

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**DIVISION OF WATER AND AUDITS**

**RESOLUTION W-5026**

**March 26, 2015**

**RESOLUTION**

**(RES. W-5026) LUKINS BROTHERS WATER COMPANY,  
INC. ORDER AUTHORIZING A GENERAL RATE  
INCREASE PRODUCING ADDITIONAL ANNUAL  
REVENUE OF \$316,005, or 62.0%, IN TEST YEAR 2015.**

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**SUMMARY**

By Advice Letter (AL) No. 55-W, filed on August 18, 2014, Lukins Brothers Water Company (Lukins) seeks an increase in its rates for water service to recover increased operating expenses and plant investment.

For Test Year (TY) 2015, this resolution grants Lukins an increase in gross annual revenues of \$316,005, or 62.0%, and a rate of return of 10.70% for Test Year 2015. This increase in revenues exceeds the increase requested by Lukins due to an error for insurance expense, and the use of a 2015 TY rather than 2014, as used by Lukins.

**BACKGROUND**

Lukins is a Class C water utility that has requested authority under General Order 96-B, General Rule 7.6.2, Water Industry Rule 7.3.3(5), and Public Utilities Code Section No. 454 to increase its water rates by \$283,546, or 55.6% for TY 2014 to produce a return of return on its ratebase of 11.2%.

The last general rate increase was granted on October 15, 2009, pursuant to Resolution (Res.) No. W-4791, which authorized a rate increase of \$126,460, or 36.0%, resulting in a rate of margin of 23% for TY 2009. The present rates became effective on June 17, 2014, pursuant to the approval of AL 54-W, which granted a Consumer Price Index (CPI) adjustment of 1.5%.

Lukins' interim rates became effective on June 17, 2014, by approval of AL No. 54-W, which authorized an interim rate increase of 1.5%, for the Consumer Price Index – Urban (CPI-U) increase in 2013, subject to refund, if the rates established in this GRC are lower than the interim rates. The rates authorized by this Resolution are higher than the interim rates; therefore, Lukins should be allowed to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from the interim rate date to the effective date of the new rates.

Lukins is a Class C water utility which provides domestic water service to 876 flat rate connections and 86 metered customers. By written agreement, Lukins also provides public fire protection water service to 25 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 mains, 41,114 feet of 4-inch mains, 5,292 of 6-inch mains, 1,861 feet of 8-inch mains, 40-feet of 10-inch mains, and 5,185 feet of 12-inch mains.

Lukins has begun the process of upgrading existing mains which are almost fully depreciated. Similarly, wells are almost fully depreciated and 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. The replacement of water mains began in 2013 and will continue, pending available funding. Since 2013, Lukins has increased system wide fire protection by approximately 40%, replaced over 6,000 feet of water main, and installed over 50 water meters.

### **NOTICE AND PROTESTS**

Lukins sent a notice, dated October 3, 2014, of the proposed rate increase to all of its customers. The Division of Water and Audits (Division) and Lukins received and responded to approximately 12 letters of opposition and protest. The customer objections were similar in nature and protested the rate increase based on the requested amount of increase, financial burden to customers, and economic hardships. Customers protested recent meter installations, indicating that current meter rates are too high.

Most of the objections referenced a recent infrastructure replacement surcharge<sup>1</sup> imposed on customers, arguing that an increase in water rates in addition to the recent surcharge is unfair to customers.

On October 15, 2014, one customer protest cited the financial impact, inequitable increase for metered vs. flat-rate service, and Lukins' alleged financial issues as basis for protest. This customer questioned Lukins solvency, because Lukins acquired a construction loan for a Phase 1 infrastructure project. In addition, this customer cited disagreement with Lukins over chlorinating water. Lukins responded to this letter, explaining the General Rate Case (GRC) process in detail to customers, outlining increased operating expenses over time, and explaining that the last GRC filed by Lukins was in 2008. The responses from Lukins also included information for metered customers: that all customers are required to be converted to meters by 2025, that Lukins charges customers in accordance with approved tariff schedules, and that the Commission would be reviewing rate schedules as part of the GRC process.

## DISCUSSION

The Division made an independent analysis of Lukins rate increase request. Appendix A shows Lukins and the Division's estimates of the summary of earnings at present, requested, and recommended rates. Appendix A also shows differences in Lukins' and the Division's estimates in operating revenues, expenses, and rate of return on rate base. Lukins was informed of the Division's differing views of revenues, expenses and rate base and agrees with the Division's findings.

Division staff reviewed operating revenues and expenses including employee labor, materials, contract work, water testing, transportation expenses, other plant maintenance, office salaries, office supplies and expenses, insurance, general expenses, depreciation, and taxes other than income. Division staff verified the operating expenses by reviewing supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

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<sup>1</sup> Resolution No. W-4970

As 2014 has elapsed, this resolution grants Lukins a 2015 TY by escalating Division estimated 2014 expenses by factors provided by the Office of Ratepayer Advocates (ORA) in their memorandum dated January 23, 2015. The ratebase and the adopted quantities contained in Appendix D are also updated to reflect TY 2015.

In D.92-03-093, effective April 30, 1992, the Commission adopted the operating ratio method of ratemaking as an alternative to the rate of return method on rate base for Class C and D utilities. Ordering Paragraph 8 of D.92-03-092 states:

Division is directed to calculate rates using both return-on-rate base and return of margin of ratemaking for Class C and Class D water companies requesting new rates and to recommend to the Commission the rate method that produces the higher results.

Lukins is a Class C water utility. The Division has conducted an analysis of the financial market changes with the last year and the high operational risks faced by Class C water companies and has determined that the appropriate range for Rate of Return (ROR) is 10.2% - 11.2% and a Return of Margin of 21.69%.

Using a Return-on-Rate Base of 10.7%, the Division estimates a revenue requirement of \$825,588. The Division recommends the Return on Equity method since it produces the higher revenue requirements.

**Insurance Expenses**

Division recommends a total insurance expense of \$27,761. Lukins requested \$1,295 for Insurance expenses. However, in its workpapers, Lukins made an error neglecting to include both liability and worker's compensation in the total. Staff brought this error to Lukins' attention and Lukins clarified that the corrected figure is appropriate.

Insurance consists of the following:

Vehicle/Auto:	\$1,295
Liability:	\$19,580
Worker's Compensation:	<u>\$6,886</u>
Total:	<b>\$27,661</b>

With the foregoing correction, Lukins' insurance expenses are reasonable and should be adopted.

### Employee Salaries

Lukins based the following salaries on the 2014 American Water Works Association (AWWA) Compensation Survey for Small and Medium-Sized Water and Wastewater Utilities.

Information was gathered based job descriptions as they related best to Lukins' current job descriptions, and the summary of all Water Participants with total employment of less than 25 employees.

Lukins currently has two employees who act as Manager and Assistant Manager of the system.

#### *General Manager*

The General Manager position oversees all aspects of the inner office, infrastructure planning, and water quality. In addition, this position oversees all distribution system operations. The manager directs all staff on matters related the operations and maintenance of the system, including source and supply, water treatment, water quality, water control, transmission and distribution. The manager is the acting project manager on an infrastructure replacement project, has over 40 years' experience operating Lukins, is a Distribution-2 (D2) Certified Operator with the State Water Resources Control Board, Division of Drinking Water (SWRCBDDW) and is the acting Chief Executive Office of Lukins.

AWWA Compensation Data for General Manager:

Title: General Manager (Operations and Maintenance Manager)

High:	\$99,197 per annum
Low:	\$72,469 per annum
Median:	\$86,940 per annum

Lukins has requested an annual salary of \$60,000, well below the median in its respective class. This request is reasonable and should be adopted.

*Assistant Manager*

The Assistant Manager is responsible for all administrative functions including human resources, customer services, general services, and accounting services. In addition, the Assistant Manager is the acting company information officer and is responsible for all customer and community communications. This position works directly with all regulatory agencies to ensure compliance objectives are met and represents Lukins on the Emergency Management Community Council and acts as the Chief Financial Officer (CFO) of Lukins. As the CFO of Lukins, the Assistant Manager also handles all aspects of internal accounting, regulatory reporting, and corporate financing, including loan and grant applications and administration. The current Assistant Manager has over seven years of experience at Lukins, and is a D2 Certified Operator.

AWWA Compensation Data for Assistant Manager:

Title: Assistant Manager (Administration Executive)

High:	\$78,232 per annum
Low:	\$53,023 per annum
Median:	\$61,463 per annum

Lukins has requested an annual salary of \$50,000, well below the median in its respective class. This request is reasonable and should be adopted.

*Customer Service Coordinator and part-time Office Assistant*

Lukins currently has one full time Customer Service Coordinator and one part-time Office Assistant. The Customer Service Coordinator is responsible for the daily interaction with customers, receives payments, work requests, collection functions, and ensures the maintenance of customer relations at an effective level while handling inquiries and problems related to billing. In addition, this individual coordinates the daily activities between the General Manager and System Field Crew.

The part time Office Assistant assists with work order management and customer billings. In addition, this position offers additional support to the Assistant Manager as necessary.

AWWA Compensation Data for Customer Service Coordinator:

Title: Customer Service Coordinator (Customer Service Manager)

High:	\$57,387 per annum
Low:	\$42,687 per annum
Median:	\$49,254 per annum

Lukins has requested annual salaries of \$39,000 and \$21,000 for the Customer Service Coordinator and part-time Office Assistant respectively, each well below the median in their respective classes. These requests are both reasonable and should be adopted.

*Distribution Operators*

Lukins currently has three Distribution System Field Employees. These employees are responsible for maintaining the distribution system on a daily basis and are available, or on call, 24 hours a day, seven days a week. Under the direction of the General Manager, each employee has responsibilities that range from overseeing safety, valve maintenance, system flushing, and a chlorination monitoring program. In addition, these individuals perform daily reporting and meter maintenance. In addition, the field employees are responsible for repairing water service leaks, water main break repairs, handling customer water service calls, reading water meters, and ensuring the distribution system operation.

The Field Employees work as a team and each member is in charge of specific tasks and alternate shifts on on-call services. Two of three of these employees are D2 Certified Operators.

AWWA Compensation Data for Distribution Operators:

Water Distribution Operator- Senior

High:	\$63,190 per annum
Low:	\$47,970 per annum
Median:	\$55,065 per annum

### Water Distribution Operator- Intermediate

High:	\$54,199 per annum
Low:	\$38,412 per annum
Median:	\$45,362 per annum

Lukins has requested annual salaries of \$52,000 and \$50,000 for each of the senior operator positions, and \$42,000 for intermediate position, each below the median in their respective classes. These requests are reasonable and should be adopted.

### Employee Benefits

Division staff reviewed Lukins' request for employee benefits including healthcare, dental care, vision care, and Lukins Simplified Employee Pension (SEP) plan. Division staff verified the benefit expenses by reviewing supporting documents for substantiation and accuracy. In addition, Division compared Lukins' benefits to regulated small water utilities of similar scope and size and included the amounts that were deemed reasonable and prudent.

### Rate Design

There are no customers with a 5/8 x 3/4-inch or 3/4-inch meter, and the smallest meter used is a 1-inch meter. Division adjusted the rates such that the average metered customer using a 1-inch meter, who conserves water and uses approximately 11 CCF<sup>2</sup> per month, will pay approximately the same as a single family residence on a flat-rate service connection. As shown below, at proposed rates, the 1-inch metered customer consuming up to 11 CCF per month will pay about the same as a single family residence as follows:

1-inch meter using 11 CCF per month: \$55.95 per month

Flat Rate - Single Family Residence: \$55.92 per month

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<sup>2</sup> 11 CCF (1,100 cubic feet) is the average monthly usage for a single family residence in California.



In addition, the service charge allocation by meter size has been adjusted to its proper meter ratio as follows:

SERVICE CHARGE ALLOCATION BY METER SIZE

<u>Meter Size</u>	<u>Ratio</u>	<u>Proposed Monthly Service Charge</u>
5/8 x 3/4-Inch	1.0	\$14.37
3/4-Inch	1.5	\$21.56
1-Inch	2.5	\$35.93
1-1/2-Inch	5.0	\$71.86
2-Inch	8.0	\$114.98
3-Inch	15.0	\$215.58
4-Inch	25.0	\$359.30
6-Inch	50.0	\$719.00
8-Inch	80.0	\$1,150.00
10-Inch	115.0	\$1,653.00

**Summary of Proposed Rates:**

- The 1-inch metered customer will see no increase in the monthly service charge of \$35.93 per month.
- The quantity rate will increase from \$1.63 to \$1.82, or 11.7%
- The 1-inch customer using 11 CCF per month will see a rate increase of 3.9%, or \$2.09 per month.

The 1-1/2 inch customer's monthly service charge will increase by 51%, in compliance with the Standard Practice U-7 (Rate Design for Water and Sewer System Utilities) regarding meter ratios. There are five 1-1/2-inch customers comprised of one triplex, one large residential, and three commercial properties.

The 2-inch customer's monthly service charge will increase by 80%, in compliance with the Standard Practice meter ratios. There are 13 2-inch customers comprised of four apartment complexes, two large residential, and seven commercial properties.

The 4-inch customer's monthly service charge will increase by 122%, in compliance with the Standard Practice meter ratios. There is only one 4-inch service connection, a local school district.

- All flat rate customers will see an across the board increase of 53.4%

A Comparison of Rates is appended in Appendix C of this resolution.

### **Safety**

Lukins reports that safety is a high priority and the utility emphasizes the importance of workplace safety and customer safety to its staff. Management holds regular safety meetings, where various topics are discussed with support from video and demonstration. Each employee is provided the necessary personal safety equipment including gloves, reflective vests, ear plugs, glasses, and any other necessary equipment. Each employee is also trained to handle potentially unsafe working conditions and follow outlined safety protocol at all times.

All of Lukins' System Crews are trained and certified to inspect the water system on a daily basis to ensure that the system meets all of the State Water Resources Control Board (SWRCB) Division of Drinking Water requirements and complies with the CPUC's G.O. 103(a) regulations. This includes overall system inspection, including well sites, water lines, storage yards, as well as a system wide valve exercising program, system flushing program, and a hydrant maintenance and inspection program on a regular schedule.

Internal control measures are also in place to ensure that all employee and customer records are protected including secure storage cabinets and updated installations of computer security. All customer service employees are trained on and adept at protecting customer information.

### **Meter Conversion Program**

Lukins' plan to convert flat-rate customers to meters has been in operation since 2009, and the utility intends to meet the deadline of having all customers converted to meters by 2025 in compliance with Assembly Bill (AB) 975 requiring metering by 2025 for all water utilities with 500 service connections or more, which modified Public Utilities Code Section 781 accordingly. As of December 2014, approximately 87 of Lukins 960

customers are metered. Aside from any new infrastructure projects which include the installation of meters, Lukins plans to install approximately 100 meters annually as funding permits. The meter conversion plan is prioritized by first metering commercial customers, followed by multi-family residential units and large water consumers. Next, Lukins will be installing meters in residential areas based upon subdivisions.

Lukins has been aggressively applying for water conservation grant funding in order to alleviate the cost of meters to its customers. In order to transition customers on meters, customers remain on flat-rate service for one three-month billing period following the installation of the meter before being billed at the meter rate. Lukins offers, to each customer being transitioned, more frequent meter reading and estimated billing during the transition period. In addition, metered customers are billed on a monthly basis in order to allow users to gauge water consumption on a monthly basis rather than quarterly.

The adopted quantities and tax calculations are shown in Appendix D.

### **COMPLIANCE**

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required. According to the Department of Public Health, the utility currently meets all applicable water quality standards.

### **COMMENTS**

Public Utilities Code Section 311(g)(3) requires that resolutions be served on all parties and subject to a 30-day period for public review. Accordingly, this draft resolution was mailed on February 20, 2015 to all parties and interested persons. Four comments were received pertaining to rates, service, and company management. To the extent changes were necessary, they have been incorporated herein.

### **FINDINGS**

1. The Summary of Earnings (Appendix A) recommended by the Division is reasonable and should be adopted.
2. The rates (Appendix B) recommended by the Division are reasonable and should be adopted.

3. The quantities (Appendix D) used to develop the recommendations of the Division are reasonable and should be adopted.
4. The water rate increase authorized herein is justified and the resulting rates are just and reasonable.
5. Lukins Brothers Water Company, Inc. should be allowed to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from June 17, 2014, the interim rate date, to the effective date of the new rates.
6. This is a contested matter subject to the public notice comment period provided in Public Utilities Code Section 311(g)(3).

**THEREFORE IT IS ORDERED THAT:**

1. Authority is granted under Public Utilities Code Section 454 to Lukins Brothers Water Company, Inc. to file a supplement to Advice Letter 55-W to incorporate the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate Schedules. The effective date of the revised schedules shall be five days after the date of filing.
2. Lukins Brothers Water Company, Inc. is authorized to increase the Test Year 2015 water revenues by \$316,005, or 62%.
3. Lukins Brothers Water Company, Inc. is authorized to file a Tier 2 advice letter within 30 days from the effective date of this Resolution to collect the under-collected revenues from June 17, 2014, the interim rate date, to the effective date of the new rates established in this Resolution. This advice letter shall become effective upon approval by Staff of the Division of Water and Audits.

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 March 26, 2015; the following Commissioners voting favorably thereon:

/s/TIMOTHY J. SULLIVAN

TIMOTHY J. SULLIVAN

Executive Director

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners

**APPENDIX A**  
Lukins Brothers Water Company  
Summary of Earnings – Test Year 2015

<u>Item</u>	<u>Utility Estimated</u>		<u>Branch Estimated</u>		<u>Recommended Rates</u>
	<u>Present Rates</u>	<u>Requested Rates</u>	<u>Present Rates</u>	<u>Requested Rates</u>	
<b><u>Operating Revenue</u></b>					
General Metered Revenue	\$62,857	-	\$62,857	-	\$83,772
General Unmetered Revenue	\$443,748	-	\$443,748	-	\$736,091
Reclaimed Water Sales	\$0	-	\$0	-	\$0
Private Fire	\$2,978	-	\$2,978	-	\$5,725
Other Water Revenue	\$0	-	\$0	-	\$0
Other Unmetered Revenue	\$0	-	\$0	-	\$0
Total Revenue:	\$509,583	\$793,129	\$509,583	\$825,588	\$825,588
<b><u>Operating Expenses</u></b>					
Purchased Water	\$0	\$0	0	0	0
Purchased Power	\$40,289	\$40,289	42,040	42,040	42,040
Other Volume Related Expenses	\$3,600	\$3,600	2,970	2,970	2,970
Employee Labor	\$144,000	\$144,000	144,000	144,000	144,000
Materials	\$4,657	\$4,657	4,699	4,699	4,699
Contract Work	\$57,800	\$57,800	57,800	57,800	57,800
Transportation Expenses	\$19,099	\$19,099	19,271	19,271	19,271
Other Plant Maintenance	\$9,997	\$9,997	10,087	10,087	10,087
Office Salaries	\$110,000	\$110,000	110,000	110,000	110,000
Management Salaries	\$60,000	\$60,000	60,000	60,000	60,000
Employee Benefits	\$100,948	\$100,948	100,464	100,464	100,464
Uncollectibles Expense	\$5,000	\$5,000	0	0	0
Office Services & Rentals	\$82,421	\$82,421	83,163	83,163	83,163
Office Supplies & Expenses	\$20,431	\$20,431	20,615	20,615	20,615
Professional Services	\$20,000	\$20,000	20,000	20,000	20,000
Insurance	\$1,295	\$1,295	27,761	27,761	27,761
Regulatory Commission Expense	\$3,774	\$3,774	3,774	3,774	3,774
General Expenses	\$6,157	\$6,157	6,213	6,213	6,213
Expenses Capitalized	-	-	-	-	-
<b>Subtotal</b>	\$689,470	\$689,470	\$712,856	\$712,856	\$712,856
Depreciation	\$22,707	\$22,707	\$22,707	\$22,707	\$22,707
Taxes other than Income	\$41,729	\$41,729	\$41,729	\$41,729	\$41,729
Income Taxes	\$800	\$8,831	\$800	\$19,238	\$19,238
Interest	\$0	\$0	\$0	\$0	\$0
<b>Total Deductions</b>	\$754,706	\$762,737	\$783,093	\$796,531	\$796,531
<b>Net Revenue</b>	-\$245,123	\$30,392	-\$273,510	\$30,415	\$29,057
<b>Rate Base:</b>					
Utility Plant	\$910,436	\$910,436	\$910,436	\$910,436	\$910,436
Construction Work in Progress	\$0	\$0	\$0	\$0	\$0
Materials and Supplies	\$1,858	\$1,858	\$1,858	\$1,858	\$1,858
Working Cash	\$44,296	\$44,296	\$44,296	\$44,296	\$44,296
Accumulated Depreciation	(685,026)	(685,026)	(685,026)	(685,026)	(685,026)
Advances for Construction	-	\$0	\$0	\$0	\$0
Contributions in Aid of Constr	-	-	-	-	\$0
Deferred Income Taxes	-	-	-	-	-
<b>Total Rate Base</b>	271,563	271,563	271,563	271,563	\$271,563
<b>Rate of Return</b>	-90.26%	11.20%	-100.72%	11.20%	10.70%

**(END OF APPENDIX A)**

APPENDIX B (Page 1/4)

LUKINS BROTHERS WATER COMPANY, INC.

Schedule No. 1  
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a monthly basis.

TERRITORY

This Schedule is applicable within the entire territory served by the utility.

RATES

Quantity Rates:

All water, per 100 cu. ft.	\$1.82	(I)
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Service Charge:

	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter	\$14.37	(R)
For 3/4-inch meter	\$21.56	(R)
For 1-inch meter	\$35.93	
For 1-1/2-inch meter	\$71.86	(I)
For 2-inch meter	\$114.98	(I)
For 3-inch meter	\$215.58	(I)
For 4-inch meter	\$359.30	(I)
For 6-inch meter	\$719.00	(I)
For 8-inch meter	\$1,150.00	(I)
For 10-inch meter	\$1,653.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge for water computed at the quantity rate.

**APPENDIX B (Page 2/4)**

**LUKINS BROTHERS WATER COMPANY, INC.**

**Schedule No. 2A**

**ANNUAL FLAT RATE SERVICE**

**APPLICABILITY**

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

**TERRITORY**

This Schedule is applicable within the entire territory served by the utility.

**RATES**

	<u>Water Per Year</u>	
For a single family residential unit, Including premises	\$671.07	(I)
For each additional single-family residential unit on the same premises and served from the same service connection	\$402.63	(I)
Hotels, apartments, and motels: For first room or unit	\$671.07	(I)
For each additional room or unit on the same Premises and served from the same service connection	\$335.54	(I)
For each market, store, of office	\$671.07	(I)



**APPENDIX B (Page 3/4)**

**LUKINS BROTHERS WATER COMPANY, INC.**

**Schedule No. 4**

**PRIVATE FIRE PROTECTION SERVICE**

**APPLICABILITY**

Applicable to water service furnished for private fire protection systems and to private fire hydrants.

**TERRITORY**

This Schedule is applicable within the entire territory served by the utility.

**RATES**

Per Year

For each inch of diameter of service connection	\$154.73	(I)
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**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 the fire protection services shall not be more than the diameter of the main to which service is connected.
3. If the 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, the 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. The fire protection service connection shall be installed by the utility, according to specifications of the San Bernardino County Fire Department and the cost paid by the applicant. Such payment shall not be subject to refund. The utility may install a meter or the standard protection against theft, leakage, or waste of water. The cost of the facilities will be paid by the applicant and not 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.
6. A percentage surcharge of 6.55% will be applied to all bills for a period of 36 months from the effective date of Advice Letter 50 until an overall revenue shortfall of \$95,400 is recovered.

**APPENDIX B (Page 4/4)**

**LUKINS BROTHERS WATER COMPANY, INC.**

**Schedule No. LC  
LATE PAYMENT CHARGE**

**APPLICABILITY**

Applicable to all service.

**TERRITORY**

This Schedule is applicable within the entire territory served by the utility.

**RATES**

Late Charge: A late charge of \$25.00 on unpaid balance subject to the special conditions below. (I)

**SPECIAL CONDITIONS**

1. The balance is unpaid and subject to a late charge if the bill is past-due or delinquent, as defined in Rule No. 11, Section B.1.a.
2. The late charge should be imposed only once on a delinquent bill since the account would be shut-off before a subsequent bill and then subject to reconnection fee as authorized by Tariff Rule No. 11.
3. All bills shall be subject to the reimbursement fee as set forth on Schedule No. UF.

**(END OF APPENDIX B)**

APPENDIX C

LUKINS BROTHERS WATER COMPANY, INC.  
COMPARISON OF RATES

		<u>Previous</u> <u>Rate</u>	<u>New</u> <u>Rate</u>	<u>Percent</u> <u>Increase</u>	
<b><u>Metered Water</u></b>					
For	1-inch meter	\$35.93	\$35.93	0%	
For	1-1/2-inch meter	\$47.64	\$71.86	51%	
For	2-inch meter	\$63.70	\$114.87	80%	
For	4-inch meter	\$161.69	\$359.30	122%	
Water, per hundred cu. ft.		\$1.63	\$1.82	11.6%	
	<u>Usage Present</u> <u>(ccf)</u>	<u>Rate</u>	<u>Proposed</u> <u>Rate</u>	<u>\$</u> <u>Increase</u>	<u>%</u> <u>Increase</u>
Bill Comparison:					
1-inch meter	0	\$35.93	\$35.93	\$0.00	0%
	5	\$44.08	\$45.03	\$0.95	2.2%
	8	\$48.97	\$50.49	\$1.52	3.1%
	11	\$53.86	\$55.95	\$2.09	3.9%
	15	\$60.38	\$63.23	\$2.85	4.7%
	20	\$68.53	\$72.33	\$3.80	5.5%
<b><u>Flat Rate Services</u></b>					
		<u>Present</u> <u>Annual</u> <u>Rate</u>	<u>Proposed</u> <u>Annual</u> <u>Rate</u>	<u>%</u> <u>Increase</u>	<u>\$</u> <u>Increase</u>
Single Family Residential Unit:		\$436.99	\$671.07	53.6%	\$234.08
Each Additional Unit:		\$262.19	\$402.63	53.6%	\$140.44
Hotels, Apartments, Motels:		\$436.99	\$671.07	53.6%	\$234.08
Each Additional Unit:		\$218.50	\$335.54	53.6%	\$117.04
Market, Store, Office:		\$436.99	\$671.07	53.6%	\$234.08

(END OF APPENDIX C)

APPENDIX D (Page 1/2)

LUKINS BROTHERS WATER COMPANY, INC.

ADOPTED QUANTITIES  
Test Year 2015

Expenses:

1. Purchased Power (Electric)	
Vendor	Liberty Utilities
Total Cost:	\$42,040
kWh Used:	283,681
2. Insurance Expenses:	\$27,761
3. Salaries and Benefits	
Employee Labor:	\$144,000
Management Salaries:	\$60,000
Employee Benefits:	\$100,464

Number of Service Connections:

Metered:	
1-inch meter	67
1-1/2-inch meter	5
2-inch meter	13
4-inch meter	<u>1</u>
Total:	86
Flat Rate Service Connections:	876
Metered Water Sales:	15,563 Ccf

APPENDIX D (Page 2/2)

LUKINS BROTHERS WATER COMPANY, INC.

ADOPTED QUANTITIES  
Test Year 2015

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$825,588	\$825,588
2.	O&M Expenses	\$712,856	\$712,856
3.	Taxes Other Than Income		
4.	Depreciation and Interest	\$41,729	\$41,729
5.	Taxable Income for State Tax	\$48,296	
6.	State Tax	\$4,269	
7.	Taxable Income for FIT		\$44,026
8.	Federal Income Tax		\$14,969
9.	Total Income Tax		<u>\$19,238</u>

California Corporate Franchise Rate 8.84%

Federal Income Tax Rate

On first \$50,000 of taxable income	15%
On next \$25,000 of taxable income	25%
On next \$25,000 of taxable income	34%
On next \$235,000 of taxable income	39%
On next \$335,000 of taxable income	34%

(END OF APPENDIX D)

# CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Final Resolution No. W-5026 on all parties in these filings or their attorneys as shown on the attached lists.

Dated April 1, 2015 at San Francisco, California.

/s/DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

# LUKINS BROTHERS WATER COMPANY

## ADVICE LETTER NO. 55-W

### SERVICE LIST

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So. Lake Tahoe, CA 96150

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