

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5209

February 6, 2020

RESOLUTION

**(RES. W-5209) LUKINS BROTHERS WATER COMPANY,
INC. ORDER AUTHORIZING A GENERAL RATE
INCREASE PRODUCING AN ADDITIONAL ANNUAL
REVENUE OF \$460,584 OR 57.59%, FOR TEST YEAR 2019.**

SUMMARY

By Advice Letter (AL) 79-W, filed on March 18, 2019, Lukins Brothers Water Company, Inc. (Lukins) seeks a general rate increase producing additional annual revenues of \$430,988, or 53.89%, to recover increased operating expenses and earn an adequate return on margin over current rates.

This Resolution grants Lukins an increase in gross annual revenues of \$460,584 or 57.59%, for Test Year (TY) 2019, which is estimated to provide a Rate of Margin (ROM) of 12.00% and revenue requirement of \$1,260,296.¹

Lukins, in its general rate increase request, utilized the ROM method to determine its requested revenue requirement of \$1,230,700 yielding a ROM of 12.00%.

BACKGROUND

Lukins has requested authority under General Order (GO) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by \$430,988 or 53.89% for TY 2019 which is estimated to provide a ROM of 12.00%.

The last general rate increase was granted on March 26, 2015 by Commission Resolution (Res.) W-5026, which authorized a rate increase of \$316,005, or 62.00%, resulting in a

¹ The WD's recommended revenue requirement is higher than Lukins' requested amount because WD's revenue requirement calculations include an allowance for income taxes at the corporate rates, and differences in the estimated operating and maintenance expenses for TY 2019.

Rate of Return (ROR) of 10.70% for TY 2015. The present rates became effective on February 19, 2019, by Advice Letter 78-W, which authorized a Consumer Price Index (CPI) rate increase of \$15,686, or 1.90%.

Lukins is a Class C water utility which provides domestic water service to 831 flat rate connections and 149 metered customers. Lukins also provides public fire protection water service to 27 fire hydrants. The Lukins service territory is completely within the City of South Lake Tahoe in El Dorado County.

The system began its operations in the 1940s to serve seasonal and annual residents in the 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 2-inch and 4-inch mains. The system now includes approximately 366 feet of two-inch mains, 40,326 feet of 4-inch mains, 5,340 feet of 6-inch mains, 2,112 feet of 8-inch mains, 40 feet of 10-inch mains, and 5,925 feet of 12-inch mains.

Lukins has five groundwater wells in its system. Well #1 is currently the only active well with a capacity of 720 gallons per minute (gpm). Wells #2 and #5 were placed on standby in 2014 due to concentrations of tetrachloroethylene (PCE)² from outside contamination sources which impacted the source of supply with contamination levels above the Maximum Contaminant Level (MCL) detected during routine sampling.

In 2017, Lukins filed lawsuit against those parties the utility believes are legally responsible for causing the PCE contamination. Lukins has been recording its PCE contamination litigation legal expenses into its Water Contamination Litigation Expense Memorandum Account, authorized by the Commission per Resolution W-4094, effective March 28, 1998. As of December 31, 2019, the balance on the Memorandum Account is approximately \$97,000. Lukins intends to file an advice letter requesting the authority to establish the Water Contamination Litigation Expense Balance Account (WCLEBA), to transfer the existing balance on the Memorandum Account to the WCLEBA, and to amortize the balance monthly within three years with a fixed surcharge every month.

² Tetrachloroethylene or Perchloroethylene is a manufactured chemical used for dry cleaning and metal degreasing.

Wells #3 and #4 are inactive due to third-party Methyl Tertiary Butyl Ether (MTBE)³ contamination and have been disconnected from the system. To assist in meeting customer water usage demand due to only having one well in operation, Lukins utilizes two interties, a 6-inch and an 8-inch, with South Tahoe Public Utilities District (STPUD) as active sources of water supply. Lukins can meet the estimated Maximum Day Demand (MDD) of 684 gpm through Well #1 with the two interties serving as redundancy. Lukins is able to meet the estimated Peak Hourly Demand (PHD) of 1,026 gpm, utilizing Well #1 and one of the interties or if Well #1 is offline, with both interties in service⁴.

Resolution W-5159, issued on April 26, 2018, granted Lukins the authority to borrow funds either from a financial institution or from the State Water Resources Control Board (SRWCB) under the Safe Drinking Water State Revolving Fund (SRF) program to finance the construction of a Granular Activated Carbon (GAC)⁵ treatment facility to treat the PCE contamination at Well #5.

Lukins has received construction grant funding to complete the GAC treatment facility and the project is out for bid. Lukins anticipates starting construction of this project in May 2020, with an expected completion date of February 2021.

NOTICE, PROTESTS, AND PUBLIC MEETING

In accordance with GO. 96-B, Lukins served a copy of AL 79-W to its service list on March 18, 2019. A notice of the proposed rate increase was mailed to each customer and to the general service list on May 3, 2019.

Seventeen customer protests were timely received on Lukins' rate increase request with the utility replying to each protest. Most protests contested the following:

- Lukins' requested rate increase was too high when compared to other local water utilities such as South Lake Tahoe Public Utility District (STPUD);

³ Methyl Tertiary Buthyl Ether is an oxygenate that is added to gasoline to make it burn cleaner. MTBE can contaminate water supplies during gasoline spills and by emission from boat motors.

⁴ The estimated MDD and PHD were obtained from the SWRCB 2018 Compliance Inspection report for LBWC dated August 31, 2018.

⁵ Granular activated carbon treatment is a process that removes a variety of contaminants from water or air by absorption. GAC treatment is most commonly used to separate organic contaminants.

- Lukins should be incorporated into a larger neighboring water utility such as STPUD;
- The rate increase would be unfeasible for customers on a fixed income and/or retired, elderly, physically disabled;
- Lukins did not provide sufficient justification for the requested rate increase,
- An error in the public notice to customers stating that the flat rate comparison was per quarter; and
- The pace at which Lukins is converting their flat-rate customers to metered.

Lukins, in its responses to the protests, explains that there is currently no ratepayer assistance program, but the company is actively participating in the State's efforts to develop a statewide program for all customers. In lieu of a ratepayer assistance program, Lukins offers alternative payment programs to assist customers that are on fixed income.

Five of the protests contested the high rate increase to which Lukins explains that the purpose of the GRC is to address the operating expenses that have increased significantly such as new EPA and SWRCB testing regulations and requirements, insurance costs after the recent wildfires, and recent tax law changes.

Regarding Lukins' metering plan, Lukins stated that it has submitted a detailed metering plan to the SWRCB and has applied for \$3.3 million in grants to fund the conversion of the entire system to meters which would greatly lessen the burden of the meter installation costs to its ratepayers.

Two protests were received regarding an error in the public notice. Lukins acknowledged the error and explains that the notice should have read "flat rate per year," rather than "flat rate per quarter."

An informal public meeting was held on May 20, 2019 at 6:00 PM, at South Lake Tahoe City Hall located at 1901 Airport Road in South Lake Tahoe, California. The meeting began at 6:00 PM and approximately fifteen customers attended the meeting. Staff from the WD provided an overview of the Commission's General Rate Case (GRC) process for Class C water utilities, and Lukins' representatives provided a general overview of its rate increase request including a roadmap of system improvements and expenditures since the previous GRC.

Customers mainly expressed concerns over the magnitude of the rate increase and the affordability of the service for residents in the community that are on a fixed income

and/or retired, elderly, or physically disabled. The WD staff explained that currently there is no low-income assistance program offered for customers obtaining water service from small water utilities like Lukins, but that the Commission and the State are currently considering various options for developing and providing a statewide low-income assistance program for water service.

In setting rates in this resolution, the WD has balanced the financial requirements of Lukins with the rate concerns of its customers.

DISCUSSION

In reviewing Lukins' rate increase request, the WD made an independent analysis of the utility's rate increase request and its operations. Appendix A provides Lukins' and the WD's estimated Summary of Earnings (SOE) at present, requested and recommended rates, which is further discussed below. Lukins was informed of the differing views of revenues, expenses and rate base, and the company agrees with the WD's recommended revenue requirement and rates shown in Appendix B.

Operating Expenses

The WD reviewed operating revenue and expenses including purchased water, purchased power, employee labor, materials, contract work, transportation expenses, other volume related expenses, office and management salaries, office supplies and expenses, insurance, general expense, depreciation, and taxes other than income. The WD verified the operating expenses by reviewing supporting documentation for substantiation and accuracy and included the amounts that were deemed reasonable and prudent.

For materials, transportation, uncollectable accounts, office services and rentals, office supplies and expenses and general expenses, Lukins used a three-year average from 2015 to 2017 for estimating these expenses for TY 2019. Based on the WD analysis of Lukins' operating expenses, the WD found the company's approach and expense estimates reasonable for the size and complexity of the utility's operations.

Purchased Water

For purchased water, the WD recommends \$52,336, which differs from Lukins' requested amount of \$53,993, determined by the three-year average from 2016-2018 in

the amount of \$51,973 which is then escalated by the 2019 non-labor escalation rate of 0.70%.⁶

Year	Purchased Water
2016	\$37,928
2017	\$71,989
2018	\$46,001

Lukins explains that purchased water in 2017 was significantly higher due to increased customer demand and distribution system maintenance and improvements that required Lukins to take sources temporarily offline and open additional interties. Since 2015, the amount of purchased water has increased due to needing to utilize the interties to meet customer water demand as a result of the PCE and MTBE contaminations to Lukins' wells.

Purchased Power

For purchased power, the WD recommends \$34,688, which is higher than Lukins' requested amount of \$33,112. The WD utilized the same method as purchased water: using the three-year average from 2016-2018 then escalating by the 2019 non-labor escalation rate.

Year	Purchased Power
2016	\$35,546
2017	\$31,166
2018	\$36,630

As stated earlier, Lukins has one well operational (Well #1) and two wells (Wells #2 and #5) inactive on standby due to PCE contamination. Power expenses associated with Wells #2 and #5 are due to maintenance.

Professional Services

Lukins' requested amount of \$66,705 for professional services is based on the following breakdown of accounting, consulting, engineering and legal services:

Accounting	\$6,000
Consulting	\$24,000

⁶ The 2019 non-labor escalation rate was obtained from the Escalation Memorandum issued by the CPUC's Public Advocates Office titled, "Estimates of Non-labor and Wage Escalation Rates for 2019 through 2023 from the February 2019 HIS Global Insight U.S. Economic Outlook."

Engineering	\$33,000
Legal Services	\$3,705

Lukins has contracted R.O. Anderson, a design engineering firm specializing in water and wastewater infrastructure based out of Reno, Nevada, to assess and scope out long-term rehabilitation and upgrades to Lukins' water system. The requested \$33,000 would go towards updating and finalizing design documents to include existing conditions, revised assumptions and completion of previous improvements and updating Lukins' water system model in WaterCAD⁷ to reflect current conditions as well as modeling for future conditions and operational scenarios.

The WD recommended amount of \$63,000 is lower than Lukins' requested amount because Lukins plans to record the cost of ongoing legal services into its Water Contamination Litigation Expense Memorandum Account.

Regulatory Compliance Expense

For Regulatory Compliance Expense, Lukins requests \$2,102 due to fees associated with the preparation of its GRC. The contract scope between Lukins and its consultant does not include the fee. The WD reviewed supporting documentation and finds the requested amount to be reasonable.

Employee Salaries

Lukins based the following salaries on the 2018 American Water Works Association (AWWA) Compensation Survey for Small and Medium-Sized Water and Wastewater Utilities.⁸ Information was gathered based on 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 seven employees and is requesting a 20% salary increase for all of its employees. The following table lists each Lukins' employee position, its 2017 reported salary, the proposed salary for TY 2019, and the average salary from the AWWA Compensation Survey for comparable job

⁷ WaterCAD is a modeling and analysis software suite used in the design, planning and operation of water distribution systems.

⁸ The AWWA is a nonprofit society engaged in water operations and management. Membership includes over 4,300 water utilities across the world. The annual compensation survey is conducted by the AWWA to provide guidance to utilities on salary decisions based on customer size, total number of employees, geographical location, and management type.

positions. A detailed description of each position and its equivalent AWWA classification can be found under Appendix E.

	2017 Reported Salary	TY 2019 Proposed Salary	AWWA Salary Average
General Manager	\$60,000	\$72,000	\$115,733
Assistant Manager	\$58,000	\$69,600	\$94,528
Water Distribution-Field Operator I	\$56,321	\$61,200	\$70,395
Water Distribution-Field Manager	\$52,122	\$62,546	\$72,550
Water Distribution-Field Plant Manager	\$51,000	\$67,585	\$81,320
Customer Service Coordinator	\$42,540	\$51,048	\$50,261
Office Assistant (Part-Time)	\$20,197	\$24,236	\$24,678

Lukins' requested amount of \$191,332 for employee labor is the sum of the salaries for all of its three Water Distribution field employees.

Lukins' requested amount of \$141,600 for Management Salaries differs significantly from previous years as shown:

Year	Management Salaries
2016	\$62,530
2017	\$60,760
2018	\$62,990
TY 2019	\$141,600

In previous years, Lukins accounted for its Assistant Manager under its office salaries expense account. Lukins is requesting to reclassify the Assistant Manager under its management salaries expense account. With the reclassification, Management salaries

would comprise the General Manager's and Assistant Manager's salaries. Conversely, the requested amount of \$99,521 for office salaries is lower than previous years as a result of this reclassification. Lukins is also requesting to hire an additional part-time office assistant or to convert the existing part-time office assistant to full-time, as further discussed below.

In reviewing Lukins' management, office, and employee salaries request, the WD compared Lukins' requested salaries with the AWWA Compensation Survey Range (included in Appendix E). The WD found that Lukins' requested salaries are lower than the average AWWA Compensation Range for employees working for small to medium size water utilities. Accordingly, the WD finds Lukins' salary increase request reasonable, including its request for a full-time or additional part-time office assistant.

Employee Pensions and Benefits

The WD's recommended amount of \$147,163 for employee pension and benefits is based on the documentation provided by the utility for the current health insurance, dental care, vision care coverage for its seven employees. In addition, Lukins is requesting to increase the Simplified Employee Pension (SEP) plans of its employees by 7% of their proposed salaries.

Insurance

The WD's recommended amount of \$55,461 is higher than Lukins requested amount of \$48,291 for insurance expense because WD's recommended amount is based on the utility's current insurance costs. The current insurance amount is based off increased limits and premiums for 2018 general liability and workers' compensation coverage, and general liability coverage for pollution liability and crime, categories not found in the current premiums.

Taxes

The WD applied the 2019 corporate tax rates for Federal and State income at 21.00% and 8.84%, respectively. The tax calculations are shown in Appendix D for TY 2019.

Utility Plant and Rate Base

For TY 2019, the WD's analysis of Lukins' rate base estimate included examining utility plant-in-service since the company's last GRC, authorized on March 26, 2015, by Res.

W-5026, as well as utility plant additions, materials and supplies, working cash, and depreciation reserve.

Lukins' average plant estimate for TY 2019 is \$989,077 which uses the End-of-Year (EOY) 2017 plant in service and includes estimated plant additions of \$40,000 and plant retirements of \$2,500. TY plant additions are allocated into the following items:

Replace valves at Tahoe Vista	\$6,140
Installation of pressure relief valve at intertie	\$20,000
Meter installations	\$13,860

The WD's average plant estimate of \$1,010,596 for TY 2019 is higher than Lukins' estimate of \$989,077 because it includes the recorded plant additions and retirements from Lukins' 2018 annual report. The WD reviewed Lukins' 2018 annual report and supporting documentation for substantiation and accuracy. The actual plant additions and retirements for 2018 include:

	Plant Additions	Plant Retirements
Structures		\$5,000
Wells	\$17,331	
Pumping Equipment		\$4,810
Water Treatment Plant	\$6,400	
Mains	\$425	
Services & Meter Installations	\$6,820	
Meters	\$2,189	
Office Furniture & Equipment	\$1,255	\$3,092

Similarly, the WD's estimated average accumulated depreciation of \$604,110 is higher than Lukins' estimate of \$592,571.

Working Cash

The WD's recommended amount of \$8,828 is lower than Lukins' requested amount of \$10,444 due to the difference in operating revenue and in Lukins' calculation, it added taxes and depreciation to operating expenses instead of subtracting them. Additionally, Lukins' working cash calculation utilized a metered customer percentage of 12.24% when the WD's calculation utilizes 12.50% derived from the number of metered customers divided by the sum of metered and flat rate customers.

Rate of Return vs. Rate of Margin

Commission Decision D.92-03-093, effective April 30, 1992, directed the WD to utilize both the return-on-rate base (ROR) and ROM methods of ratemaking for Class C and Class D water utilities requesting new rates and recommend the ratemaking method that produces the higher revenue requirement.⁹ In its rate increase request, Lukins requested an ROM of 12.00%.

The WD's 2019 memorandum for the recommended ROR and ROM for Class C and D water utilities was issued on February 25, 2019. For Class C water utilities, the WD recommends a ROR range of 9.90% to 10.90% and a ROM of 22.57%.¹⁰

Using a ROR of 10.90%, the WD estimates a revenue requirement of \$1,123,002. Alternatively, using the ROM method estimates a revenue requirement of \$1,388,622. Lukins, in its general rate increase request, utilized the ROM method to determine its requested revenue requirement of \$1,230,700 yielding a ROM of 12.00%.

Lukins is requesting a lower ROM to minimize the rate increase on its customers. The WD concurs with Lukins request for a lower ROM given the percentage amount of the increase. Accordingly, WD recommends a ROM of 12.00% for Lukins' TY 2019 GRC which yields a revenue requirement of \$1,260,296.

Rates and Rate Design

Lukins' rate structure consists of three rate schedules: Schedule No. 1, General Metered Service, Schedule No. 2A, Annual Flat Rate Service, and Schedule No. 4, Private Fire Protection Service.

At the recommended ROM, the increase in revenues will be \$460,584 or 57.59% for TY 2019. The rates proposed by the WD are shown in Appendix B. At the recommended rates for TY 2019, a *monthly* bill for an average residential customer with a 1-inch meter size using 6 CCF will increase from \$48.85 to \$81.12, or 66.06%. For an average flat-rate residential customer, an *annual* bill will increase from \$699.55 to \$1,084.30, or 55.00%. A comparison of customer bills at present and recommended rates is provided in Appendix C of this resolution.

⁹ See Ordering Paragraph 8, D.92-03-093.

¹⁰ The ROR/ROM memorandum can be found at <https://www.cpuc.ca.gov/General.aspx?id=1404>

The Utility Rate Comparison table below provides a *monthly* rate comparison with nearby water utilities for metered customers and an *annual* rate comparison for flat-rate customers.

Utility Rate Comparison				
<u>Utility</u>	<u>Metered</u>			<u>Flat Rate</u>
	<u>Monthly Service Charge for 1-inch Service</u>	<u>Quantity Charge For 6 CCF</u>	<u>Annual Total</u>	<u>Annual Total</u>
Lukins Bros. Water Co.	\$ 60.18	\$ 20.94	\$ 973.47	\$ 1,084.30
Fulton Water Co.	\$ 62.02	\$ 11.21	\$ 878.81	\$ 1,473.99
Tahoe Park Water Co.	\$ 60.88	\$ 10.80	\$ 860.11	\$ 1,723.37
Tahoe Swiss Village Utilities Inc.**	\$ 61.67	\$ 14.76	\$ 917.16	\$ 1,156.45

**Tahoe Swiss Village Utilities Inc. is a Class D water utility that operates in the same county as Lukins (El Dorado).

Affordability of Proposed Rates

As discussed above at the recommended rates for TY 2019, a *monthly* customer's bill for an average residential customer with a 1-inch meter size using 6 CCF will increase from \$48.85 to \$81.12, or 66.06% which is 1.50% of the median household income (MHI) of \$64,673 for El Dorado County where Lukins' service area is located. In addition, a *monthly* bill for an average flat-rate residential customer will increase from \$58.30 to \$90.36, or 55.00% which is 1.68% of the MHI for El Dorado County.

It should be noted that no affordability criteria has been developed and adopted in any Commission Decision or legislation.¹¹ However, the Commission adheres to cost-of-service regulatory principles in developing rates for its jurisdictional utilities, and the WD's recommended rates for Lukins are at the minimum required to satisfy the utility's technical, managerial and financial capacity, and operational capability.

COMPLIANCE

There are no outstanding compliance orders and Lukins has been filing annual reports as required. Lukins is currently in compliance of all SRWCB Division of Drinking Water (DDW) applicable water quality standards and regulations.

¹¹ The MHI calculation is for informational purposes only.

UTILITY 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 always trained to handle potentially unsafe working conditions and to follow outlined safety protocol at all times.

All of Lukins' System Crews are trained and certified to inspect the water system daily to ensure that the system meets all of the SWRCB DDW requirements and that it complies with the Commission's General Order 103-A¹² for its utility operations. 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.

SWRCB DDW stated that Lukins is dedicating significant time and effort and working on multiple fronts to mitigate the PCE contamination. Lukins has been in full cooperation with DDW on this issue and is an active participant in all investigation activities by DDW and the California Regional Water Quality Control Board, technical advisory committees and is working with neighboring water systems to conduct a feasibility study to identify long term remediation solutions for the plume.

As stated earlier, Resolution W-5159 granted Lukins the authority to borrow funds to finance the construction of a GAC treatment facility to address the PCE contamination at Well #5. Lukins currently has the project out to bid and is scheduled to begin construction May 2020, with an expected completion date of February 2021.

¹² General Order 103-A specify the rules governing water service, including minimum standards for operation, maintenance, design and construction. The current revision of GO 103-A was effective September 10, 2009.

COMMENTS

Public Utilities Code section 311(g)(1), provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft resolution was mailed to the service list, protestants, and made available for public comment on December 13, 2019.

One comment was received regarding the service list and the proposed rate increase. The comment was reviewed with any necessary changes incorporated.

FINDINGS

1. The Summary of Earnings (Appendix A) recommended by the Water Division (WD) is reasonable and should be adopted.
2. The rates recommended by the WD (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the WD's recommendations are reasonable and should be adopted.
4. The water rate increase authorized herein is justified and the resulting rates are just and reasonable.
5. The water served by Lukins Brothers Water Company meets all applicable water quality standards set-forth by State Water Resources Control Board, Division of Drinking Water.
6. Lukins should be 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 February 19, 2019, the interim rate date, to the effective date of the new rates.
7. Lukins should be authorized to file a supplement to Advice Letter No. 79-W to incorporate the revised rate schedules (Appendix B) and to concurrently cancel its presently effective rate schedules.

THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454, for Lukins Brothers Water Company to file a supplement to Advice Letter 79-W to incorporate the revised rate schedules attached to this Resolution as Appendix B for Test Year 2019, and concurrently cancel its presently effective rate Schedules: Schedule No. 1, General Metered Service, Schedule No. 2A, Annual Flat Rate Service and Schedule No. 4, Private Fire Protection Service. The effective date of the revised schedules shall be five days after the date of filing.
2. Lukins Brothers Water Company 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 February 19, 2019, 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 February 6, 2020; the following Commissioners voting favorably thereon:

/s/ALICE STEBBINS

ALICE STEBBINS
Executive Director

LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners

President Marybel Batjer being
necessarily absent, did not participate.

APPENDIX A
Lukins Brothers Water Co.
Summary of Earnings
Test Year 2019

	Lukins Brothers		Water Division		
	Present Rates	Requested Rates	Present Rates	Requested Rates	Recommended Rates
Operating Revenues					
Metered Revenue	\$ 158,553	\$ 314,829	\$ 158,553	\$ 314,829	\$ 265,000
Flat Rate Customers	\$ 635,191	\$ 906,161	\$ 635,191	\$ 906,161	\$ 984,546
Private Fire Protection	\$ 5,968	\$ 9,710	\$ 5,968	\$ 9,710	\$ 10,751
Total Revenue	\$ 799,712	\$ 1,230,700	\$ 799,712	\$ 1,230,700	\$ 1,260,296
Operating Expenses					
610 Purchased Water	\$ 53,993	\$ 53,993	\$ 52,336	\$ 52,336	\$ 52,336
615 Purchased Power	\$ 33,112	\$ 33,112	\$ 34,688	\$ 34,688	\$ 34,688
618 Other Volume Related Expenses	\$ 1,755	\$ 1,755	\$ 1,755	\$ 1,755	\$ 1,755
630 Employee Labor	\$ 191,332	\$ 191,332	\$ 191,332	\$ 191,332	\$ 191,332
640 Materials	\$ 12,045	\$ 12,045	\$ 12,045	\$ 12,045	\$ 12,045
650 Contract Work	\$ 34,242	\$ 34,242	\$ 34,242	\$ 34,242	\$ 34,242
660 Transportation Expenses	\$ 14,492	\$ 14,492	\$ 14,492	\$ 14,492	\$ 14,492
664 Other Plant Maintenance	\$ 12,874	\$ 12,874	\$ 12,874	\$ 12,874	\$ 12,874
670 Office Salaries	\$ 99,521	\$ 99,521	\$ 99,521	\$ 99,521	\$ 99,521
671 Management Salaries	\$ 141,600	\$ 141,600	\$ 141,600	\$ 141,600	\$ 141,600
674 Employee Pensions and Benefits	\$ 169,129	\$ 169,129	\$ 147,163	\$ 147,163	\$ 147,163
676 Uncollectable Accounts	\$ 3,211	\$ 3,211	\$ 3,211	\$ 3,211	\$ 3,211
678 Office Services and Rentals	\$ 66,893	\$ 66,893	\$ 66,893	\$ 66,893	\$ 66,893
681 Office Supplies and Expenses	\$ 27,759	\$ 27,759	\$ 27,759	\$ 27,759	\$ 27,759
682 Professional Services	\$ 66,705	\$ 66,705	\$ 63,000	\$ 63,000	\$ 63,000
684 Insurance	\$ 48,291	\$ 48,291	\$ 55,461	\$ 55,461	\$ 55,461
688 Regulatory Compliance Expense	\$ 2,102	\$ 2,102	\$ 2,102	\$ 2,102	\$ 2,102
689 General Expenses	\$ 17,853	\$ 17,853	\$ 17,853	\$ 17,853	\$ 17,853
Subtotal	\$ 996,907	\$ 996,907	\$ 978,327	\$ 978,327	\$ 978,327
403 Depreciation	\$ 27,439	\$ 27,439	\$ 28,527	\$ 28,527	\$ 28,527
408 Taxes Other Than Income	\$ 43,591	\$ 43,591	\$ 43,591	\$ 43,591	\$ 43,591
409 State Income Taxes	\$ 800	\$ 15,137	\$ 800	\$ 15,935	\$ 18,551
410 Federal Income Taxes	\$ -	\$ -	\$ -	\$ 34,507	\$ 40,173
Total Expenses	\$ 71,830	\$ 86,167	\$ 72,918	\$ 122,560	\$ 130,842
Net Revenue	\$ (269,026)	\$ 147,625	\$ (251,533)	\$ 129,813	\$ 151,128
Rate Base					
Average Plant	\$ 989,077	\$ 989,077	\$ 1,010,596	\$ 1,010,596	\$ 1,010,596
Average Accumulated Depreciation	\$ 592,571	\$ 592,571	\$ 604,110	\$ 604,110	\$ 604,110
Net Plant	\$ 396,506	\$ 396,506	\$ 406,486	\$ 406,486	\$ 406,486
Less:					
Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Aid of Construction	\$ -	\$ -	\$ 244,567	\$ 244,567	\$ 244,567
Deferred Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Plus:					
Unamortized Investment	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Work in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Working Cash	\$ 10,444	\$ 10,444	\$ 9,431	\$ 8,914	\$ 8,828
Materials and Supplies	\$ 3,635	\$ 3,635	\$ 3,635	\$ 3,635	\$ 3,635
Rate Base	\$ 410,586	\$ 410,586	\$ 174,985	\$ 174,468	\$ 174,382
Rate of Margin	-33.64%	12.00%	-31.45%	10.55%	12.00%

END OF APPENDIX A

APPENDIX B
Lukins Brothers Water Co.
Test Year 2019
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Schedule No. 1
General Metered Service

APPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

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

RATES

Quantity Rate:

For all water, per 100 cubic feet \$3.49 (I)

Service Charge:

Per Meter Per Month

For 5/8 x 3/4-inch meter	\$ 24.07	(I)
For 3/4- inch meter	\$ 36.11	(I)
For 1-inch meter	\$ 60.18	(I)
For 1- 1/2-inch meter	\$ 120.36	(I)
For 2-inch meter	\$ 192.58	(I)
For 3-inch meter	\$ 361.09	(I)
For 4-inch meter	\$ 601.82	(I)
For 6-inch meter	\$ 1,203.64	(I)
For 8-inch meter	\$ 1,925.83	(I)
For 10-inch meter	\$ 2,768.38	(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.

APPENDIX B
Lukins Brothers Water Co.
Test Year 2019
(Page 2 of 3)

Schedule No. 2A
ANNUAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

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

RATE

	<u>Water Per Year</u>	
For a single family residential unit, including premises	\$1,084.30	(I)
For each additional single-family residential unit on the same premises and served from the same service connection	\$650.57	(I)
Hotels, apartments, and motels: For first room or unit	\$1,084.30	(I)
For each additional room or unit on the same premises and served from the same service connection	\$542.16	(I)
For each market, store or office	\$1,084.30	(I)

SPECIAL CONDITIONS

1. The above residential flat rate charges 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, Monthly 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.

APPENDIX B
Lukins Brothers Water Co.
Test Year 2019
(Page 3 of 3)

Schedule No. 4
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

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

RATES

Per Year

For each inch of diameter of service connection	\$250.02	(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 Bernadino 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 appliacnt 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.

END OF APPENDIX B

APPENDIX C
Lukins Brothers Water Co.
Comparison of Rates
Test Year 2019

Lukins Brothers Water Co.						
2019 Test Year						
Comparison of Rates						
			<u>Per Meter Monthly</u>			
			<u>Present</u>	<u>Recommended</u>	<u>Percent</u>	
			<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	
Service Charge:						
		For 5/8 x 3/4-inch meters	\$ 14.98	\$ 24.07	60.70%	
		For 3/4-inch meters	\$ 22.47	\$ 36.11	60.70%	
		For 1-inch meters	\$ 37.45	\$ 60.18	60.70%	
		For 1-1/2-inch meters	\$ 74.91	\$ 120.36	60.68%	
		For 2-inch meters	\$ 119.86	\$ 192.58	60.67%	
		For 4-inch meters	\$ 374.55	\$ 601.82	60.68%	
Quantity Charge:						
		All use, per 100 cu. ft.	\$ 1.90	\$ 3.49	83.7%	
A Monthly bill comparison for a customer with a 1-inch meter is shown below:						
	<u>Usage</u>	<u>Present</u>	<u>Recommended</u>	<u>Amount</u>	<u>Percent</u>	<u>Annual</u>
	<u>Per 100 cu. ft.</u>	<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	<u>Increase</u>	<u>Total</u>
	0	\$ 37.45	\$ 60.18	\$ 22.73	60.70%	\$ 722.19
	2	\$ 41.25	\$ 67.16	\$ 25.91	62.82%	\$ 805.95
Average	6	\$ 48.85	\$ 81.12	\$ 32.27	66.06%	\$ 973.47
	10	\$ 56.45	\$ 95.08	\$ 38.63	68.44%	\$ 1,140.99
	15	\$ 65.95	\$ 112.53	\$ 46.58	70.63%	\$ 1,350.39
	20	\$ 75.45	\$ 129.98	\$ 54.53	72.28%	\$ 1,559.79
			<u>Per Customer Annually</u>			
			<u>Present</u>	<u>Recommended</u>	<u>Percent</u>	
			<u>Rates</u>	<u>Rates</u>	<u>Increase</u>	
Flat Rate:						
		Res. First Units	\$ 699.55	\$ 1,084.30	55.00%	
		Addl Res Units	\$ 419.72	\$ 650.57	55.00%	
		Hotel, Apt & Motel First Units	\$ 699.55	\$ 1,084.30	55.00%	
		Addl Room or Unit	\$ 349.78	\$ 542.16	55.00%	
		Store or Office	\$ 699.55	\$ 1,084.30	55.00%	
		Addl Store or Office	\$ 349.78	\$ 542.16	55.00%	

END OF APPENDIX C

APPENDIX D
Lukins Brothers Water Co.
Adopted Quantities
Test Year 2019

1. Purchased Power (Electric)

Vendor:	Liberty Utilities
Total Cost:	\$34,688
kWh Used:	202,209

2. Service Connections –

<u>Meter Size:</u>	
1 – inch	120
1-1/2 – inch	5
2 – inch	22
4 – inch	<u>2</u>
Total:	149
<u>Flat Rate:</u>	831

3. Metered Water Sales: 32,143 CCF

4. Tax Calculations

<u>Category</u>	<u>TY 2019</u>
Operating Revenues	\$1,260,296
Operating Expenses	\$978,327
Taxes Other than Income	\$43,591
Depreciation	\$28,527
Taxable Income for State	\$209,852
State Taxes (Corporate rate 8.84%)	\$18,551
Taxable Income for Federal	\$191,301
Federal Income Taxes (Corporate rate 21.00%)	\$40,173

END OF APPENDIX D

APPENDIX E
Lukins Brothers Water Co.
Employee Positions & Descriptions
(Page 1 of 3)

Title: General Manager

AWWA Classification: S100 – Small System General Manager (Superintendent)

Lukins currently has one employee as the General Manager of the system. The General Manager is acting Chief Executive Officer of Lukins. The General Manager is responsible for overseeing all aspects of the inner office workings, infrastructure planning, water quality, all distribution system operations and directs all staff on matters related to the operations and maintenance of the system, including source and supply, water treatment, water quality, water control, transmission and distribution. The General Manager has over 43 years' experience operating Lukins and is a D2 and T2 Certified Operator.

The AWWA Compensation Range for General Manager is \$94,542 – \$136,423 annually.

Title: Assistant Manager

AWWA Classification: S120 – Small System Manager

Lukins' Assistant Manager is responsible for all administrative functions including human resources, customer services, general services, and accounting services. The Assistant Manager is the acting company information officer and responsible for all customer and community communications and works directly with all regulatory agencies to ensure compliance objectives are met. The Assistant Manager represents Lukins on the Emergency Management Community Council, Utility Coordination Committee, Fire Protection Partnership, Groundwater Sustainability Stakeholders Group and acts as Chief Financial Officer of Lukins. The Assistant Manager also handles all aspects of internal accounting, regulatory reporting, corporate financing, and oversees management of all company programs which includes loan and grant applications and administration. The current Assistant Manager has over 10 years' experience at Lukins, is a D2 and T2 Certified Operator, and holds Utility Management Certification for Water and Wastewater Management through the National Rural Water Association.

APPENDIX E
Lukins Brothers Water Co.
Employee Positions & Descriptions
(Page 2 of 3)

The AWWA Compensation Data for Assistant Manager is \$76,506 – \$125,289 annually.

Title: Customer Service Coordinator

AWWA Classification: S160 – Small System Accounting Clerk

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

The AWWA Compensation Data for Customer Service Coordinator is \$41,276 – \$60,196 annually.

Title: Office Assistant (Part-Time)

AWWA Classification: S170 – Small System Administrative Assistant

Lukins currently has one part-time Office Assistant. The part-time Office Assistant position assists with work order management and customer billings. Additionally, the Office Assistant offers additional support to the Assistant Manager as necessary.

The AWWA Compensation Data for Office Assistant is \$39,840 – \$59,724 annually.

Title: Water Distribution Operator- I

AWWA Classification: S240 – Small System Operator I

Title: Water Distribution Field Manager

AWWA Classification: S190 – Small System Field Manager (Field Crew Leader)

APPENDIX E
Lukins Brothers Water Co.
Employee Positions & Descriptions
(Page 3 of 3)

Title: Water Distribution Field Plant Manager

AWWA Classification: S130 – Small System Field Plant Manager (Plant Superintendent)

Lukins currently has three Distribution System Field Employees. These employees are responsible for maintaining the distribution system. Under the direction of the General Manager, each employee has responsibilities that range from overseeing safety programs, valve maintenance programs, system flushing program, chlorination monitoring, daily reporting, general SCADA operations and meter maintenance. In addition, they are responsible for repairing water service leaks, water main break repairs, handling customer water service calls, reading water meters, and ensuring distribution system operation. Operators hold required state licenses to operate system.

The AWWA Compensation Data for Water Distribution Operator I is \$61,647 – \$78,623 annually. The AWWA Compensation Data for Water Distribution Field Manager is \$59,379 – \$84,956 annually. The AWWA Compensation Data for Water Distribution Field Plant Manager is \$66,615 – \$98,719 annually.

END OF APPENDIX E

LUKINS BROTHERS WATER COMPANY
ADVICE LETTER 79-W
SERVICE LIST

City of South Lake Tahoe
Administrative Center
1901 Airport Blvd.
So. Lake Tahoe, CA 96150

Ronald G. Renaldi
PO Box 9926
So. Lake Tahoe, CA 96158

Cynthia Hertzog
1024 Tahoe Island Dr.
So. Lake Tahoe, CA 96158

El Dorado County
Development Services Dept.
924 B Emerald Bay Road
So. Lake Tahoe, CA 96150

Lawrence Suydam
895 Secret Harbor Drive
So. Lake Tahoe, CA 96150

Vivien Wilson
PO Box 7466
So. Lake Tahoe, CA 96158

South Tahoe PUD
1275 Meadow Crest Dr.
So. Lake Tahoe, CA 96150

Richard Munk
780 Eloise Ave.
So. Lake Tahoe, CA 96150

Edmund Viray
edmundviray@gmail.com

Tahoe Keys POA
356 Ala Wai Blvd.
So. Lake Tahoe, CA 96150

Robert Haney
PO Box 14447
So. Lake Tahoe, CA 96151

Jerry Keyser
jkeyser@keysermarston.com

Fern Erskine
786 Patricia Lane
So. Lake Tahoe, CA 96150

James Getz
597 Tahoe Island Drive
So. Lake Tahoe, CA 96150

Danny Lukins, Manager
Lukins Brothers Water Co.
danny@lukinswater.com

Mike Mosca
PO Box 9136
So. Lake Tahoe, CA 96158

N. McRae
3243 Rohner Drive
LaFayette, CA 94549

James Cullen
shawncullen1@att.net

Alan Miller
PO Box 7526
So. Lake Tahoe, CA 96158

Carol Daum
PO Box 550160
So. Lake Tahoe, CA 96155

Robert Mann, Plumas Bank
robert.mann@plumasbank.com

Teri Jamin
1052 Tata Lane
So. Lake Tahoe, CA 96150

Thomas McMahan
332 3rd Street
Clovis, CA 93612

Larry Montoya
Montoyafamily1@sbcglobal.net

Maureen Froyum
920 Patricia Lane
So. Lake Tahoe, CA 96150
moyums@yahoo.com

Bette Read
1455 Hunter Lake Drive
Reno, NV 89509

David Elmore
delmore@marketengage.com

Cynthia Gillis
gillis.cyn@gmail.com

David Tolvo
dptolvo@live.com

Tony Creter
cutter300@gmail.com

Tom Mattis
tmattis60@gmail.com

Dean Langdon
deano377-house@yahoo.com

Robert Hinde
rhinde18@gmail.com

Mike Shreve
mtmikeuwa@aol.com

Cliff Bartlett
bartlett.cliff@yahoo.com