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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

Arizona Corporation Commission

DOCKETED

AUG 10 2004

MARC SPITZER, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

DOCKETED BY nr

IN THE MATTER OF THE APPLICATION OF  
PINE WATER COMPANY FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITIES PLANT AND  
PROPERTY, A RATE INCREASE AND FOR  
APPROVAL TO INCUR LONG-TERM DEBT.

DOCKET NO. W-03512A-03-0279

DECISION NO. 67166

OPINION AND ORDER

DATES OF HEARINGS:

December 8, 2003 (Public Comment, Pine, Arizona); December 15, 2003, January 12 and 15 2004, February 3, 2004, and March 3, 2004 (Procedural Conferences); March 9, 10, 11, 12, and 19, 2004 and April 2, 2004 (Hearings)

PLACE OF HEARINGS:

Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE:

Dwight D. Nodes

APPEARANCES:

Mr. Jay Shapiro, FENNEMORE CRAIG, on behalf of Pine Water Company;

Mr. John G. Gliege, on behalf of the Pine-Strawberry Water Improvement District;

Mr. John O. Breninger, in propria persona;

Mr. Robert M. Cassaro, in propria persona; and

Mr. Gary Horton, Staff Attorney, on behalf of the Utilities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

I. INTRODUCTION

On May 1, 2003, Pine Water Company ("Pine Water" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for a determination of the current fair value of its utility plant and property, for a rate increase, and for approval of long-term debt. Pine Water is a wholly-owned subsidiary of Brooke Utilities, Inc. ("Brooke"). The Company provides water service to approximately 2,000 customers in Pine, Arizona, an area located 15 miles northwest

1 of Payson in Gila County, Arizona.

2 In August 1996, Brooke acquired E&R Water Company, Inc. ("E&R") and Williamson  
3 Waterworks, Inc. ("Williamson"). Brooke subsequently reorganized seven separate water companies  
4 and systems into five subsidiaries, including Pine Water and Strawberry Water Company  
5 ("Strawberry"). This reorganization was approved by the Commission in Decision No. 60972 (June  
6 19, 1998). Pine Water's current rates and charges were authorized for customers of the Company's  
7 predecessors, E&R Water Company in Decision No. 62400 (March 28, 2000), and Williamson  
8 (March 6, 2000).

9 The Commission's Utilities Division Staff ("Staff") filed a letter of sufficiency on June 2,  
10 2003. On June 10, 2003, a Rate Case Procedural Order was issued setting this matter for hearing on  
11 December 15, 2003. By Procedural Order issued October 2, 2003, a public comment hearing was  
12 scheduled for December 8, 2003 in Pine.

13 On October 23, 2003, the Company and Staff filed a request for rescheduling of the hearing  
14 date and testimony filing dates. By Procedural Order issued October 24, 2003, the evidentiary  
15 hearing was rescheduled to begin on January 15, 2004. The October 24, 2003 Procedural Order also  
16 granted intervention to Robert M. Cassaro, John O. Breninger, and the Pine-Strawberry Water  
17 Improvement District ("District").

18 The public comment hearing was held, as scheduled, on December 8, 2003 in Pine, Arizona.  
19 Procedural Conferences were conducted on December 15 and 22, 2003 to discuss discovery disputes  
20 between the Company and the District and to allow additional opportunities for public comment.  
21 During the course of the December 22, 2003 Procedural Conference, the parties agreed to reschedule  
22 the January 15, 2004 hearing date. By Procedural Order issued January 2, 2004, the evidentiary  
23 hearing was rescheduled to commence on March 3, 2004.

24 A Procedural Conference was conducted on January 12, 2004 to discuss ongoing discovery  
25 disputes between the Company and the District. On January 15, 2004, additional public comment  
26 was taken from customers of Pine Water.

27 By Procedural Order issued January 30, 2004, a Procedural Conference was scheduled for  
28 February 3, 2004. The February 3, 2004 Procedural Conference was conducted to discuss pending.

1 procedural issues.

2 On February 27, 2004, a Procedural Order was issued rescheduling the evidentiary hearing to  
3 begin on March 9, 2004. The March 3, 2004 hearing date was reserved for additional public  
4 comment.

5 Pre-filed testimony was submitted by Robert Hardcastle and Thomas Bourassa on behalf of  
6 Pine Water; by Michael Ploughe, John Nelson, and Harry Jones on behalf of the District; by John  
7 Thornton, Claudio Fernandez, Marlin Scott, Jr., and Joel Reiker on behalf of Staff; and by Mr.  
8 Breninger and Mr. Cassaro as individual intervenors.

9 Evidentiary hearings were conducted on March 9, 10, 11, 12, and 19, 2004. Additional public  
10 comment was received during the March 9, 10, and 19, 2004 hearings.

11 On March 23, 2004, a procedural teleconference was conducted with all parties to discuss  
12 postponement of additional hearing days to allow the parties to engage in settlement discussions. By  
13 Procedural Order issued March 23, 2004, a further procedural teleconference was scheduled for  
14 March 25, 2004 to discuss the status of settlement discussions.

15 On March 25, 2004, the procedural teleconference was conducted to discuss the need for  
16 additional time to finalize settlement discussions. On March 26, 2004, a Procedural Order was issued  
17 scheduling a hearing for April 2, 2004 regarding the proposed settlement.

18 On April 2, 2004, a Settlement Agreement ("Settlement" or "Agreement") was filed by Pine  
19 Water, the District, Staff, and Mr. Breninger<sup>1</sup>. Mr. Cassaro did not sign the Agreement, but generally  
20 supported the Settlement with the exception of his concern regarding the issue of the Company's  
21 responsiveness to customer complaints regarding leaks.

22 A hearing on the Settlement Agreement was held on April 2, 2004. Mr. Bourassa, Mr.  
23 Fernandez, and Mr. Scott testified in support of the Settlement. Additional public comment was  
24 taken at the April 2, 2004 hearing.

25 On April 14, 2004, Pine Water submitted late-filed exhibits describing the Company's  
26 customer service procedures for reported leaks and updated ADEQ compliance status reports. On  
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28 <sup>1</sup> The Settlement Agreement, including the associated schedules, is attached hereto as Attachment A.

1 April 14, 2004, Staff filed a Typical Bill Analysis, in the same format as Exhibit S-8, but removing  
2 meters experiencing zero usage in order to provide a more accurate example of the rate increases  
3 likely to be experienced by full time customers of Pine Water under the Settlement Agreement.  
4 Staff's late-filed Typical Bill Analysis, which includes average and median percentage increases  
5 under the Settlement Agreement, is attached hereto as Attachment B.

6 \* \* \* \* \*

7 Having considered the entire record herein and being fully advised in the premises, the  
8 Commission finds, concludes, and orders that:

9 **FINDINGS OF FACT**

10 **Terms of Settlement Agreement**

11 1. Pursuant to the terms of the Settlement, Pine Water, the District, Mr. Breninger, and  
12 Staff ("Signatory Parties") agree that Pine Water shall receive an annual revenue increase equal to  
13 \$77,243, an overall increase in the Company's revenue requirement of 11.81 percent, and total annual  
14 revenue of \$731,291 (Jt. Ex. 1, at ¶ 3).

15 2. The Settlement provides that, for purposes of this proceeding, Pine Water's Original  
16 Cost Rate Base ("OCRB") shall be \$640,699, which shall also be the Company's Fair Value Rate  
17 Base ("FVRB"). The Signatory Parties also agree that the OCRB includes Project Magnolia, the  
18 10,800 foot pipeline connecting the Pine Water and Strawberry systems (Id. at ¶ 4).

19 3. In connection with inclusion of Project Magnolia in rate base, the Signatory Parties  
20 agree with Staff's recommendation to authorize Pine Water to finance \$449,598, consisting of 33  
21 percent debt and 67 percent equity. The Agreement provides that the debt portion of the Project  
22 Magnolia financing shall be \$149,716 financed at an interest rate of 8 percent for 15 years (Id.).

23 4. The Settlement Agreement further provides that, with two exceptions, Staff's  
24 recommended operating expense levels should be adopted. The first exception provides that  
25 Materials and Supplies expense should be set at \$34,512, which represents an average of the  
26 recommendations made by Staff and the Company for this expense item (Id. at ¶ 5).

27 5. The second exception to Staff's operating expense recommendation is the Settlement's  
28 provision of annual rate case expense of \$50,000, based on a total rate case expense of \$200,000

1 amortized over four years. The Signatory parties agree that \$200,000 is a reasonable amount for rate  
2 case expense under the totality of the circumstances and, in the event Pine Water files another rate  
3 application before the entire amount has been recovered, the Signatory Parties agree that any  
4 unrecovered portion of this rate case expense amount should be included in any new revenue  
5 requirement authorized by the Commission. The Settlement provides that, for purposes of this  
6 proceeding, Pine Water's total operating expenses shall be \$658,187 (Id.).

7         6. The Settlement Agreement provides that Pine Water's required operating income, for  
8 purposes of this proceeding, shall be \$73,104. The Signatory Parties agree to adopt Staff's  
9 recommendation that Pine Water's revenue requirement, for purposes of this proceeding, shall be  
10 determined using an operating margin of 10 percent, resulting in an overall rate of return equal to  
11 11.41 percent (Id. at ¶¶ 6 and 7).

12         7. The Settlement further provides that Pine Water shall use the depreciation rates  
13 recommended by Staff, as set forth in Attachment B to the Settlement Agreement (Id. at ¶ 8).

14         8. The Signatory Parties agree that the rate design reflected in the Settlement Schedules,  
15 as set forth in Attachment A to the Settlement Agreement, should be adopted for purposes of this  
16 proceeding. The stipulated rate design is consistent with Staff's recommendation, which provides for  
17 a three-tier, inverted block structure, with differing commodity rates based on meter size and seasonal  
18 usage (Id. at ¶ 9).

19         9. The Settlement also provides that the current interim Water Augmentation Surcharge,  
20 as amended and described in Attachment C to the Settlement Agreement, should be made permanent.  
21 The Agreement further provides that Pine Water shall be required to file, within 15 days after  
22 approval of the Settlement, tariff sheets reflecting the rates, charges, and terms of service as set forth  
23 in the approved Settlement Agreement (Id.).

24         10. The Settlement Agreement states that Pine Water's test year water loss rate was 12.6  
25 percent. As a result, the Settlement requires Pine Water to submit a detailed water loss plan to the  
26 Director of the Utilities Division within 180 days after a Decision is issued in this proceeding. The  
27 Settlement also provides that, if Pine Water finds that reduction of water loss is unnecessary,  
28 impractical and/or not cost effective, the Company shall submit a detailed explanation demonstrating

1 why a water loss reduction to less than 10 percent is unnecessary, impractical and/or not cost  
2 effective (Id. at ¶ 10).

3 11. The Settlement Agreement requires Pine Water to file quarterly reports detailing the  
4 gallons of water pumped, purchased, or otherwise acquired and sold each quarter, specifically  
5 identifying the quantity and source of water: 1) pumped from wells owned by the Company; 2)  
6 pumped from wells subject to water sharing agreements or the Company's October 1996 agreement  
7 with Solitude Trails, as amended in November 1996; 3) purchased from Strawberry Water or other  
8 sources for delivery through Project Magnolia; and/or 4) purchased for water hauling by truck. The  
9 Settlement requires the first quarterly report to be filed by October 31, 2004, and that Pine Water  
10 must file reports for five subsequent quarters, after which time the Company may request, and Staff  
11 may approve, discontinuance of the filing requirement. Copies of the reports must be maintained at  
12 the Company's offices and be available for inspection during normal business hours (Id.).

13 12. As set forth in a late-filed exhibit submitted by the Company on April 14, 2004,  
14 ADEQ reports no major deficiencies and that Pine Water is currently delivering water that meets  
15 water quality standards required under the Arizona Administrative Code.

16 13. Under the Settlement, Pine Water agrees to comply with the NARUC system of  
17 accounting within two years and to use Generally Accepted Accounting Principles (Id. at ¶ 11).

18 14. Following issuance of the Commission's Decision in this matter, the Settlement  
19 Agreement requires Pine Water to notify customers of the new rates in the Company's next regular  
20 billing cycle, in a form approved by Staff. The Settlement requires the notice to include information  
21 concerning the Water Augmentation Surcharge, including an illustration of the potential impact of the  
22 surcharge on residential customers (Id. at ¶ 12).

23 15. In its application, the Company requested financing authority related to an inter-  
24 company payable in the amount of \$533,599 (as of the end of the test year) between Pine Water and  
25 Brooke. Pursuant to the Settlement Agreement, the Signatory Parties agree that this inter-company  
26 payable will be converted to paid in capital and the Company will not be permitted to seek recovery  
27 from ratepayers at a later date of any additional amounts of the existing inter-company payable that  
28 may have accrued after the test year and before issuance of a Decision in this matter (Id. at ¶ 13).

1           16. The Signatory Parties agree that the record in this proceeding reflects the  
2 extraordinary water supply problems Pine Water faces in its certificated service area and that there  
3 remain significant questions and disagreements concerning the availability, cost and risks associated  
4 with exploring for and obtaining additional water supplies for use in serving the Company's  
5 customers. The Settlement Agreement states that the Signatory Parties agree that these water supply  
6 issues are not able to be resolved by settlement until such time as the Commission has an opportunity  
7 to consider and address Pine Water's request for guidance regarding the exploration of additional  
8 water supplies. The Signatory Parties therefore urge the Commission "to provide such guidance" (Id.  
9 at ¶ 14).

10           17. On January 21, 2004, in Docket No. W-03512A-03-0106, the District filed an  
11 application for cancellation of Pine Water's CC&N. The Settlement Agreement provides that  
12 immediately following issuance of a Decision by the Commission in this matter, the District will seek  
13 to withdraw its application for cancellation of Pine Water's CC&N (Id. at ¶ 15).

14 **Discussion**

15           17. We find the stipulated \$77,243, or 11.81 percent, revenue requirement increase agreed  
16 to by the Signatory Parties represents a reasonable disposition of the rate base, revenue, and operating  
17 income issues previously raised in this proceeding. The Settlement Agreement incorporates the vast  
18 majority of Staff's recommendations, including placing the Project Magnolia pipeline in Pine Water's  
19 rate base rather than treating the pipeline as the property of Brooke Utilities for purposes of setting  
20 rates. Inclusion of the pipeline in Pine Water's rate base benefits the Company's customers by  
21 providing a conduit to wells in the Strawberry area that have historically produced more dependable  
22 sources of water. Accordingly, the Company's OCRB of \$640,699, which also represents its FVRB,  
23 is reasonable and shall be approved for purposes of this proceeding. We also agree that, consistent  
24 with Staff's prior recommendation, the Settlement's financing treatment of the \$449,598 cost of  
25 Project Magnolia, whereby 33 percent of the cost will be financed over 15 years at 8 percent interest  
26 with the balance treated as equity, is a reasonable treatment of the costs associated with the project.

27           18. With respect to operating expenses, we find the stipulated amount of \$658,187, which  
28 includes \$34,512 for Materials and Supplies and a four-year amortization of \$200,000 for rate case

1 expense, is reasonable for purposes of this proceeding. However, we do not agree that the Company  
2 should automatically be entitled to recover unrecovered portions of the authorized rate case expense  
3 in the event that a new revenue requirement is established in a subsequent rate case. Rather, rate case  
4 expenses should be treated in the same manner as all other expenses in a future rate case.

5 19. As described above, the Settlement Agreement adopts Staff's recommendation to set  
6 the revenue requirement in this case based on an operating margin of 10 percent. Employing a 10  
7 percent operating margin results in an overall rate of return equal to 11.41 percent. Although we will  
8 accept the operating margin approach for determining a fair return in this case, we wish to make clear  
9 that this approach should not be considered as a precedent for determining a fair value rate of return  
10 in future rate proceedings. We note that Staff's alternative position in this matter included a rate of  
11 return recommendation of 8.7 percent based on a more traditional cost of equity analysis. However,  
12 under the unique circumstances of this case, we are willing to accept the Settlement's 10 percent  
13 operating margin proposal as part of a reasonable overall resolution of the issues raised herein.

14 20. Pursuant to the terms of the Settlement, the \$533,599 inter-company payable between  
15 Pine Water and Brooke will be converted to paid in capital. We find this provision of the Settlement  
16 is a reasonable resolution of the inter-company payable issue that was previously in dispute. The  
17 Settlement's prohibition against seeking recovery of any additional amounts that have accrued since  
18 the end of the test year protects Pine Water's ratepayers from having to pay for amounts associated  
19 with the inter-company payables.

20 21. The Settlement Agreement adopts Staff's rate design recommendation, which includes  
21 increasingly higher monthly minimum charges for larger meter sizes, a three-tier inverted block  
22 commodity charge, and higher summer commodity rate. We believe the stipulated rate design  
23 properly recognizes the need to send price signals as usage increases and provides customers with the  
24 ability to mitigate costs by limiting usage. The inverted block structure is consistent with prior  
25 Commission decisions and provides opportunities and incentives to promote conservation, which is  
26 especially important in areas such as Pine where water is a scarce commodity.

27 22. As described above, the Settlement would make permanent the current interim Water  
28 Augmentation Surcharge ("Surcharge"). The Surcharge is applied only in instances where the

1 Company must haul water to the Pine system by truck due to extreme supply shortages. Water  
2 hauling is typically employed only in summer months when usage increases substantially due to  
3 seasonal residents. We believe the Settlement provides a reasonable resolution of the Water  
4 Augmentation Surcharge issue because it requires additional structure and guidelines for ensuring  
5 that water hauling is used only as a last resort after all other available supply options have been  
6 exhausted. As set forth in proposed Surcharge tariff (Attachment C to Settlement), Pine Water must  
7 make reasonable efforts to maximize, as its primary supply sources, water obtained from company  
8 owned wells and through water sharing agreements such as the agreement with the Solitude Trails  
9 Water Improvement District. The proposed tariff also requires the Company to make reasonable  
10 efforts to maximize water purchases from Strawberry for delivery through Project Magnolia (with  
11 due regard to protecting the water supply available to Strawberry Water). Only after these lesser-cost  
12 sources have been exhausted may the Company haul water by trucks to meet demand. In addition,  
13 the Settlement Agreement requires Pine Water to submit quarterly reports specifically describing the  
14 quantity of water pumped from each of its sources in the preceding three months. These quarterly  
15 reports will be subject to review by Staff and will also be available for inspection at the Company's  
16 offices. We believe the quarterly reports will provide a reasonable mechanism for Staff and  
17 customers of Pine Water to review the Company's decisions regarding supply sources. In the event  
18 that Staff and/or Pine Water's customers believe that the Company has not reasonably complied with  
19 the requirements of the Surcharge tariff, those concerns may be raised through an appropriate request  
20 for review including, but not limited to, a formal complaint. Given these protections, we find that the  
21 Water Augmentation Surcharge tariff is reasonable and should be approved as part of the overall  
22 Settlement Agreement.

23       23. The Settlement Agreement requires Pine Water to notify customers of the new rates  
24 approved by this Decision in a form approved by Staff. The notice must also include an illustration  
25 of the potential impact of the Water Augmentation Surcharge on residential customers. Although we  
26 agree that the notice requirement is an essential provision of the Settlement, we will require Staff to  
27 submit the Company's proposed notice for our review at least 10 days prior to giving approval to the  
28 Company. If no action is taken by the Commission within that 10-day period, the Staff may approve

1 the notice in a format it deems appropriate and direct the Company to proceed with notification to  
2 customers.

3 24. The Settlement Agreement requires the District to withdraw its request for  
4 cancellation of Pine Water's CC&N immediately following issuance of an Order approving the  
5 Settlement Agreement. We direct the District to file a pleading withdrawing its request within 10  
6 days of the effective date of this Decision.

7 25. The final substantive issue addressed by the Settlement Agreement pertains to the  
8 agreement by the Signatory Parties that the Commission should provide "guidance regarding the  
9 exploration of additional water supplies" (Joint Ex. 1 at ¶14). The Settlement states that such  
10 guidance is necessary due to the extraordinary water supply problems faced by Pine Water in its  
11 service area and because there remain substantial questions and disagreements concerning the  
12 availability, cost and risks associated with exploring for additional water supplies (Id.). It was  
13 conceded at the hearing on the Settlement that this "exploration" provision of the Agreement was left  
14 vague intentionally because the Signatory Parties could not resolve the exploration issue in the course  
15 of their negotiations. According to the Company's witness, the guidance that is sought from the  
16 Commission would apparently include assurance from the Commission with respect to recovery of  
17 costs associated with unsuccessful exploration projects. Mr. Bourassa testified that the guidance (i.e.,  
18 assurance of cost recovery) sought by the Company would also extend to matters such as the  
19 construction of additional storage facilities (Tr. 956-959). He conceded that the type of assurance  
20 being requested would represent a "slippery slope" for the Commission with respect to setting a  
21 precedent for other companies. However, Mr. Bourassa claims that the water shortage situation in  
22 Pine reflects an "extreme circumstance" that warrants guidance from the Commission (Id. at 959-  
23 960).

24 26. Although we appreciate the magnitude of the water supply difficulties being  
25 experienced in the Pine area, we do not believe the request for guidance described in the Settlement  
26 Agreement is sufficiently developed to warrant the type of extraordinary regulatory relief sought by  
27 Pine Water. Indeed, the Signatory Parties admitted that this provision of the Settlement was left  
28 vague intentionally because they could not agree on a remedy for the Company's water supply

1 situation. Under the guise of a request for “guidance,” the Signatory Parties are, in effect, seeking  
2 from the Commission a predetermination that would insulate the Company from risk. The Settlement  
3 Agreement not only fails to describe the type of guidance being sought, but adoption of such a  
4 scheme would set a precedent that would be difficult to distinguish in future cases. The fact that the  
5 Company seeks to extend this guidance to other non-exploratory capital projects reinforces our belief  
6 that the concept should not be approved in this docket. For these reasons, we decline to adopt  
7 Paragraph 14 of the Settlement Agreement.

8         27.     Company witness Bourassa indicated at the hearing that he believed the Company  
9 would be amenable to participating in efforts to find a regional solution for the water shortage  
10 problems that have occurred in that area for a number of years (Tr. VI, 960-961). Accordingly, we  
11 believe it is appropriate to direct Pine Water and/or Brooke Utilities to participate in the ongoing  
12 discussions regarding a regional approach to finding additional sources of water in the  
13 Payson/Pine/Strawberry area.

14         28.     The Settlement also requires Pine Water to submit within 180 days a detailed plan to  
15 address the company’s 12.6% test year water loss. However, the Commission rejects the Settlement  
16 provision allowing Pine Water to justify why water loss exceeding 10% is acceptable because Pine  
17 Water’s efforts to mitigate water loss would not be “practical” or “cost effective”. Pine Water’s  
18 witness testified that the water shortage was an “extreme circumstance.” Pine Water even seeks  
19 Commission “guidance regarding the exploration of additional water supplies” and proposes we  
20 allow cost recovery for unsuccessful projects even before we know which projects Pine Water will  
21 pursue. Arizona is in a severe drought. Water is a precious resource and is in particularly limited  
22 supply in the Pine area. It is unacceptable that a utility would request that its customers pay the costs  
23 of a speculative chance for additional water but could determine that reducing existing water loss to  
24 within acceptable levels is not “practical.” Pine Water’s detailed water loss plan shall only address  
25 ways to reduce water loss to less than 10%.

26         29.     Although not specifically addressed in the Settlement Agreement, Mr. Cassaro raised  
27 the issue of customer response time and its relationship to water loss levels experienced by Pine  
28 Water (Tr. 918). Mr. Cassaro alleged that the Company’s response regarding reported leaks is

1 inadequate because customers are required to call the Company's 1-800 number. According to Mr.  
2 Cassaro, it often takes hours to days before a service person is dispatched to repair reported leaks,  
3 thereby resulting in unnecessary levels of water loss.

4 30. As indicated above, the Company late-filed the text of the customer service procedures  
5 that the 1-800 telephone operators are apparently instructed to follow when customers call to report  
6 system leaks. As described therein, the guidelines state that hydrant leaks, customer premises leaks,  
7 service or main leaks, and meter leaks are all emergencies that will be investigated immediately.  
8 Unfortunately, the comments made by Mr. Cassaro and other public comment witnesses suggest that  
9 the policy described in the Company's written guidelines is not being followed consistently. Various  
10 customer comments indicate that calls to the call center in California are often dropped or, even if the  
11 caller gets through to an operator, responses to reported leaks are not investigated in a prompt  
12 manner.

13 31. We believe that it is incumbent upon a public service corporation to be responsive to  
14 customer inquiries of all types, but especially in situations where leaks or outages are reported that  
15 have the potential to jeopardize the health and safety of the customers served by the utility. The  
16 Commission recognizes that Pine Water has a customer service problem. However, having a local  
17 24-hour phone number is not the best solution to the problem. The employees that serve Pine Water  
18 customers also serve the customers of other utilities owned by Brooke Utilities such as Strawberry  
19 Water Company. These Brooke Utilities employees serve the communities of Deer Creek, East  
20 Verde Park, Flowing Springs, Geronimo Estates, Mesa del Caballo, Pine, Star Valley, Strawberry,  
21 Tonto Basin and Whispering Pines. They are trained as accountants, field technicians, engineers or  
22 administrative personnel. Unlike the Brooke Utilities call center employees, they have no customer  
23 service training. Furthermore, unlike the call center, the local operations center is not open 24-hours  
24 for emergency calls. When not at work, the local employees go home to their families and otherwise  
25 enjoy the rewards of an honest paycheck.

26 Better training of the call center employees with clear instructions on how to address calls  
27 about leaks is a better, more comprehensive solution. Instructions shall include procedures to address  
28 multiple calls pertaining to a single incident. Not only will this improve response times to repair

1 leaks for Pine customers, but the customers in other Arizona utility territories served by Brooke  
2 Utilities would also benefit. Within 90 days, Pine Water shall file with the Commission Staff revised,  
3 detailed procedures for customer service representatives to follow when there is a call reporting a  
4 hydrant leak, customer premise leak or outage, service or main leak or meter leak. Pine Water may  
5 choose to consult with other water companies – such as Arizona-American – that service Arizona  
6 communities with out of state call centers. In addition, within 90 days, Pine Water shall also file  
7 confirmation that every customer service representative at the call center has received additional  
8 training regarding these new procedures. Finally, Pine Water shall file quarterly reports for the next  
9 12 quarters detailing how many calls came in to the call center to report leaks/outages, the “hold”  
10 time, the times of the calls, the times of the calls from the call center to the local Brooke Utilities  
11 personnel and the time a local field technician arrived on the scene to investigate and/or repair the  
12 leak/outage.

### 13 CONCLUSIONS OF LAW

14 1. Pine Water is a public service corporation within the meaning of Article XV of the  
15 Arizona Constitution and A.R.S. §§40-250 and 40-251.

16 2. The Commission has jurisdiction over the Company and of the subject matter of the  
17 Application.

18 3. Notice of the Application was provided in the manner prescribed by law.

19 4. The rates and charges set forth in the Settlement Agreement, as attached hereto, are  
20 reasonable and shall be approved.

21 5. The financing approved herein is for lawful purposes within Pine Water’s corporate  
22 powers, is compatible with the public interest, with sound financial practices, and with the proper  
23 performance by Pine Water as a public service corporation, and will not impair Pine Water’s ability  
24 to perform that service.

25 6. The financing approved herein is for the purposes stated in the application and is  
26 reasonably necessary for those purposes, and such purposes are not, wholly or in part, chargeable to  
27 operating expenses or income.

28

**ORDER**

1  
2 IT IS THEREFORE ORDERED that, pursuant to the discussion herein, Pine Water Company  
3 is hereby directed to file with the Commission on or before August 31, 2004 revised schedules of  
4 rates and charges consistent with the Settlement Agreement and the schedules attached thereto.

5 IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective  
6 for all service rendered on and after September 1, 2004.

7 IT IS FURTHER ORDERED that Pine Water Company shall notify its affected customers of  
8 the revised schedules of rates and charges authorized herein, as well as the back up number for the  
9 call center, by means of an insert in its next regularly scheduled billing following approval by Staff.  
10 As described herein, the notice must also include an illustration of the potential impact of the Water  
11 Augmentation Surcharge on residential customers. In accordance with the discussion herein, Staff  
12 shall submit the Company's proposed notice for our review at least 10 days prior to giving approval  
13 to the Company. If no action is taken by the Commission within that 10-day period, the Staff may  
14 approve the notice in a format it deems appropriate and direct the Company to proceed with  
15 notification to customers.

16 IT IS FURTHER ORDERED that in accordance with the terms of the Settlement Agreement,  
17 Pine Water Company shall be authorized to finance \$149,716 of the \$449,598 cost of Project  
18 Magnolia, over 15 years at 8 percent interest, with the balance of the Project Magnolia cost treated as  
19 equity.

20 IT IS FURTHER ORDERED that the financing approved herein is for lawful purposes within  
21 Pine Water Company's corporate powers, is compatible with the public interest, with sound financial  
22 practices, and with the proper performance by Pine Water Company as a public service corporation,  
23 and will not impair Pine Water Company's ability to perform that service.

24 IT IS FURTHER ORDERED that the financing approved herein is for the purposes stated in  
25 the application and is reasonably necessary for those purposes, and such purposes are not, wholly or  
26 in part, chargeable to operating expenses or income.

27 IT IS FURTHER ORDERED that Pine Water Company is hereby authorized to engage in any  
28 transactions and to execute any documents necessary to effectuate the financing authorization granted

1 herein.

2 IT IS FURTHER ORDERED that such financing authority is contingent upon Pine Water  
3 Company's use of the proceeds for the purposes set forth in the application.

4 IT IS FURTHER ORDERED that pursuant to the terms of the Settlement Agreement, the  
5 \$533,599 inter-company payable between Pine Water Company and Brooke Utilities, Inc. will be  
6 converted to paid in capital and Pine Water Company shall not be permitted to seek recovery from  
7 ratepayers at a later date of any additional amounts of the existing inter-company payable that  
8 accrued from the end of the test year to the effective date of this Decision.

9 IT IS FURTHER ORDERED that pursuant to the terms of the Settlement Agreement, the  
10 current interim Water Augmentation Surcharge shall be made permanent. As described herein, the  
11 Surcharge is applied only in instances where the Pine Water Company must haul water to the Pine  
12 system by truck due to extreme supply shortages.

13 IT IS FURTHER ORDERED that pursuant to the terms of the Settlement Agreement, Pine  
14 Water shall make reasonable efforts to maximize, as its primary supply sources, water obtained from  
15 company owned wells and through water sharing agreements such as the agreement with the Solitude  
16 Trails Water Improvement District. As described herein, Pine Water Company shall also make  
17 reasonable efforts to maximize water purchases from Strawberry for delivery through Project  
18 Magnolia with due regard to protecting the water supply available to Strawberry Water. Only after  
19 these lesser-cost sources have been exhausted may Pine Water Company haul water by trucks to meet  
20 demand.

21 IT IS FURTHER ORDERED that Pine Water Company shall submit quarterly reports  
22 specifically describing the quantity of water pumped from each of its sources in the preceding three  
23 months. These quarterly reports will be subject to review by Staff and will also be available for  
24 inspection at the Company's offices. The first such quarterly report shall be submitted by October  
25 31, 2004 and the reports shall be filed for five subsequent quarters after which Pine Water Company  
26 may seek Staff's approval to discontinue filing the quarterly reports.

27 IT IS FURTHER ORDERED that Pine Water Company shall submit, within 180 days, a  
28 detailed plan to address the Company's 12.6 percent test year water loss. To the extent Staff is not

1 satisfied with Pine Water Company's water loss reduction efforts, we expect Staff to bring this matter  
2 to our attention along with a recommendation for resolving the issue.

3 IT IS FURTHER ORDERED that Pine-Strawberry Water Improvement District shall  
4 withdraw its request for cancellation of Pine Water Company's CC&N within 10 days of the effective  
5 date of this Decision.

6 IT IS FURTHER ORDERED that we decline to adopt Paragraph 14 of the Settlement  
7 Agreement because, among other reasons, we do not believe the request for guidance described in the  
8 Settlement Agreement is sufficiently developed to warrant the type of extraordinary regulatory relief  
9 sought by Pine Water Company.

10 IT IS FURTHER ORDERED that Pine Water Company shall file a rate case by no later than  
11 June 1, 2008, with a 2007 test year.

12 IT IS FURTHER ORDERED that Pine Water Company shall participate in all appropriate  
13 efforts to discover and implement a regional approach to solving water shortage problems in the  
14 Payson/Pine/Strawberry area.

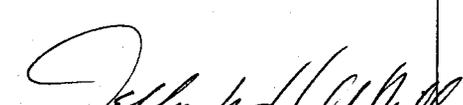
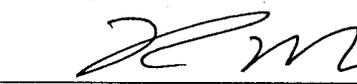
15 IT IS FURTHER ORDERED that Pine Water Company is directed to comply with the  
16 implementation of improved customer service procedures, personnel training, response times, and  
17 reporting requirements of Findings of Fact No. 31.

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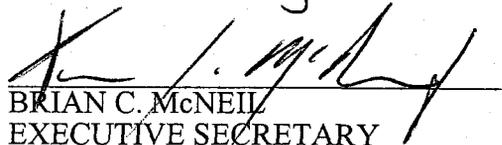
1 IT IS FURTHER ORDERED because the service area of Pine Water Company continues to  
2 suffer under drought conditions, resulting in a water shortage, Staff is directed to prepare a Staff  
3 Report that will determine whether a moratorium on new water hook ups should be instituted for the  
4 Pine Water Company service area. This report should be prepared within three (3) months of the date  
5 of this Order.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

		
CHAIRMAN	COMMISSIONER	COMMISSIONER
		
COMMISSIONER	COMMISSIONER	

13 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
14 Secretary of the Arizona Corporation Commission, have  
15 hereunto set my hand and caused the official seal of the  
16 Commission to be affixed at the Capitol, in the City of Phoenix,  
17 this 10<sup>th</sup> day of August, 2004.

18   
BRIAN C. McNEIL  
EXECUTIVE SECRETARY

19 DISSENT \_\_\_\_\_

20 DISSENT \_\_\_\_\_

21 DDN:mj

1 SERVICE LIST FOR: PINE WATER COMPANY

2 DOCKET NO.: W-03512A-03-0279

3

4 Jay Shapiro  
Patrick Black  
5 FENNEMORE CRAIG  
3003 N. Central Avenue, Suite 2600  
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P.O. Box 2096  
11 Pine, AZ 85544

12 John G. Gliege  
13 P.O. Box 1388  
Flagstaff, AZ 86002  
14 Attorney for Pine-Strawberry Water Improvement District

15 Christopher Kempley, Chief Counsel  
16 LEGAL DIVISION  
Arizona Corporation Commission  
17 1200 W. Washington Street  
Phoenix, Arizona 85007

18

19 Ernest G. Johnson  
Director of Utilities  
Arizona Corporation Commission  
20 1200 W. Washington Street  
21 Phoenix, Arizona 85007

22

23

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## SETTLEMENT AGREEMENT

Applicant Pine Water Company, ("Applicant"), Intervenor Pine Strawberry Water Improvement District ("District"), Intervenor John Breninger ("Breninger") and The Arizona Corporation Commission Utilities Division ("Staff"), each a party (and collectively herein the "Parties") to Arizona Corporation Commission Docket No. W-03512A-03-0279 captioned IN THE MATTER OF THE APPLICATION OF PINE WATER COMPANY FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE AND FOR APPROVAL TO INCUR LONG-TERM DEBT (the "Application"), hereby stipulate and agree to the following settlement provisions in connection with the relief sought in said docket. The following terms and conditions of this Agreement are intended to resolve all of the issues among the undersigned Parties in a manner consistent with the public interest.

### Terms and Conditions

The Parties to this Agreement include Applicant, the District, Breninger and Staff, who hereby agree to the following:

1. Statement of Intentions and Admissions. Applicant, the District, Breninger and Staff hereby agree that the purpose of this Agreement is to resolve contested matters in Docket No. W-03512A-03-0279 in a manner consistent with the public interest. The Parties further recognize that: (1) this Agreement acts as a procedural device to propose the Parties' settlement terms to the Commission; and (2) this Agreement has no binding force or effect until finally approved by an order of the Commission. Nothing contained in this Agreement is an admission by any Party that any of the positions taken, or that might be taken by each in this proceeding, is unreasonable or unlawful. In addition, acceptance of this Agreement by any of the Parties is without prejudice to any position taken by any Party in these proceedings.

2. Settlement Schedules. Applicant, the District, Breninger and Staff hereby agree that the settlement concerning all financial and other accounting aspects of the Application reached between the Parties is illustrated on the schedules prepared by Applicant and Staff and attached hereto as Attachment A and incorporated herein by this reference (the "Settlement Schedules"). Applicant, the District, Breninger and Staff hereby acknowledge and agree that the figures set forth in the Settlement Schedules are the result of negotiation and do not, unless otherwise indicated herein, necessarily reflect the position of any Party to this Agreement.

3. Revenue Increase. Applicant, the District, Breninger and Staff hereby agree that Applicant should receive an annual increase in revenue equal to \$77,243, which constitutes an overall increase in revenue requirement of 11.81% and results in a total annual revenue of \$731,291.

4. Adjusted Rate Base. Applicant, the District, Breninger and Staff hereby agree to an adjusted Original Cost Rate Base of \$640,699, which shall be the Fair Value Rate Base consistent with Staff's recommendation in this docket. The Parties further acknowledge and agree that this rate base includes Project Magnolia, a 10,800 foot pipeline connecting Applicant's water utility system to that of Strawberry Water Company. In connection with the inclusion of Project Magnolia in Applicant's rate base, Applicant, the District, Breninger and Staff further agree to Staff's recommendation that Applicant be authorized financing in the amount of \$449,598 consisting of 33% debt and 67% equity to account for the rate basing of Project Magnolia. The debt portion shall be \$149,716 and financed at 8% for fifteen years.

5. Total Operating Expense. Applicant, the District, Breninger and Staff hereby agree to accept Staff's recommended levels of operating expenses, with two exceptions, as reflected in the Settlement Schedules, Attachment A. First, the Parties agree that Materials and Supplies expense should be \$34,512, the average of the recommendations by Staff and the Applicant for this expense item. Second, the Parties agree that the

annual amount of amortized rate case expense shall be \$50,000, which is based on a four year amortization of rate case expense equal to \$200,000, which amount Applicant, the District, Breninger and Staff agree is a reasonable amount of rate case expense for this matter under the totality of the circumstances. The Parties further agree that Applicant shall be entitled to recover the full amount of rate case expense authorized and, in the event Applicant files another rate application before all amounts have been recovered, the Parties agree that any unrecovered portion of rate case expense shall be included in any new revenue requirement authorized by the Commission. The total operating expense agreed to by Applicant, the District, Breninger and Staff is \$658,187.

6. Required Operating Income. Applicant, the District, Breninger and Staff hereby agree to a required operating income of \$73,104.

7. Operating Margin. In lieu of a determined rate of return, Applicant, the District, Breninger and Staff hereby agree that Applicant's revenue requirement should be determined using an operating margin of 10%, consistent with Staff's recommendation in this matter and which results in an overall rate of return equal to 11.41%.

8. Depreciation Rate. Applicant, the District, Breninger and Staff hereby agree that Applicant will use the depreciation rates recommended by Staff and included hereto as Attachment B.

9. Rate Design. Applicant, the District, Breninger and Staff hereby agree to the rate design reflected in the Settlement Schedules, Attachment A hereto, which rate design is consistent with Staff's recommendation in this matter. Applicant, the District, Breninger and Staff further agree that the Water Augmentation Surcharge, as amended and illustrated in Attachment C hereto, should be made permanent. Within 15 days after approval of this Agreement, Applicant shall file tariff sheets reflecting the rates, charges, and terms of service contemplated in this Agreement as approved by the Commission.

10. Water Usage, Reporting and Water Loss. Applicant had a test year water loss equal to 12.6%. Within 180 days after an order is issued in this proceeding, the Company

shall submit a detailed plan to the Director of the Arizona Corporation Commission Utilities Division to address the Company's water loss. While the Parties are not intending or attempting herein to establish a standard for water loss applicable to Applicant's operations, if the Company finds that reduction of water loss is either unnecessary, impractical and/or not cost-effective, the Company shall submit a detailed explanation demonstrating why a water loss reduction to less than 10% is either unnecessary, impractical and/or not cost-effective. In addition, the Company shall file quarterly reports detailing the gallons of water pumped, purchased, or otherwise acquired and sold for each quarter, specifically identifying the quantity and source of water: 1) pumped from Applicant-owned wells; 2) pumped from wells subject to Water Sharing Agreements or Applicant's October 1996 Agreement with Solitude Trails, as amended in November 1996; 3) purchased from Strawberry Water Company or other sources for delivery through Project Magnolia; and/or 4) purchased for water hauling by truck. The first report shall be submitted by October 31, 2004 and cover the preceding calendar quarter. Subsequent reports shall be filed for five (5) subsequent quarters, at which time the Applicant may request and Staff may approve discontinuance of the filing requirement. Copies of such reports shall be maintained at Applicant's offices and available for inspection during normal business hours.

11. NARUC/GAAP Accounting. Applicant agrees to comply with the NARUC system of accounting within two years and to use Generally Accepted Accounting Principles.

12. Public Notice of Rate Increases. Following issuance of a Commission order approving rate increases, Applicant shall notify customers of the new rates in its next regular billing cycle, in a form approved by Staff. Such notice shall also include information concerning the Water Augmentation Surcharge, including an illustration of the potential impact of the surcharge on residential customers.

13. Intercompany Payable/Financing Request. Applicant, the District, Breninger and Staff hereby acknowledge that Applicant has requested certain financing authority related to an intercompany payable between Applicant and its shareholder, Brooke Utilities, Inc., which payable amounted to \$533,599 at the end of the test year. Applicant, the District, Breninger and Staff hereby agree that this amount of the intercompany payable will be converted to paid in capital and Applicant further agrees not to seek recovery from ratepayers at a later date of any additional amounts of the existing intercompany payable between Applicant and Brooke Utilities that may have accrued after the test year and before issuance of an Order of the Commission in this matter.

14. Exploration of Additional Water Supplies. Applicant, the District, Breninger and Staff hereby acknowledge and agree that the record reflects the extraordinary water supply problems Applicant faces in its certificated service area and that there remain substantial questions and disagreements concerning the availability, cost and risks associated with exploring for and obtaining additional water supplies for use in serving Applicant's customers. These Parties further acknowledge and agree that these issues are not able to be resolved by settlement until such time as the Commission has an opportunity to consider and address the Applicant's request for guidance regarding the exploration of additional water supplies. Applicant, the District, Breninger and Staff thereby join in urging the Commission to provide such guidance.

15. District Application to Cancel CC&N. Immediately following issuance of an order by the Commission approving this Agreement, the District will move to withdraw its pending Application for Cancellation of Certificate of Convenience and Necessity concerning Applicant's CC&N.

16. Staff Authority. The Parties recognize that: (1) the Staff does not have the power to bind the Commission; and (2) for purposes of settlement, the Staff acts in the same manner as a party in proceedings before the Commission.

17. Commission Authority to Modify. Each provision of this Agreement is in consideration and support of all other provisions, and expressly conditioned upon acceptance by the Commission without material change. The Parties further recognize that the Commission will evaluate the terms of this Agreement, and that after such evaluation the Commission may require immaterial modifications to the terms hereof before accepting this Agreement.

18. Commission Approval. In the event that the Commission adopts an order approving all of the terms of this Agreement without material change, such action by the Commission constitutes approval of the Agreement, and thereafter the Parties shall abide by its terms.

19. Effect of Modification by the Commission. In the event that any Party objects to any modification to the terms of this Agreement made by the Commission in an order approving this Agreement, such Party shall timely file an application for rehearing under A.R.S. § 40-253. In the event that a Party does not file such an application, that Party shall be deemed: (i) to have accepted any modifications made by the Commission; and (ii) to have conclusively and irrefutably accepted that any modifications to the terms of this Agreement are not material and therefore the Commission order does adopt the terms of this Agreement without material change.

20. Application for Rehearing. If any Party to this Agreement files an application for rehearing and alleges that the Commission has failed to approve all terms of the Agreement without material change, then such application shall be deemed a withdrawal of the Agreement, and the Parties shall request a procedural order setting Applicant's original Application for hearing. Such hearing shall be without prejudice to the position of any Parties, and this Agreement and any supporting documents relating thereto shall not be admitted into evidence for any purpose nor used by the Commission in its final consideration of the issues raised in this Docket.

21. Appeal of Commission Decision. If a Party's application for rehearing alleges that the Commission has failed to approve all terms of this Agreement without material change, and the application for rehearing is denied, either by Commission order or by operation of law, and such Party still objects to any modification to the terms of this Agreement made by the Commission, that Party shall timely file an appeal of the Commission's decision pursuant to A.R.S. § 40-254 or § 40-254.01, as appropriate. In the event that the Party does not file such an appeal, it shall be deemed: (i) to have accepted any modifications made by the Commission; and (ii) to have conclusively and irrefutably accepted that any modifications to the terms of this Agreement are not material and therefore the Commission's order approves the Agreement without material change.

22. Limitations. The terms and provisions of this Agreement apply solely to and are binding only in the context of the provisions and results of this Agreement and none of the positions taken in this Agreement by any of the Parties may be referred to, cited to, or relied upon by any other Party in any fashion as precedent or otherwise in any proceeding before the Commission or any other regulatory agency or before any court of law for any purpose except in furtherance of the purpose and results of this Agreement.

23. Definitive Text. The "Definitive Text" of this Agreement shall be the text adopted by the Commission in an order adopting substantially all the terms of this Agreement including all modifications made by the Commission in such order.

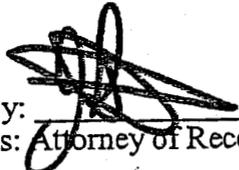
24. Severability. Each of the terms of the Definitive Text of this Agreement are in consideration and support of all other terms. Accordingly, such terms are not severable.

25. Support and Defend. The Parties pledge to support and defend this Agreement before the Commission including appearing at any Open Meeting of the Commission when such agreement is considered, and not to take any position, either before the Commission or elsewhere, that is inconsistent with the terms of this Agreement. If this Agreement enters into force and effect by virtue of a Commission order approving this

Agreement, the Parties will support and defend this Agreement before any court or regulatory agency in which it may be at issue.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the 2<sup>nd</sup> day of April, 2004.

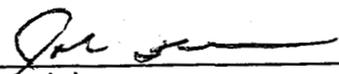
PINE WATER COMPANY

By:   
Its: Attorney of Record

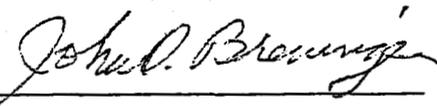
ARIZONA CORPORATION  
COMMISSION UTILITIES  
DIVISION STAFF

By:   
Its: Director

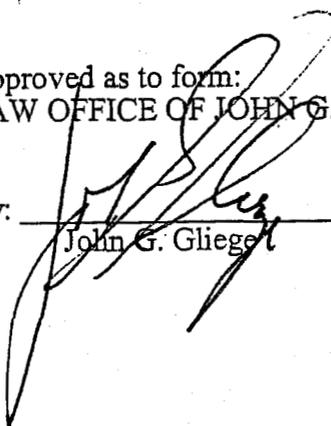
PINE STRAWBERRY WATER  
IMPROVEMENT DISTRICT

By:   
Its: Administrator

JOHN BRENINGER

By: 

Approved as to form:  
LAW OFFICE OF JOHN G. GLIEGE

By:   
John G. Gliege

1530595

# ATTACHMENT A

Pine Water Company  
Docket No. W-03512A-03-0279  
Test Year Ended December 31, 2002

COMPUTATION OF INCREASE IN GROSS REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	SETTLEMENT AGREEMENT ORIGINAL COST
1	Adjusted Rate Base	\$ 640,699
2	Adjusted Operating Income (Loss)	\$ 12,223
3	Current Rate of Return (L2 / L1)	1.91%
4	Required Rate of Return	11.4100%
5	Required Operating Income (L4 * L1)	\$ 73,104
6	Required Operating Margin (L5 / L11)	10.00%
7	Operating Income Deficiency (L5 - L2)	\$ 60,881
8	Gross Revenue Conversion Factor	1.26876
9	Increase In Gross Revenue (L7 * L6)	\$ 77,243
10	Adjusted Test Year Revenue	\$ 654,048
11	Proposed Annual Revenue (L8 + L9) Note A	\$ 731,291
12	Require Increase in Revenue (%) (L8/L9)	11.81%

Pine Water Company  
 Docket No. W-03512A-03-0279  
 Test Year Ended December 31, 2002

RATE BASE - ORIGINAL COST  
 SETTLEMENT AGREEMENT

LINE NO.	DESCRIPTION	AMOUNT
1	Plant in Service	\$ 2,342,790
2	Less: Accumulated Depreciation	(1,245,877)
3	Net Plant in Service	<u>\$ 1,096,913</u>
<u>LESS:</u>		
4	Advances in Aid of Construction (AIAC)	(52,072)
5	Contributions in Aid of Construction (CIAC)	\$ (958,323)
6	Less: Accumulated Amortization	494,931
7	Net CIAC	<u>(463,392)</u>
8	Total Advances and Contributions	(515,464)
9	Customer Deposits	(21,356)
10	Meter Advances	-
11	Deferred Income Tax	-
<u>ADD:</u>		
12	Working Capital	80,606
13	Total Rate Base	<u>\$ 640,699</u>

Pine Water Company  
 Docket No. W-03512A-03-0279  
 Test Year Ended December 31, 2002

SETTLEMENT AGREEMENT - PLANT IN SERVICE

LINE NO.	DESCRIPTION	AMOUNT
1	Land and Land Rights	\$ 16,930
2	Structures and Improvements	160,067
3	Wells and Springs	65,994
4	Supply Mains	479
5	Pumping Equipment	131,320
6	Water Treatment Plants	5,320
7	Storage Tanks	247,073
8	Transmission and Distribution [a]	1,439,889
9	Services	80,461
10	Meters and Meter Installations	195,257
11	GROSS PLANT	<u>\$ 2,342,790</u>

[a] Inclusive of Project Magnolia of \$449,598.

# ATTACHMENT B

Table J-1. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

## NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

Pine Water Company  
 Docket No. W-03512A-03-0279  
 Test Year Ended December 31, 2002

OPERATING INCOME - SETTLEMENT AGREEMENT

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
<b>REVENUES:</b>						
1	Metered Water Revenue	\$ 645,612		\$ 645,612	\$ 77,243	\$ 722,855
2	Unmetered Water Revenue	-		-		-
3	Other Water Revenue	8,436		8,436		8,436
4	Total Operating Revenues	<u>\$ 654,048</u>	<u>\$ -</u>	<u>\$ 654,048</u>	<u>\$ 77,243</u>	<u>\$ 731,291</u>
<b>EXPENSES:</b>						
7	Salaries and Wages	\$ 125,296	-	\$ 125,296		\$ 125,296
8	Pension and Benefits	6,105	-	6,105		6,105
9	Purchased Water	64,262	(6,427)	57,835		57,835
10	Purchased Power	36,942	-	36,942		36,942
11	Chemicals	604	-	604		604
12	Materials and Supplies	42,923	(8,411)	34,512		34,512
13	Regulatory Water Testing	7,758	-	7,758		7,758
14	Contractual Services - Engineering	-	-	-		-
15	Contractual Services - Accounting	38,328	-	38,328		38,328
16	Contractual Services - Legal	66,430	-	66,430		66,430
17	Contractual Services - Other	19,368	-	19,368		19,368
18	Overhead Allocation - G and A	71,092	-	71,092		71,092
19	Rental of Equipment	-	-	-		-
20	Transportation Expenses	176,144	(174,645)	1,499		1,499
21	Workmen's Comp	2,271	-	2,271		2,271
22	Insurances Medical/Dental	12,663	-	12,663		12,663
23	Telephone	2,631	-	2,631		2,631
24	Dues and Subscriptions	299	-	299		299
25	Bad Debt Expense	2,153	-	2,153	254	2,407
26	Miscellaneous Expenses	202	-	202		202
27	Office Supplies	4,080	-	4,080		4,080
28	Licenses and Permits	1,000	-	1,000		1,000
29	Repairs and Maintenance - Building	-	-	-		-
30	R and M Vehicles	-	-	-		-
31	Sales tax Expenses	(380)	380	-		-
32	Utility Regulatory Assessment Fee	272	-	272		272
33	CAWCD Costs	21,501	-	21,501		21,501
34	Rate Case Expense	50,000	-	50,000		50,000
35	Depreciation Expense	35,496	6,982	42,478		42,478
36	Other Taxes and Licenses	45	-	45		45
37	Property Taxes	45,239	(5,011)	40,228		40,228
38	Income Tax	(45,951)	42,184	(3,767)	16,108	12,341
40	Total Operating Expenses	<u>\$ 786,773</u>	<u>\$ (144,948)</u>	<u>\$ 641,825</u>	<u>\$ 16,362</u>	<u>\$ 658,187</u>
42	Operating Income (Loss)	<u>\$ (132,725)</u>	<u>\$ 144,948</u>	<u>\$ 12,223</u>	<u>\$ 60,881</u>	<u>\$ 73,104</u>

Pine Water Company  
 Docket No. W-03512A-03-0279  
 Test Year Ended December 31, 2002

SETTLEMENT AGREEMENT  
 Page 1 of 5

**RATE DESIGN**

Rate Code 14A  
 Monthly Usage Charge: Residential/Commercial

	Minimum Monthly Usage Charge				
	Present Rates	Company Proposed		Staff Proposed	
		Winter	Summer	Winter	Summer
5/8" x 3/4" Meter	\$ 18.45	\$ 22.14	\$ 22.14	\$ 18.45	\$ 18.45
3/4" Meter	\$ 21.22	\$ 33.21	\$ 33.21	\$ 21.22	\$ 21.22
1" Meter	\$ 24.54	\$ 55.35	\$ 55.35	\$ 24.54	\$ 24.54
1 1/2" Meter	\$ 36.90	\$ 110.74	\$ 110.74	\$ 36.90	\$ 36.90
2" Meter	\$ 64.58	\$ 177.12	\$ 177.12	\$ 64.58	\$ 64.58
3" Meter	\$ 92.25	\$ 354.24	\$ 354.24	\$ 92.25	\$ 92.25
4" Meter	\$ 147.60	\$ 553.50	\$ 553.50	\$ 147.60	\$ 147.60
6" Meter	\$ -	\$ 1,107.00	\$ 1,107.00	\$ 250.00	\$ 250.00
8" Meter	\$ -	\$ 2,214.00	\$ 2,214.00	\$ 400.00	\$ 400.00

Rate Code 14B  
 Monthly Usage Charge: Residential/Commercial

5/8" x 3/4" Meter	20.35	22.14	22.14	\$ 18.45	\$ 18.45
3/4" Meter	30.53	33.21	33.21	\$ 21.22	\$ 21.22
1" Meter	50.88	55.35	55.35	\$ 24.54	\$ 24.54
1 1/2" Meter	101.75	110.70	110.70	\$ 36.90	\$ 36.90
2" Meter	162.80	177.12	177.12	\$ 64.58	\$ 64.58
3" Meter	305.25	354.24	354.24	\$ 92.25	\$ 92.25
4" Meter	508.75	553.50	553.50	\$ 147.60	\$ 147.60
6" Meter	1,017.50	1,107.00	1,107.00	\$ 250.00	\$ 250.00
8" Meter	-	2,214.00	2,214.00	\$ 400.00	\$ 400.00

Gallons Included In Minimum Charge:  
 All Meters

Fire Hydrants Used For Construction Water

All Meters	-	-	-	-	-
Fire Hydrants Used For Construction Water	-	-	-	-	-

Pine Water Company  
 Docket No. W-03512A-03-0279  
 Test Year Ended December 31, 2002

SETTLEMENT AGREEMENT  
 Page 2 of 5

RATE DESIGN  
 CONTINUED

**Rate Code 14A**

Residential/Commercial - Per 1,000 Gallons

Commodity Rates				
Present Rates	Company Proposed		Staff Proposed	
	Winter	Summer	Winter	Summer

Tier 1:

5/8 x 3/4 Inch Meter	0 to 4,000 Gallons	\$ 3.40	\$ -	\$ -	\$ -	\$ -
5/8 x 3/4 Inch Meter	0 to 2,000 Gallons	\$ -	\$ 4.28	\$ 5.80	\$ 3.95	\$ 6.00
1 Inch and Larger	0 to 4,000 Gallons	\$ 3.40	\$ -	\$ -	\$ -	\$ -
1 Inch and Larger	0 to 2,000 Gallons	\$ -	\$ -	\$ -	\$ 3.95	\$ 6.00
1 Inch and Larger	0 to 10,000 Gallons	\$ -	\$ 4.28	\$ 5.80	\$ -	\$ -

Tier 2:

5/8 x 3/4 Inch Meter	Over 4,000 Gallons	\$ 5.95	\$ -	\$ -	\$ -	\$ -
5/8 x 3/4 Inch Meter	2,001 to 6,000 Gallons	\$ -	\$ -	\$ -	\$ 4.96	\$ 7.00
5/8 x 3/4 Inch Meter	4001 to 8,000 Gallons	\$ -	\$ 7.50	\$ 10.14	\$ -	\$ -
1 Inch and Larger	Over 4,000 Gallons	\$ 5.95	\$ -	\$ -	\$ -	\$ -
1 Inch and Larger	2,001 to 6,000 Gallons	\$ -	\$ -	\$ -	\$ 4.16	\$ 7.00
1 Inch and Larger	10,001 to 25,000 Gallons	\$ -	\$ 7.50	\$ 10.14	\$ -	\$ -

Tier 3:

5/8 x 3/4 Inch Meter	Over 4,000 Gallons	\$ 5.95	\$ -	\$ -	\$ -	\$ -
5/8 x 3/4 Inch Meter	In excess of 6,000 Gallons	\$ -	\$ -	\$ -	\$ 6.00	\$ 8.00
5/8 x 3/4 Inch Meter	Over 8,000 Gallons	\$ -	\$ 11.50	\$ 14.14	\$ -	\$ -
1 Inch and Larger	Over 4,000 Gallons	\$ 5.95	\$ -	\$ -	\$ -	\$ -
1 Inch and Larger	In excess of 6,000 Gallons	\$ -	\$ -	\$ -	\$ 6.00	\$ 8.00
1 Inch and Larger	Over 25,000 Gallons	\$ -	\$ 11.50	\$ 14.14	\$ -	\$ -

Pine Water Company  
 Docket No. W-03512A-03-0279  
 Test Year Ended December 31, 2002

SETTLEMENT AGREEMENT  
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RATE DESIGN  
 CONTINUED

**Rate Code 14B**

**Commodity Rates**

Residential/Commercial - Per 1,000 Gallons

Commodity Rates				
Present Rates	Company Proposed		Staff Proposed	
	Winter	Summer	Winter	Summer

**Tier 1:**

5/8 x 3/4 Inch Meter	All Gallons	\$ 3.40	\$ -	\$ -	\$ -	\$ -
5/8 x 3/4 Inch Meter	0 to 2,000 Gallons	\$ -	\$ 4.28	\$ 5.80	\$ 3.95	\$ 6.00
1 Inch and Larger	All Gallons	\$ 3.40	\$ -	\$ -	\$ -	\$ -
1 Inch and Larger	0 to 2,000 Gallons	\$ -	\$ -	\$ -	\$ 3.95	\$ 6.00
1 Inch and Larger	0 to 10,000 Gallons	\$ -	\$ 4.28	\$ 5.80	\$ -	\$ -

**Tier 2:**

5/8 x 3/4 Inch Meter	All Gallons	\$ 5.95	\$ -	\$ -	\$ -	\$ -
5/8 x 3/4 Inch Meter	2,001 to 6,000 Gallons	\$ -	\$ -	\$ -	\$ 4.96	\$ 7.00
5/8 x 3/4 Inch Meter	2001 to 8,000 Gallons	\$ -	\$ 7.50	\$ 10.14	\$ -	\$ -
1 Inch and Larger	All Gallons	\$ 5.95	\$ -	\$ -	\$ -	\$ -
1 Inch and Larger	2,001 to 6,000 Gallons	\$ -	\$ -	\$ -	\$ 4.96	\$ 7.00
1 Inch and Larger	10,001 to 25,000 Gallons	\$ -	\$ 7.50	\$ 10.14	\$ -	\$ -

**Tier 3:**

5/8 x 3/4 Inch Meter	All Gallons	\$ 5.95	\$ -	\$ -	\$ -	\$ -
5/8 x 3/4 Inch Meter	In excess of 6,000 Gallons	\$ -	\$ -	\$ -	\$ 6.00	\$ 8.00
5/8 x 3/4 Inch Meter	Over 25,000 Gallons	\$ -	\$ 11.50	\$ 14.14	\$ -	\$ -
1 Inch and Larger	All Gallons	\$ 5.95	\$ -	\$ -	\$ -	\$ -
1 Inch and Larger	In excess of 6,000 Gallons	\$ -	\$ -	\$ -	\$ 6.00	\$ 8.00
1 Inch and Larger	Over 25,000 Gallons	\$ -	\$ 11.50	\$ 14.14	\$ -	\$ -

Pine Water Company  
 Docket No. W-03512A-03-0279  
 Test Year Ended December 31, 2002

SETTLEMENT AGREEMENT  
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RATE DESIGN  
 CONTINUED

	Rate Code			
	Sheet A Present Charges	Sheet B Present Charges	Company Proposed Charges (*)	Staff Proposed Charges *
Service Line and Meter Installation Charge:				
5/8" x 3/4" Meter	\$ 430	\$ 430	\$ 500	\$ 500
3/4 inch" Meter	\$ 480	\$ 480	\$ 575	\$ 575
1" Meter	\$ 550	\$ 550	\$ 660	\$ 660
1.5" Meter	\$ 775	\$ 775	\$ 900	\$ 900
2" Meter - Turbine	\$ 1,305	\$ 1,305	\$ 1,500	\$ 1,500
2" Meter - Compound	N/A	N/A	\$ 2,200	\$ 2,200
3" Meter-Turbine	\$ 1,815	\$ 1,815	\$ 2,100	\$ 2,100
3" Meter-Compound	N/A	N/A	\$ 2,900	\$ 2,900
4" Meter-Turbine	\$ 2,860	\$ 2,860	\$ 3,200	\$ 3,200
4" Meter-Compound	N/A	N/A	\$ 4,200	\$ 4,200
6" Meter-Turbine	N/A	\$ 5,275	\$ 5,275	\$ 6,000
6" Meter-Compound	N/A	N/A	\$ 7,700	\$ 7,700
8" Meter	Cost	Cost	Cost	Cost
Meters Larger than 8"	Cost	Cost	Cost	Cost

(\*) Actual Cost be applied when crossing paved roads.

As meters and service lines are now taxable income for income purposes, it shall be the at the discretion of the utility whether to collect income taxes on the meter and service line charges.

Any tax collected will be refunded each year that the meter deposit is refunded.

Water Exploration Surcharge, per month	\$ -	0 \$	10.00	0
Water Hauling Surcharge (1)	Cost	Cost	Cost	Cost

(1) Per gallon rate calculated by dividing actual hauling costs less curtailment penalty fees collected by the total gallons sold for the month.

Customer bill amount will be calculated by multiplying the gallons used for the month times the per gallon rate. Customers will be billed in the month following actual costs incurred.

Rate Code			
Sheet A	Sheet B	Company	Staff
Present	Present	Proposed	Proposed
Charges	Charges	Charges (*)	Charges

**Other Service Charges:**

Establishment	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Establishment (After Hours)	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
Reconnection (Delinquent)	\$ 20.00	\$ 35.00	\$ 50.00	\$ 35.00
Reconnection (After Hours)	\$ 30.00	\$ 45.00	\$ 45.00	\$ 45.00
Meter Test	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Deposit	**	**		
Deposit Interest	6.00%	6.00%	6.00%	6.00%
Re-Establishment (With-in 12 months)	***	***	***	***
NSF Check	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Deferred Payment, Per Month (b)	\$ -	\$ -	\$ -	\$ 1.50%
Meter Re-Read	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Charge of Moving Customer Meter-Customer Requested	Cost	Cost	Cost	Cost
Late Payment Charge, greater of 1.50% or (1)	\$ 5.00	\$ 5.00	\$ 10.00	\$ 1.50%
Cut Lock Fee	\$ -	\$ -	\$ 50.00	\$ -
Meter Removal Fee	\$ -	\$ -	\$ 150.00	\$ -
Illegal Supply Fee				
First Offence			\$ 500.00	0
Second Offence			\$ 1,000.00	0
Third Offence			\$ 2,000.00	0
Water Theft Fee				
First Offence			\$ 250.00	0
Second Offence			\$ 500.00	0
Third Offence			\$ 750.00	0
Emergency Conservation Response Fee			\$ 100.00	0
Cross Connection Exposure Fee			\$ 100.00	0
Damages to Meter Locks, Valves, Seals (2)	Cost	Cost	\$ 40.00	Cost
Sprinklers			(a)	(a)

(1) Greater of 1.50% or \$5.00 Present Rates or 1.5% or \$10 Proposed Rates.

(2) \$40.00 plus actual cost of making repairs.

\*\* PER COMMISSION RULES (R14-2-403.B)

\*\*\* MONTHS OFF SYSTEM TIMES MINIMUM (R14-2-403.D)

IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, AND FRANCISE TAX, PER COMMISSION RULE (14-2-409.D 5).

ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING ALL GROSS-UP TAXES FOR INCOME TAXES.

(a) 1.50% of the monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month.

(b) 1.50% of the outstanding balance.

# ATTACHMENT C

**TARIFF SCHEDULE**

Utility: Pine Water Company  
 Docket No.: W-03512A-03-0279  
 Phone No.: 1-800-270-6084

Tariff Sheet No.: \_\_\_\_\_  
 Decision No.: \_\_\_\_\_  
 Effective: \_\_\_\_\_

**WATER AUGMENTATION SURCHARGE**

Pine Water Company ("Company") is authorized to make monthly adjustments to its rates and charges for water service to recover costs incurred for bulk water purchases and transportation ("Water Augmentation Costs").

The Water Augmentation Surcharge shall be calculated by dividing the total Water Augmentation Costs incurred in a given month by the amount of water sold that month. The resulting rate per 1,000 gallons will then be multiplied by the gallons used in that month for each customer to arrive at the surcharge per 1000 gallons. The resulting Water Augmentation Surcharge will be charged in the next month as a separate line item on the customer's bill.

The Commission recognizes that operational decisions regarding water supply management should be left within the discretion of the Company and that deficient water supply conditions sometimes require the Company to concurrently augment its primary water supplies to meet customer demand. The foregoing notwithstanding, Company shall undertake reasonable efforts to maximize the quantity of water obtained from Company owned wells and wells operated under Water Sharing Agreements, including the Company's 1996 Agreement with the Solitude Trails Water Improvement District, as the primary source of water supply. The Company shall also undertake reasonable efforts to maximize water purchases for delivery through Project Magnolia before resorting to hauling water by tanker truck with due regard to protection of the water supply available to Strawberry Water Company.

JSHAPIRO/1530516.1/75206.006

ISSUED: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_  
 Month Day Year

EFFECTIVE \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_  
 Month Day Year

ISSUED BY Robert Hardcastle, President

Decision No. \_\_\_\_\_

**DECISION NO. 67166**

**TYPICAL BILL ANALYSIS**

General Service 5/8 X 3/4 - Inch Meter - 14A Winter  
 OLD E & R SYSTEM  
 WITHOUT ZERO BILLS

Average Number of Customers: 1,497  
 Average No. of Customers W/O zero bills: 1,099

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	2,722	\$27.70	\$36.11	\$8.41	30.4%
Median Usage	1,351	\$23.04	\$27.92	\$4.88	21.2%
<u>Staff Proposed</u>					
Average Usage	2,722	\$27.70	\$29.93	\$2.23	8.1%
Median Usage	1,351	\$23.04	\$23.79	\$0.75	3.3%

Present & Proposed Rates (Without Taxes)  
 General Service 5/8 X 3/4 - Inch Meter - 14A Winter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
-	\$ 18.45	\$ 22.14	20.0%	\$ 18.45	0.0%
1,000	21.85	26.42	20.9%	22.40	2.5%
2,000	25.25	30.70	21.6%	26.35	4.4%
3,000	28.65	38.20	33.3%	31.31	9.3%
4,000	32.05	45.70	42.6%	36.27	13.2%
5,000	38.00	53.20	40.0%	41.23	8.5%
6,000	43.95	60.70	38.1%	46.19	5.1%
7,000	49.90	68.20	36.7%	52.19	4.6%
8,000	55.85	75.70	35.5%	58.19	4.2%
9,000	61.80	87.20	41.1%	64.19	3.9%
10,000	67.75	98.70	45.7%	70.19	3.6%
15,000	97.50	156.20	60.2%	100.19	2.8%
20,000	127.25	213.70	67.9%	130.19	2.3%
25,000	157.00	271.20	72.7%	160.19	2.0%
50,000	305.75	558.70	82.7%	310.19	1.5%
75,000	454.50	846.20	86.2%	460.19	1.3%
100,000	603.25	1,133.70	87.9%	610.19	1.2%

Attachment B

DECISION NO. 67166

**TYPICAL BILL ANALYSIS**

**General Service 5/8 X 3/4 - Inch Meter - 14A Summer  
OLD E & R SYSTEM  
WITHOUT ZERO BILLS**

Average Number of Customers: 1,510  
Average No. of Customers W/O zero bills: 1,284

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	3,269	\$29.56	\$46.61	\$17.05	57.7%
Median Usage	1,418	\$23.27	\$30.36	\$7.09	30.5%
<u>Staff Proposed</u>					
Average Usage	3,269	\$29.56	\$39.33	\$9.77	33.1%
Median Usage	1,418	\$23.27	\$26.96	\$3.69	15.9%

**Present & Proposed Rates (Without Taxes)  
General Service 5/8 X 3/4 - Inch Meter - 14A Summer**

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
-	\$ 18.45	\$ 22.14	20.0%	\$ 18.45	0.0%
1,000	21.85	27.94	27.9%	24.45	11.9%
2,000	25.25	33.74	33.6%	30.45	20.6%
3,000	28.65	43.88	53.2%	37.45	30.7%
4,000	32.05	54.02	68.5%	44.45	38.7%
5,000	38.00	64.16	68.8%	51.45	35.4%
6,000	43.95	74.30	69.1%	58.45	33.0%
7,000	49.90	84.44	69.2%	66.45	33.2%
8,000	55.85	94.58	69.3%	74.45	33.3%
9,000	61.80	108.72	75.9%	82.45	33.4%
10,000	67.75	122.86	81.3%	90.45	33.5%
15,000	97.50	193.56	98.5%	130.45	33.8%
20,000	127.25	264.26	107.7%	170.45	33.9%
25,000	157.00	334.96	113.4%	210.45	34.0%
50,000	305.75	688.46	125.2%	410.45	34.2%
75,000	454.50	1,041.96	129.3%	610.45	34.3%
100,000	603.25	1,395.46	131.3%	810.45	34.3%

**TYPICAL BILL ANALYSIS**

General Service 5/8 X 3/4 - Inch Meter - 14A Winter  
 OLD E & R SYSTEM  
 WITH ZERO BILLS INCLUDED

Average Number of Customers: 1,497

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	2,000	\$25.25	\$30.70	\$5.45	21.6%
Median Usage	453	\$19.99	\$24.08	\$4.09	20.5%
<u>Staff Proposed</u>					
Average Usage	2,000	\$25.25	\$26.35	\$1.10	4.4%
Median Usage	453	\$19.99	\$20.24	\$0.25	1.3%

Present & Proposed Rates (Without Taxes)  
 General Service 5/8 X 3/4 - Inch Meter - 14A Winter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
-	\$ 18.45	\$ 22.14	20.0%	\$ 18.45	0.0%
1,000	21.85	26.42	20.9%	22.40	2.5%
2,000	25.25	30.70	21.6%	26.35	4.4%
3,000	28.65	38.20	33.3%	31.31	9.3%
4,000	32.05	45.70	42.6%	36.27	13.2%
5,000	38.00	53.20	40.0%	41.23	8.5%
6,000	43.95	60.70	38.1%	46.19	5.1%
7,000	49.90	68.20	36.7%	52.19	4.6%
8,000	55.85	75.70	35.5%	58.19	4.2%
9,000	61.80	87.20	41.1%	64.19	3.9%
10,000	67.75	98.70	45.7%	70.19	3.6%
15,000	97.50	156.20	60.2%	100.19	2.8%
20,000	127.25	213.70	67.9%	130.19	2.3%
25,000	157.00	271.20	72.7%	160.19	2.0%
50,000	305.75	558.70	82.7%	310.19	1.5%
75,000	454.50	846.20	86.2%	460.19	1.3%
100,000	603.25	1,133.70	87.9%	610.19	1.2%

**TYPICAL BILL ANALYSIS**

General Service 5/8 X 3/4 - Inch Meter - 14A Summer  
OLD E & R SYSTEM  
WITH ZERO BILLS INCLUDED

Average Number of Customers: 1,510

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	2,780	\$27.90	\$41.65	\$13.75	49.3%
Median Usage	1,250	\$22.70	\$29.39	\$6.69	29.5%
<u>Staff Proposed</u>					
Average Usage	2,780	\$27.90	\$35.91	\$8.01	28.7%
Median Usage	1,250	\$22.70	\$25.95	\$3.25	14.3%

Present & Proposed Rates (Without Taxes)  
General Service 5/8 X 3/4 - Inch Meter - 14A Summer

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
-	\$ 18.45	\$ 22.14	20.0%	\$ 18.45	0.0%
1,000	21.85	27.94	27.9%	24.45	11.9%
2,000	25.25	33.74	33.6%	30.45	20.6%
3,000	28.65	43.88	53.2%	37.45	30.7%
4,000	32.05	54.02	68.5%	44.45	38.7%
5,000	38.00	64.16	68.8%	51.45	35.4%
6,000	43.95	74.30	69.1%	58.45	33.0%
7,000	49.90	84.44	69.2%	66.45	33.2%
8,000	55.85	94.58	69.3%	74.45	33.3%
9,000	61.80	108.72	75.9%	82.45	33.4%
10,000	67.75	122.86	81.3%	90.45	33.5%
15,000	97.50	193.56	98.5%	130.45	33.8%
20,000	127.25	264.26	107.7%	170.45	33.9%
25,000	157.00	334.96	113.4%	210.45	34.0%
50,000	305.75	688.46	125.2%	410.45	34.2%
75,000	454.50	1,041.96	129.3%	610.45	34.3%
100,000	603.25	1,395.46	131.3%	810.45	34.3%

**TYPICAL BILL ANALYSIS**

General Service 5/8 X 3/4 - Inch Meter - 14B Winter  
Williamson System  
WITH ZERO BILLS INCLUDED

Average Number of Customers: 360

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	1,712	\$26.17	\$29.47	\$3.30	12.6%
Median Usage	415	\$21.76	\$23.92	\$2.16	9.9%
<u>Staff Proposed</u>					
Average Usage	1,712	\$26.17	\$25.21	(\$0.96)	-3.7%
Median Usage	415	\$21.76	\$20.09	(\$1.67)	-7.7%

Present & Proposed Rates (Without Taxes)  
General Service 5/8 X 3/4 - Inch Meter - 14B Winter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
-	\$ 20.35	\$ 22.14	8.8%	\$ 18.45	-9.3%
1,000	23.75	26.42	11.2%	22.40	-5.7%
2,000	27.15	30.70	13.1%	26.35	-2.9%
3,000	30.55	38.20	25.0%	31.31	2.5%
4,000	33.95	45.70	34.6%	36.27	6.8%
5,000	39.90	53.20	33.3%	41.23	3.3%
6,000	45.85	60.70	32.4%	46.19	0.7%
7,000	51.80	68.20	31.7%	52.19	0.8%
8,000	57.75	75.70	31.1%	58.19	0.8%
9,000	63.70	87.20	36.9%	64.19	0.8%
10,000	69.65	98.70	41.7%	70.19	0.8%
15,000	99.40	156.20	57.1%	100.19	0.8%
20,000	129.15	213.70	65.5%	130.19	0.8%
25,000	158.90	271.20	70.7%	160.19	0.8%
50,000	307.65	558.70	81.6%	310.19	0.8%
75,000	456.40	846.20	85.4%	460.19	0.8%
100,000	605.15	1,133.70	87.3%	610.19	0.8%

**TYPICAL BILL ANALYSIS**

General Service 5/8 X 3/4 - Inch Meter - 14B Summer  
Williamson System  
WITH ZERO BILLS INCLUDED

Average Number of Customers: 360

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	2,630	\$29.29	\$40.13	\$10.84	37.0%
Median Usage	505	\$22.07	\$24.74	\$2.67	12.1%
<u>Staff Proposed</u>					
Average Usage	2,630	\$29.29	\$34.86	\$5.57	19.0%
Median Usage	505	\$22.07	\$21.48	(\$0.59)	-2.7%

Present & Proposed Rates (Without Taxes)  
General Service 5/8 X 3/4 - Inch Meter - 14B Summer

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
-	\$ 20.35	\$ 22.14	8.8%	\$ 18.45	-9.3%
1,000	23.75	27.94	17.6%	24.45	2.9%
2,000	27.15	33.74	24.3%	30.45	12.2%
3,000	30.55	43.88	43.6%	37.45	22.6%
4,000	33.95	54.02	59.1%	44.45	30.9%
5,000	39.90	64.16	60.8%	51.45	28.9%
6,000	45.85	74.30	62.1%	58.45	27.5%
7,000	51.80	84.44	63.0%	66.45	28.3%
8,000	57.75	94.58	63.8%	74.45	28.9%
9,000	63.70	104.72	64.4%	82.45	29.4%
10,000	69.65	114.86	64.9%	90.45	29.9%
15,000	99.40	185.56	86.7%	130.45	31.2%
20,000	129.15	256.26	98.4%	170.45	32.0%
25,000	158.90	326.96	105.8%	210.45	32.4%
50,000	307.65	680.46	121.2%	410.45	33.4%
75,000	456.40	1,033.96	126.5%	610.45	33.8%
100,000	605.15	1,387.46	129.3%	810.45	33.9%

**TYPICAL BILL ANALYSIS**

General Service 5/8 X 3/4 - Inch Meter - 14B Summer  
Williamson System  
WITHOUT ZERO BILLS

Average Number of Customers: 360  
Average No. of Customers W/O zero bills: 312

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	3,029	\$30.65	\$44.17	\$13.52	44.1%
Median Usage	598	\$22.38	\$25.61	\$3.23	14.4%
<u>Staff Proposed</u>					
Average Usage	3,029	\$30.65	\$37.65	\$7.00	22.8%
Median Usage	598	\$22.38	\$22.04	(\$0.34)	-1.5%

Present & Proposed Rates (Without Taxes)  
General Service 5/8 X 3/4 - Inch Meter - 14B Summer

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
-	\$ 20.35	\$ 22.14	8.8%	\$ 18.45	-9.3%
1,000	23.75	27.94	17.6%	24.45	2.9%
2,000	27.15	33.74	24.3%	30.45	12.2%
3,000	30.55	43.88	43.6%	37.45	22.6%
4,000	33.95	54.02	59.1%	44.45	30.9%
5,000	39.90	64.16	60.8%	51.45	28.9%
6,000	45.85	74.30	62.1%	58.45	27.5%
7,000	51.80	84.44	63.0%	66.45	28.3%
8,000	57.75	94.58	63.8%	74.45	28.9%
9,000	63.70	104.72	64.4%	82.45	29.4%
10,000	69.65	114.86	64.9%	90.45	29.9%
15,000	99.40	185.56	86.7%	130.45	31.2%
20,000	129.15	256.26	98.4%	170.45	32.0%
25,000	158.90	326.96	105.8%	210.45	32.4%
50,000	307.65	680.46	121.2%	410.45	33.4%
75,000	456.40	1,033.96	126.5%	610.45	33.8%
100,000	605.15	1,387.46	129.3%	810.45	33.9%

**TYPICAL BILL ANALYSIS**

**General Service 5/8 X 3/4 - Inch Meter - 14B Winter  
Williamson System  
WITHOUT ZERO BILLS**

Average Number of Customers: 360  
Average No. of Customers W/O zero bills: 295

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	2,091	\$27.46	\$31.38	\$3.92	14.3%
Median Usage	486	\$22.00	\$24.22	\$2.22	10.1%
<u>Staff Proposed</u>					
Average Usage	2,091	\$27.46	\$26.80	(\$0.66)	-2.4%
Median Usage	486	\$22.00	\$20.37	(\$1.63)	-7.4%

**Present & Proposed Rates (Without Taxes)  
General Service 5/8 X 3/4 - Inch Meter - 14B Winter**

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
-	\$ 20.35	\$ 22.14	8.8%	\$ 18.45	-9.3%
1,000	23.75	26.42	11.2%	22.40	-5.7%
2,000	27.15	30.70	13.1%	26.35	-2.9%
3,000	30.55	38.20	25.0%	31.31	2.5%
4,000	33.95	45.70	34.6%	36.27	6.8%
5,000	39.90	53.20	33.3%	41.23	3.3%
6,000	45.85	60.70	32.4%	46.19	0.7%
7,000	51.80	68.20	31.7%	52.19	0.8%
8,000	57.75	75.70	31.1%	58.19	0.8%
9,000	63.70	87.20	36.9%	64.19	0.8%
10,000	69.65	98.70	41.7%	70.19	0.8%
15,000	99.40	156.20	57.1%	100.19	0.8%
20,000	129.15	213.70	65.5%	130.19	0.8%
25,000	158.90	271.20	70.7%	160.19	0.8%
50,000	307.65	558.70	81.6%	310.19	0.8%
75,000	456.40	846.20	85.4%	460.19	0.8%
100,000	605.15	1,133.70	87.3%	610.19	0.8%