the workers as company employees.

### **Notice to Customers**

On July 15, 2008, a Notice of Proposed Rate Increase was mailed to all customers announcing Lukins' request to increase water rates by \$239,141 or 71.3% over present rates, and announcing a public meeting for August 22, 2008. Proposed new rates were shown on the notice. The notice was also published in a local newspaper.

### **Public Meeting**

A public meeting was held on August 22, 2008, between 6:00 P.M. and 8:15 P.M. in a meeting room at the Lake Tahoe Airport. Twenty-five customers were present as well as Lukins manager Danny Lukins, the City Manager of the City of South Lake Tahoe, the Fire Marshal, and the Fire Chief. Martin Bragen represented the Commission staff.

The primary concern of customers and officials was fire safety. Several customers complained that Lukins was asking for an increase but did not ask for any funds to improve the existing system. Three customers complained of low water pressure in the summer, and several mentioned frequent main leaks.

Asked if Lukins could continue to supply water if the local power grid failed, Lukins said there is an automatic standby generator at one well, and a manually operated standby generator at another well.

### **Customer Complaints**

There were written complaints about water service including low water pressure in summer and leaks. Customer statements focused on the need for better communications from the company, and customers' desire to see more detailed information about water company expenses. Several customers objected to the size of the increase, preferring small increases at more frequent intervals. Others objected to an increase because Lukins had not included funds for infrastructure rehabilitation in the request for a rate increase.

## **SUMMARY OF EARNINGS**

The Branch made an independent analysis of Lukins' summary of earnings. Appendix A shows Lukins' and the Branch's estimates of the summary of earnings at present, requested, and recommended rates for Test Year 2009. The final column shows the revenues and expenses adopted by the Commission.

### **Revenues**

Branch's estimate of revenues at proposed rates is \$51,662 lower than Lukins', because Branch's estimate of operating expenses is \$82,670 lower than Lukins and Branch's estimates of taxes are higher than Lukins.

## **OPERATING EXPENSES**

Lukins submitted a revised 2008 Annual Report in which several expenses have been allocated differently than in previous years. They also submitted revised lists of Expenses at Present Rates and Expenses at Proposed Rates.

The differences between Lukins and Branch estimates include:

### **Account 615 - Purchased Power**

Lukins estimated \$32,411 for purchased power and Branch estimated \$34,671. The Branch figure is the amount actually billed for calendar year 2008.

### **Account 630 - Employee Labor**

Lukins estimated \$83,200 for two full-time employees at \$20.00 per hour. Branch estimated \$31,200 for one employee working 3/4 of the time. The Branch determined employee time from Lukins 2008 records of maintenance done by contract.

### **Account 650 - Contract Work**

Lukins estimates the contract work in 2009 will cost \$25,000. Branch concurs. Labor for Lukins will now be done by Lukins employees instead of by contract with Danny Lukins' private company.

### **Account 664 - Other Plant Maintenance**

Lukins estimated \$55,000, including \$48,000 for land rental. Branch's position is that land rental should be in the category of Account 678 -- Office Services and Rentals, and has moved \$48,000 of Lukins' estimate to that account. Branch concurs with the \$7,000 remaining for Other Plant Maintenance.

Account 670 – Office Salaries

Lukins estimated \$63,586 for two full-time office employees. Branch concurs.

Account 671 – Management Salaries

Lukins estimated \$50,898 for management salaries. This is an increase for Danny Lukins, who has not had a salary increase since 2001. Branch concurs.

Account 674 – Employee Pensions and Benefits

Lukins estimated \$21,600 for employee benefits. Lukins currently provides both medical and dental coverage but no pensions to its employees. Branch concurs.

Account 678 – Office Services and Rentals

Lukins estimated \$54,100, including \$48,000 for lease of land. Branch estimated \$24,100, including \$18,000 for lease of land based on comparable land lease cost authorized by the Commission for another water utility in the area. The lease is for part of a 20,000-square-foot lot owned by Danny and Larry Lukins, who also own the water company. Danny Lukins contends that \$48,000 is market value for land use in the area based on a letter from a local real estate agent. Branch disagrees. To settle the disagreement, Branch proposes that \$18,000 be allowed for lease of land, that an independent appraiser from a list furnished by CPUC staff be hired to determine a reasonable lease value, and that rates be adjusted up or down depending on the result of the appraisal. The appraiser's fee should be paid by Danny and Larry Lukins as private individuals.

Account 682 – Professional Services

Lukins estimated \$5,000 for professional expenses, which includes \$3,000 to pay the land appraiser. Branch estimates \$2,000, disallowing the amount of the appraiser's fee. Amounts estimated in this rate case are for normal on-going expenses recurring year after year; this would not be true of the appraisal.

Account 689 – General Expense

Lukins estimated \$6,000 per year for general expense. Branch concurs.

Account 408 – Taxes Other Than Income Taxes

Lukins estimated \$15,000, not including an amount to cover additional City franchise tax or payroll tax. Branch estimated \$34,265, including property tax of \$5,174, a 2% City franchise tax, and payroll taxes on all employees.

Account 409 – Income Taxes

Lukins estimated only \$6,000 per year for income taxes. The Branch estimates a total of \$27,466 for State and Federal income taxes based on current rates and estimated net income.

With the exception of the land lease costs in Account 678, Lukins concurs with Branch's estimate of operating expenses.

### **RATE BASE**

Lukins rate base would be \$158,258 using the company's Revised 2008 Annual Report values for plant-in-service and depreciation reserve. Branch estimates the rate base to be \$111,410. Branch used depreciation rates established in Standard Practice U-4-SM, Depreciation Procedures for Small Water and Sewer System Utilities. Lukins used lower depreciation rates.

### **COST OF CAPITAL**

#### **Rate of Return on Rate Base**

Lukins did not request a return on rate base. Effective February 27, 2009, the Water Division's Utility Audit, Finance, and Compliance Branch (UAFCB) recommends a rate of return on rate base from 12.00% to 13.00% for 100%-equity-financed Class C water companies [those with more than 500 and less than 2,000 customers]. Lukins is a Class C water company with 953 active customers. The Water and Sewer Advisory Branch of the Division of Water and Audits recommends the average rate of return on rate base authorized for a Class C water company, 12.50%. With a rate base of \$111,410 this would provide net revenue of only \$13,369 after expenses and deductions.

#### **Rate of Margin**

UAFCB recommends a rate of margin of 23% for Class C water companies. The rate of margin is a percentage of the sum of operating expenses, depreciation, and taxes excluding income tax and the City of South Lake Tahoe franchise tax. A 23% rate of margin would produce \$81,119 in net revenue.

#### **Rate of Margin Selected**

As required by the Commission in Res. W-4524 of March 17, 2005, both Rate of Return on Rate Base and Rate of Margin must be calculated. D.92-03-093 of March 31, 1992 requires that Branch recommend the option which gives the water company the greater return. Rate of Margin has been selected because it will provide the greater revenue to the utility.

### **RATE STRUCTURE**

Lukins provides both flat and metered service. Commission Standard Practice U-7-W, Rate Design for Water and Sewer Utilities (Standard Practice U-7-W) requires that service charges for metered service be scaled in relation to meter capacity. The service charge for a 1-inch meter should be 2.5 times the service charge for a 5/8 x 3/4-inch

meter; for a 1-1/2-inch meter, 5 times; for a 2-inch meter, 8 times; and so on. At Lukins, service charges for larger water meters are too small, shifting some cost to the rest of Lukins' customers. Branch recommended revision of service charges to lessen the discrepancy between Standard Practice U-7-W and Lukins rates. Standard Practice U-7-W also provides that no customer should receive an increase more than twice the overall increase. For this reason, most metered rates have not been increased to the full extent to comply with the required ratios.

### **RATE ADJUSTMENT AND SURCHARGE**

Rates may be increased upward or downward as the result of the Commission audit and/or an appraisal of land rental value. Surcharges or surcredits should be imposed on future bills, following the filing of a Tier 3 advice letter to recover the difference in revenues collected at the rates imposed by this Resolution before the rate adjustment and the amount that should have been collected during that period in light of the audit and any appraisal.

### **COMPLIANCE**

Lukins needs to update the following in its tariffs: Rules 3, Application for Service; 5, Special Information required on Forms; 10, Disputed Bills; and Form 3, Bill for Service.

### **COMMENTS**

On September 15, 2009, a draft of this Resolution was served on the utility and parties who protested the rate increase in writing, for 30 days public review and comment. No comments were received.

### **FINDINGS AND CONCLUSIONS**

1. Lukins' last general rate increase was granted on June 8, 2000.
2. Lukins record-keeping has been inaccurate or incomplete since that time.
3. An in-depth audit of Lukins records should be made beginning within 60 days from the effective date of this Resolution.
4. Rates should be subject to adjustment up or down, if appropriate, based on the results of the audit.
5. Lukins owners have been leasing land for water company use from themselves as private individuals.
6. Lukins and Branch differ on the reasonable value of land rental. Lukins brothers contend the land lease value is \$48,000 per year based on a letter from a local real



estate agent. Branch estimates the land lease value at \$18,000 per year based on comparable land lease cost authorized by the Commission for another water utility in the area.

7. An independent appraiser acceptable to the Commission could determine a reasonable value for land rental.
8. The property owners may hire and pay an independent appraiser acceptable to the Commission to determine a reasonable rental value for land under Lukins facilities.
9. Interim rates are based on Branch's estimate of an \$18,000 per year land lease cost. This is consistent with what the Commission has previously authorized for a comparable land lease costs for another water utility in the area. The interim rates should be subject to adjustment up or down, if appropriate, based on the results of the appraisal.
10. If rates are adjusted, surcharges or surcredits should be imposed to recover the difference in revenues collected and those that should have been collected (in light of the audit and/or appraisal) between the effective date of this Resolution and the imposition of adjusted rates.
11. A request to adjust rates in light of the audit and/or appraisal should be done through filing a Tier 3 advice letter.
12. As required by Resolution W-4524, Branch calculated both the rate of return and rate of margin for Lukins. Pursuant to D.92-03-093, Branch is required to recommend the option providing Lukins the greater return. Rate of Margin has been selected because it will provide Lukins the greater revenue.
13. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted, subject to adjustment up or down based on an audit of Lukins records and the results of the land appraisal.
14. The rates proposed by the Branch (Appendix B) are reasonable and should be adopted, subject to revision based on the audit of Lukins records and the results of the land appraisal.
15. The quantities (Appendix D) used in preparation of this resolution are reasonable and should be adopted.
16. Lukins Brothers Water Company should be required to update the following in its tariffs: Rules 3, Application for Service; 5, Special Information Required on Forms; 10, Disputed Bills; and Form 3, Bill for Service.

**IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code §454 for Lukins Brothers Water Company to file an advice letter incorporating the Summary of Earnings and the

revised schedules attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate schedules - 1A, Annual General Metered Service, and 2RA, Annual Residential Flat Rate Service. The effective date of the revised schedules shall be five days after the date of its filing.

2. An in-depth audit of Lukins Brothers Water Company records shall be made beginning within 60 days from the effective date of this Resolution.
3. If appropriate as a result of the audit, a Tier 3 advice letter shall be filed within 90 days of the final audit report requesting that rates be adjusted up or down. The advice letter shall also request a surcharge or surcredit to repay or recover the revenue difference between the interim rates and the adjusted rates.
4. The Commission shall provide a list of independent appraisers acceptable to the Commission to determine the value of land rental to Lukins Brothers Water Company.
5. Danny and Larry Lukins may hire and pay for an independent appraiser from the list, and the appraiser shall provide the appraisal to the Commission.
6. If the appraisal shows the rental value of the land is greater or less than the amount adopted in this Resolution, a Tier 3 advice letter shall be filed within 90 days of the date of the appraisal report requesting that rates be adjusted up or down. The advice letter shall also request a surcharge or surcredit to repay or recover the revenue difference between the interim rates and the adjusted rates.
7. Lukins Brothers Water Company is ordered to update the following in its tariffs: Rules 3, Application for Service; 5, Special Information Required on Forms; 10, Disputed Bills; and Form 3, Bill for Service.
8. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 15, 2009; the following Commissioners voting favorably thereon:

          /s/ PAUL CLANON          

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
President  
DIAN M. GRUENEICH

Resolution W-4791  
LUKINS/DRAFT AL/RSK/JB5/MRB/jj

October 15, 2009

JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners

**APPENDIX A**  
**LUKINS BROTHERS WATER COMPANY**  
**SUMMARY OF EARNINGS**  
**TEST YEAR 2009**

	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	
Unmetered Revenue	315,350	505,128	325,287	439,902	439,902
Fire Protection Revenue	2,929	4,331	3,029	4,097	4,097
Metered Revenue	13,712	16,117	19,138	29,916	29,916
Other Revenue	3,526	3,526	3,526	3,526	3,526
<b>Total Revenue</b>	<b>335,517</b>	<b>529,102</b>	<b>350,981</b>	<b>477,441</b>	<b>477,441</b>
Operating Expenses					
Power	32,411	32,411	34,671	34,671	34,671
Other Volume Related Expenses	250	250	250	250	250
Employee Labor	83,200	83,200	31,200	31,200	31,200
Materials	5,000	5,000	5,000	5,000	5,000
Contract Work	25,000	25,000	25,000	25,000	25,000
Water Testing	6,000	6,000	6,000	6,000	6,000
Transportation Expense	5,000	5,000	5,000	5,000	5,000
Other Plant Maintenance	7,000	7,000	7,000	7,000	7,000
Office Salaries	63,586	63,586	63,586	63,586	63,586
Management Salaries	50,898	50,898	50,968	50,968	50,968
Employee Pensions and Benefits	21,600	21,600	21,600	21,600	21,600
Uncollectable Expense	7,000	7,000	7,000	7,000	7,000
Office Services and Rentals	54,100	54,100	24,100	24,100	24,100
Office Supplies Expense	15,000	15,000	15,000	15,000	15,000
Professional Services	5,000	5,000	2,000	2,000	2,000
Insurance	10,000	10,000	10,000	10,000	10,000
Regulatory Commission Expense	220	220	220	220	220
General Expense	6,000	6,000	6,000	6,000	6,000
<b>Total Operating Expenses</b>	<b>397,265</b>	<b>397,265</b>	<b>314,595</b>	<b>314,595</b>	<b>314,595</b>
Depreciation Expense	15,000	15,000	13,247	13,247	13,247
Taxes Other Than Income Taxes	15,097	15,000	31,870	34,400	34,400
Income Taxes	800	6,000	800	34,081	34,081
<b>Total Deductions</b>	<b>428,162</b>	<b>433,265</b>	<b>360,512</b>	<b>396,322</b>	<b>396,322</b>
<b>Net Income</b>	<b>-92,645</b>	<b>95,837</b>	<b>(9,531)</b>	<b>81,119</b>	<b>81,119</b>
Rate Base					
Average Plant	815,432	815,432	821,716	821,716	821,716
Avg. Accumulated Depreciation	(652,406)	(652,406)	(705,537)	(705,537)	(705,537)
<b>Net Plant</b>	<b>163,026</b>	<b>163,026</b>	<b>116,179</b>	<b>116,179</b>	<b>116,179</b>
Add: Materials	0	0	0	0	0
Working Cash	3,650	3,650	3,650	0	0
Less: Contributions	0	0	0	0	0
Advances	(8,419)	(8,419)	(8,419)	(8,419)	(8,419)
<b>Rate Base</b>	<b>158,258</b>	<b>158,258</b>	<b>111,410</b>	<b>111,410</b>	<b>111,410</b>

(End of Appendix A)

**APPENDIX B**  
**Page 1**  
**LUKINS BROTHERS WATER COMPANY**

**Schedule 1A**  
**ANNUAL METERED SERVICE**

**APPLICABILITY**

Applicable to all metered water service furnished on an annual basis.

**TERRITORY**

Lukins Tract and vicinity near State Highway 89 and U.S. Highway 50 in the City of South Lake Tahoe, California.

**RATES**

Quantity Rate		
All water, per 100 cu. ft.	\$1.475	(I)
Service Charge:	<u>Per Meter Per Year</u>	
For 5/8 x 3/4-inch meter	\$ 172.89	(I)
For 3/4-inch meter	259.34	(I)
For 1-inch meter	390.11	(I)
For 1-1/2-inch meter	517.20	(I)
For 2-inch meter	691.55	(I)
For 3-inch meter	1,285.38	(I)
For 4-inch meter	1,755.49	(I)
For 6-inch meter	3,510.97	(I)
For 8-inch meter	5,617.56	(N)
For 10-inch meter	8,075.24	(N)

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 computed at the quantity rate.

**SPECIAL CONDITIONS**

1. The annual service charge and surcharge apply to service during the 12-month period commencing January 1, and are due in advance. When a customer 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 service charge and surcharge in advance at intervals of less than one year in accordance with the utility's established billing periods.

(D)

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**APPENDIX B**  
**Page 2**  
**LUKINS BROTHERS WATER COMPANY**

**Schedule 2A**  
**ANNUAL FLAT RATE SERVICE**

**APPLICABILITY**

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

**TERRITORY**

Lukins Tract and vicinity near State Highway 89 and U.S. Highway 50 in the City of South Lake Tahoe, California.

**RATES**

	<u>Water Per Year</u>	
For a single-family residential unit including premises	\$395.52	(I)
For each additional single-family residential unit on the same premises and served from the same service connection	\$237.31	(I)
Hotels, apartments and motels:		
For first room or unit	\$395.52	(I)
For each additional room or unit on the same premises and served from the same service connection	\$197.76	(I)
For each market, store or office	\$395.52	(I)

**SPECIAL CONDITIONS**

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. For service covered by the above classifications, if the utility so elects, a meter shall be installed and service provided under Schedule 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the meter service charge for the same period shall be made on or before that date.

(D)

(Continued)

**APPENDIX B**  
**Page 3**  
**LUKINS BROTHERS WATER COMPANY**

**Schedule No. 4**  
**PRIVATE FIRE PROTECTION SERVICE**

**APPLICABILITY**

Applicable to all water service furnished to private fire systems and to private fire hydrants.

**TERRITORY**

Lukins Tract and vicinity near State Highway 89 and U.S. Highway 50 in the City of South Lake Tahoe, California.

**RATES**

	<u>Per Year</u>	(C)
For each inch of diameter of service connection	\$91.16	(I)

**SPECIAL CONDITIONS**

1. The fire protection service connection will be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The maximum diameter for fire protection services shall not be more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. 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, and installed according to the 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 paid by the applicant. Such payment shall not be subject to refund.
5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of the system.

(End of Appendix B)

**APPENDIX C**  
**LUKINS BROTHERS WATER COMPANY**  
**COMPARISON OF RATES**

<b>Metered Water</b>	<u>Previous Rate</u>	<u>New Rate</u>	<u>Percent Increase</u>
For 5/8 x 3/4-inch meter	\$ 150.89	\$ 172.89	14.6%
For 3/4-inch meter	\$ 166.50	\$ 259.34	55.8%
For 1-inch meter	\$ 228.94	\$ 390.11	70.4%
For 1-1/2-inch meter	\$ 303.52	\$ 517.20	70.4%
For 2-inch meter	\$ 405.84	\$ 691.55	70.4%
For 3-inch meter	\$ 754.33	\$1,285.38	70.4%
For 4-inch meter	\$1,030.22	\$1,755.49	70.4%
For 6-inch meter	\$2,060.43	\$3,510.97	70.4%
For 8-inch meter	-----	\$5,617.56	n/a
For 10-inch meter	-----	\$8,075.24	n/a
 Water, per hundred cu.ft.	 \$1.02	 \$1.475	 44.6%
 <b>Fire Protection, per inch</b>	 \$67.32	 \$91.16	 35.4%
 <b>Flat Rate</b>			
 For a single-family residential unit including premises	 \$294.85	 \$395.52	 34.1%
 Each additional single-family unit on same premises	 \$173.43	 \$237.31	 36.8%
 Hotels, apartments and motels:			
For first room or unit	\$294.85	\$395.52	34.1%
Each additional room or unit	\$138.75	\$197.76	42.5%
 Each market, store or office	 \$294.85	 \$395.52	 34.1%

(End of Appendix C)



**APPENDIX D**  
**LUKINS BROTHERS WATER COMPANY**  
**ADOPTED QUANTITIES**  
**Test Year 2009**

Property Tax		\$5,146	
Management Salary		\$50,968	
Land Rental		\$18,000	
Purchased Power (Electric)			
Vendor		Sierra Pacific Power	
Schedule		E50 and E5-A Small General Service	
Composite Rate			
Total Power Consumption in kWh		\$0.14955/kWh	
Total Purchased Power		230,067 kWh	
Power Cost		\$34,671	
<u>Service Connections</u>			
Metered		Flat Rate	
1-inch	12	Residential	890
1-1/2-inch	4	Extra Units	67
2-inch	<u>4</u>	Motels	43
	20	Extra Units	278
		Stores	0
Metered Water Sales		13,830 Ccf	
Private Fire Protection			
Total Inches		45	

Income Tax Calculations

Operating Revenue	\$477,441
Operating Expenses	314,595
Depreciation	13,247
Other Than Income Taxes	34,400
Income Before State Tax	115,200
State Income Tax	9,677
Income before FIT	105,523
Federal Income Tax	24,404
Total Income Taxes	34,081

(End of Appendix D)