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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF PINEVIEW WATER COMPANY, INC., FOR AUTHORITY TO ISSUE PROMISSORY NOTE(S) AND OTHER EVIDENCES OF INDEBTEDNESS PAYABLE AT PERIODS OF MORE THAN TWELVE MONTHS AFTER THE DATE OF ISSUANCE.	DOCKET NO. W-01676A-04-0463
IN THE MATTER OF THE APPLICATION OF PINEVIEW WATER COMPANY, INC. FOR AN INCREASE IN ITS WATER RATES FOR CUSTOMERS WITHIN NAVAJO COUNTY, ARIZONA.	DOCKET NO. W-01676A-04-0500

Arizona Corporation Commission
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STAFF'S CLOSING BRIEF

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I. <u>The Commission should remedy the serious affiliate problems shown in this case.</u>

In Pineview's last rate case, the Commission found that a number of serious affiliate issues existed between Pineview and the Sutter family, which owns Pineview. The Commission ruled:

> Staff's audit identified a number of questionable transactions between Pineview and H&S Construction, Inc. ("H&S") and Mercon Incorporated ("Mercon"), construction companies owned by the Sutter family. There appears to have been an intermingling of Pineview's operations with those of H&S and Mercon, with Pineview having made purchases or payments on behalf of H&S or Mercon…. It appears that Pineview's cash, which could have been used to effect repairs and maintenance, has been tied up in supporting H&S and Mercon. (Ex. S-3 at 4:7-14).

The Commission also found that Pineview incurred unauthorized debt to purchase capital equipment, and that this equipment was "primarily for the benefit of Mercon and H&S". (*Id.* at 5:11-12). The Commission specifically ordered Pineview to "cease and desist from any such practice in the future." (*Id.* at 13:11-12 and 15:9-10). Unfortunately, the problems of inappropriate affiliate transactions, intermingled operations, and unauthorized debt are repeated in this case.

The record is full of references to questionable affiliate transactions. (*See generally* Ex. S-18, listing leases between Pineview and the Sutter family) For example, Pineview's application included lease expenses for two 2001 GMC trucks. During the test year, Pineview leased these trucks from Henry Sutter, the President and one of the owners of Pineview. The lease agreement was signed by Henry Sutter (on his own behalf) and his son, Ernie Sutter (Pineview's Vice-President, for Pineview). (Tr. at 212-13; Ex. A-11)[1]. This lease included, in addition to Sutter's actual costs, a "lease fee" of $247.54 per month. (*Id.* at 213:10-17). Pineview tried to recast this lease fee as compensation for the truck's down payment. But Pineview's General Manger, Ron McDonald, conceded that the down payment was only $5,000, while the lease fee will produce approximately $15,000. (*Id.* at 222:3-20; Ex. A-11).

Likewise, Pineview asked for lease expense for its backhoe. This backhoe lease was also signed by Henry Sutter (for himself) and Ernie Sutter (for Pineview). (*Id.* at 210-212; Ex. A-9). This lease is astonishing, given that McDonald conceded that Pineview, not Henry Sutter, was listed as the original purchaser of the backhoe. (*Id.* at 585-87; Ex. A-18). In other words, Pineview was leasing a backhoe it already owned! McDonald attempted to explain this away by stating that Henry Sutter was the real

[1] Tr. Refers to the hearing transcripts of February 24, 25, and March 3, 2005, collectively.

owner, but that Pineview was listed as the owner so that Sutter would qualify for a "substantial" government discount that Pineview was eligible to receive. (*Id.* at 588:14-21). Further, even if the lease was valid, it was a lease to purchase agreement, and all the payments have been made. The lease specifies that Henry Sutter must provide a bill of sale to Pineview formally transferring ownership to Pineview. (*Id.* at 215:13-15; Ex. A-9). But Henry Sutter never provided this bill of sale, even though it is 10 months late. (*Id.*).

Pineview also wants to recover lease expense for a 1979 Truck. This lease was signed by Henry Sutter (for himself) and his subordinate, Ron McDonald (for Pineview). Further, Pineview leases its office space from its treasurer, Katherine Sutter. (*Id.* at 544:13-23). Remarkably, McDonald called the truck and backhoe leases "arms length transactions". (*Id.* at 243:9). To the contrary, the leases present clear conflicts of interest. As such, they raise strong concerns about their ratemaking impact. Further, these leases do not appear to meet the standard of A.R.S. § 10-862, which governs conflict of interest transactions by directors like the Sutters.

Staff also demonstrated substantial co-mingling of operations. For example, McDonald admitted that Pineview paid numerous equipment repair invoices that were billed to Mercon, not Pineview. (*Id.* at 124-26; Ex. S-4). Likewise, Pineview paid various Mercon postal invoices. (*Id.* at 428-29; Ex. S-25). Pineview claimed that these invoices were just mistakes, arguing that small town people are so easily confused that they could not distinguish between the various Sutter family businesses. (*Id.* at 193:5-6 and 194:2-9). In addition to being insulting to the rural citizens of this State, this argument is implausible. As Staff's accounting witness, Elena Zestrijan, testified, the best indication of the proper recipient of a bill is the name listed on the bill. (*Id.* at 545-6) Further, Pineview has a full time accountant, and thus has the resources to catch any erroneous bills and to insist that the proper company be listed. (*Id.* at 503:16-25). It did not do so.

Lastly, McDonald admitted that Pineview incurred unauthorized debt, just as it had in 1996. Once again Pineview has repeated the errors of the past. Indeed, Pineview's managers can't seem to understand that Pineview is a separate legal entity from its owners. For example, McDonald testified that the Sutters "happen to own the company, they are not two separate entities." (*Id.* at 95:10-12). Likewise, McDonald stated that "Katherine and Henry Sutter are the company" and "Henry was Pineview." (*Id.* at 118:10 and

163:24).

In light of these numerous affiliate problems, Staff would be well justified in recommending severe penalties, such as fines and forcing Pineview to recover all lease payments to the Sutters. Instead, Staff is seeking only modest conduct remedies, which will help prevent such abuses in the future. (*Id.* at 505-516; Ex. S-14 at 4-6). Most importantly, Staff recommends that the Commission require Pineview to obtain Commission approval prior to any future transactions with its affiliates or members of the Sutter family. (*Id.*). Staff also recommends that the Commission order Pineview to cease and desist from any further co-mingling of expenses and capital equipment. (*Id.*). Staff further recommends that the Commission order Pineview to file a new rate case within 3 years. (*Id.).* A new rate case audit will reveal whether these affiliate problems recur, and whether new problems occur. Lastly, Staff recommends that the Commission require Pineview to keep certain written records of the usage of its heavy equipment and to train the equipment operators in keeping such records. (*Id.)* McDonald testified that Pineview had already begun to keep such records. (*Id.* at 95:23).

II. <u>The Commission should reject the incestuous leases between Pineview and its owners</u>.

As described above, Pineview has entered into numerous questionable leases with its owners, the Sutters. The rent expense associated with these leases should be disallowed.

A. The two 2001 GMC Trucks.

Staff recommends that the lease expense for the two 2001 GMC trucks be disallowed and these trucks be included in rate base. (*Id.* at 408:14-22). Staff agrees that the trucks should be included at their original cost, as shown on the bills of sale (Ex. A-10 and A-12), less accumulated deprecation. (*Id.* at 408:14-22). Pineview accepted this proposal. (*Id.* at 263:17-21).

B. The 1998 Backhoe.

Similar to the GMC trucks, Staff disallowed the lease expense for the 1998 backhoe, and recommends that the backhoe be included in rate base. Pineview's attorney conceded that this was appropriate, stating that "that's totally appropriate and we would not object to that." (*Id.* at 257:17-19; *see also Id. at* 541:18-22). Like the GMC trucks, Pineview wants the rate base value of the backhoe to be the amount shown on the bill of sale. (*Id.* at 263:17-21). Under ideal circumstances, that would be appropriate. But there are two problems that make such an accounting treatment inappropriate here.

First, the accounting for the prior backhoe was improper. Although Pineview no longer has this old backhoe, it remains in its books. (*Id.* at 472:9-12; 245-50; 236:23-25; and Ex. S-20). Therefore, the prior backhoe must be removed from Pineview's books so it does not recover for two backhoes. (*Id.* at 460:19-22). Further, the prior backhoe was used as a trade-in, so the trade-in value must be deducted from the purchase price. (*Id.* at 474:8-11). But the trade-in value is unknown, so this cannot be done. (*Id.* at 464:9-10; 468:15; and 524:7-13).

Second, Pineview did not lease the backhoe until two years after the bill of sale. As Ms. Zestrijan testified, a 1998 invoice is not good evidence of the value of the backhoe in 2000, after two years of wear-and-tear. (*Id.* at 537:8-11; 524:7-13; and 469:1-3). Under the Commission's rules, the original cost of an asset is the cost at the time the asset is devoted to public service. *See* A.A.C. R14-2-103(A)(3)(e); *see also* A.A.C. R14-2-102(A)(6). Thus, if a utility purchases a used asset, the asset is included in original cost rate base only at the utility's prudent purchase price.

Pineview argues that the backhoe was actually placed in service in 1998, so there is no two-year gap. The evidence belies this assertion. McDonald stated that Pineview began making payments on the backhoe on May 2, 2000. (Ex. A-6 at 9:17-18). Moreover, the backhoe lease is dated May 2, 2000. (Ex. A-9). Further, McDonald testified that the backhoe was placed in-service in 2000. (Tr. at 270:1-5) In contrast, the backhoe bill of sale is from 1998. (Ex. A-18). During Pineview's direct case, McDonald was unable to explain the difference between the 1998 purchase date and the 2000 in-service date. (Tr. at 272:1-5). But McDonald changed his story when giving rebuttal testimony a week later. McDonald's new testimony was that the backhoe was placed in service in 1998. (*Id.* at 566-67). But McDonald did not work for Pineview at that time. (*Id.* at 580:12-15). Nor could McDonald produce a single piece of documentary evidence to support his new claim. (*Id.* at 581:4-7). McDonald's new testimony is inconsistent with his own prior testimony and the documents in the record.

For these reasons, Staff cannot recommend that the 1998 invoice be used to set the original cost of the backhoe. Pineview's rate base already contains one backhoe. Until that backhoe can be replaced with an accurate value for the new backhoe, the Commission should retain the existing backhoe value in Pineview's books. Pineview has not met its burden of proof to justify a deviation from what is shown on its books.

If this recommendation is not accepted, then Staff recommends that the Commission use the market value of the backhoe. Staff conducted a study and determined that the backhoe had a market value of $39,094. (*Id.* at 543:2-14; Ex. S-27). In the absence of an accurate original cost number, the Commission sometimes looks to replacement cost, and that would be an acceptable approach here.

C. The 1979 Truck.

Like the backhoe and the two GMC trucks, Pineview asked for lease expense for a 1979 truck. In the alternative, Pineview asks that the truck be included in rate base. Both requests should be denied. Staff concluded that this old truck is not used and useful. (Ex. S-14 at 11:13-16). Moreover, McDonald testified that Pineview puts "our logo on every piece of our equipment, we make sure our logo is on it." (Tr. at 566:21-22). But the logo is not on the 1979 truck. (*Id.* at 133:23-24). Nor was this truck included with the other trucks in Pineview's workpapers. (*Id.* at 240:17-22). And Pineview could not produce the registration or insurance for this truck.. (*Id.* at 135:5-19). Thus, it is not clear who owns the truck or how much it cost. Unlike the GMC trucks, no bill of sale was ever produced for the 1979 truck. Further, this lease will result in Pineview paying $7,200 for 26-year old truck. (*Id.* at 240:13-16). This exorbitant amount is facially absurd.

III. <u>Other rate base issues</u>.

Staff recommends the Commission adopt the rate base shown on Exhibit S-19. (*Id.* at 408).

A. The well sites for as-yet-undrilled wells are not used and useful.

Staff recommends removing unused well sites from rate base. The wells which may be installed on these sites have not yet been drilled. (*Id.* at 120:10). Indeed, McDonald conceded that the well and tank sites "obviously are not used and useful at this time" (*Id.* at 121:6-10; Ex. S-1).

B. Remodeling of Office Space.

Staff removed $1,725 from rate base relating to improvements made to the leased office space. (Ex. S-14 at Schedule ENZ-5, note 2). However, in rebuttal, McDonald testified that the expenses were the responsibility of Pineview under Section 6.1(a) of the lease. (Tr. at 571-72). Accordingly, Staff will concede this issue.

C. Reclassifications.

Staff also reclassified various items as shown on Exhibit S-14 at Schedule ENZ-5, notes 3,4,6,8, and 9. For the reasons described in those notes, Staff recommends that the Commission approve these reclassifications.

D. Accumulated Depreciation.

Staff recalculated accumulated depreciation starting from the authorized levels in the 1996 rate order, and recommends that its level of accumulated depreciation be adopted. (Ex. S-14 at 7:17-23).

E. Contributions in aid of Construction.

Staff used Pineview's actual level of Contributions in aid of Construction ("CIAC") as shown on Pineview's books, and made a corresponding adjustment to CIAC accumulated amortization. Staff recommends that these amounts be adopted. (Ex. S-14 at 8:2-10).

F. Customer Deposits.

Staff adjusted customer deposits to match Pineview's general ledger, and recommends that this amount be used. (Ex. S-14 at 8:13-16).

G. Meter Advances.

Staff conceded this issue during the hearing, and this concession is already reflected on Exhibit S-19. (Tr. at 408:20-25).

IV. Other Expense Issues.

In addition to the disallowance of lease expenses, as discussed above, Staff recommends the following adjustments to expenses.

A. Salaries and Wages.

Staff adjusted salaries and wages by removing salaries for various Sutter family members who do not provide any necessary service to Pineview. (Ex. S-14 at 9-10). Staff also made a corresponding adjustment to employee pensions and benefit expense. (*Id.*). According to Pineview, Henry and Katherine Sutter spend much of their time obtaining easements for Pineview. (Tr. at 531-532). Spending that sort of time on obtaining easements is atypical. (*Id.* at 559:11-14). Indeed, developers normally obtain easements for water companies. (*Id.* at 559:6-9). Further, the Sutters have only a small part of the office assigned to them, which they share with the field workers. (*Id.* at 137-38; Ex. S-6). This suggests that the Sutters do not actually perform executive functions, since executives usually have at least some sort of minimally adequate work space. (*Id.* at 438; 442; 534-35). Further, Pineview's general manager, Mr. McDonald, has extensive management experience and formerly ran a public works unit with 60 employees (*Id.* at 142-43). If he can supervise 60 employees, surely he can supervise Pineview's 6 employees without the assistance of numerous Sutter family "executives" being on the payroll. (*Id.* at 530:1-12).

Moreover, Staff performed a salary study that shows that Pineview's salaries and wages expense is far out of line with comparable companies. (*Id.* at 410-12; 447-54; and 535-36). The results of this study are shown on Exhibit S-15. (*Id.* at 410-12). Staff found that comparable companies spend only 19% of their revenue on salaries and wages, while Pineview (per its application) spends 35.6%. (*Id.* at 412:12-19). Indeed, even if the Commission adopts Staff's modest adjustment, Pineview will still spend 34.2 % of its revenue on salaries and wages, which is still "substantially more than the average". (*Id.*). In contrast, Pineview did not conduct a study, even though McDonald suggested in Rebuttal that he had conducted one. (*Id.* at 143:19-25; Ex. S-7; Ex. A-6 at 7-8).

B. Repairs and Supplies.

Staff reduced repairs and supplies by $7,017 to reflect a number of errors. (Ex. S-14 at 10-11). The main adjustment related to invoices that could not be linked to equipment that Pineview owned. *(Id.;* Tr. at 424-25; 458:24). Further, many of these invoices appear to be related to Mercon. (Tr. at 124-26). Pineview has not met its burden of proving that these expenses actually relate to providing water service to the public.

C. Telephone Expense.

Staff recommends the telephone expense shown on Exhibit S-16. (*Id.* at 413). Staff adjusted the test year telephone expense to "reflect the going forward telephone expense." (*Id.* at 482:9-10). This is necessary because Pineview switched cellular providers to Alltel and achieved substantial savings. (Tr. at 484:8-17). Staff's adjustment was based upon telephone bills submitted by Pineview. (Ex. S-9). McDonald agreed that the bills in Exhibit S-9 "accurately depict the current telecommunications charges incurred by the company." (Tr. at 150:5-8). McDonald attacked Staff's adjustment as excluding all land lines. (*Id.* at 92:10-17; A-6 at 11:9). But Staff did no such thing. (*Id.* at 414:21-24). Indeed, Exhibit S-16 clearly shows $2,559 allowed for land lines. It is no surprise that Pineview did not understand Staff's adjustment, as it never sent any data requests to Staff on that or any other point. (*Id.* at 114:16-20).

Staff's adjustment accurately reflects going forward expenses, while Pineview's criticism of Staff's adjustment is inaccurate.

D. Purchased Power Expense.

Staff's adjustment to purchased power expense is based on data provided directly by Pineview, and it should be adopted. (Ex. S-14 at 16-20; Tr. at 423-24; Ex. S-22).

E. Contractual Services Expense.

Staff recommends an increase in this expense based upon engineering estimates. (Ex. S-14 at 11; Ex. S-13 at 18).

F. Uniform Expense.

Staff and Pineview now agree that uniform expense should be $720. (Tr. at 480:6-15 and 202:2-9).

G. Rate Case Expense.

Staff did not dispute the amount of rate case expense, but it did dispute the amortization period. Staff amortized rate case expense over 5 years. But Staff agrees that if the Commission adopts Staff's recommendation to order a rate case within 3 years, then the amortization period should be shortened to 3 years. (*Id.* at 414:21-24). If Staff's recommendation is not adopted, then the longer period is appropriate given the long historical period between Pineview's rate cases, with the last one concluding in 1996.

H. Bad Debt Expense.

Staff accepted Pineview's bad debt expense, but lengthened the amortization period from 3 to 4 years. (*Id.* 416-18). This adjustment amounts to $928 dollars. (*Id.* at 489:13 and 499:20-21). Staff's adjustment was "very lenient" because Pineview had never written off bad debt before. (*Id.* at 485:7-12). In theory, Staff could have lengthened the amortization period to reflect the decades Pineview went without write-offs, but Staff instead made a very minor adjustment of only one additional year.

I. Miscellaneous Expenses.

A few additional miscellaneous expenses are adjusted, as shown on Exhibit S-16. Ms. Zestrijan explained each of these during her testimony. (*Id.* at 489-90).

J. Other Expenses.

Staff adjusted depreciation expense, property tax expense, and income tax expense to correspond to Staff's other recommendations. (Ex. S-14 at 13-14).

V. **Rate of Return.**

Staff's rate of return analysis is consistent with Staff's approach in recent cases. (Tr. at 339:14-17). Staff employs a full-fledged cost of capital analysis, which provides a better estimate of the required rate of return than Pineview's approach. (*Id.* at 282:14-15). Pineview's approach is based on using TIER and DSC. Pineview's expert, Mr. Neidlinger, testified that his approach was merely the "fallout" of using the TIER. (*Id.* at 24:16-18). Neidlinger did not dispute the methodology Staff employed. (*Id.* at 26:5-6). Indeed, Neidlinger agreed that Staff's approach was the "classical approach" (*Id.* at 24:2-3). In contrast, Staff's expert, Mr. Ramirez, strongly criticized Neidlinger's approach:

> By no means [TIER or DSC] should be a driver to come up to a certain operating income. If you use a TIER or DSC to get to an operating income, you are disregarding actually what the cost of equity is and you are not doing proper financial models or sound theory. (*Id.* at 281-82).

Further, Pineview's approach results in a return on equity of 13.1%, which is high for a water company. (*Id.* at 281:1-14).

Pineview argued that it should receive a higher return because it is small. But Ramirez testified that firm size is not a relevant factor in determining the cost of equity for a water company. (*Id.* at 285:8-15). Ramirez pointed to an article in a finance journal by Ms. Wong where she concluded that there is no size effect in the utility industry. (*Id.* at 285:8-15 and 317). Ramirez also noted that the Commission rejected this same firm size argument in its recent Arizona Water rate order. (*Id.* at 286:10-14; Ex. S-24 at 19 and 22). Ramirez also explained that any adjustment for Pineview's particular operating circumstances is unwarranted, because such risks are unique risks which can be eliminated through diversification. (*Id.* at 287:6-11; 330:16-18; 340 and Ex. S-11 at 10-12).

Pineview also argued that its future debt should be considered. Ramirez explained that hypothetical debt should not be used. (*Id.* at 324:1-13). Further, even if hypothetical debt was considered, as the amount of debt goes up the capital structure changes. Debt costs less than equity. So the increased amount of lower-cost debt in the capital structure offsets any increase in financial risk which might increase the cost of equity. (*Id.* at 284-85 and 321-22). Thus, the overall rate of return remains about the same. (*Id.*).

Pineview offered its Exhibit A-7 to try to show that its interest coverage would be inadequate. But Ramirez explained that this exhibit defeats its own purpose, because it shows an adequate TIER if Staff's recommendations are adopted. (*Id.* at 283:19-20; 341:10-14). Further, the TIER does not take into account the effect of noncash expenses like depreciation, which leave additional cash available to cover emergencies. (*Id.* at 341-42).

VI. Rate Design.

Staff's rate design is consistent with recent Staff recommendations. (*Id.* at 422:3-9). Staff's design provides a reduced rate for the first 3,000 gallons to ensure the affordability of a minimum level of usage. (*Id.* at 421-22). Above this level, Staff's design promotes conservation. (*Id.*). Pineview attacked Staff's rate design, arguing that it results in a reduction to the median bill. But this slight decrease (2.3%) is offset by the substantial increase given to high users. (Ex. S-14, Schedule ENZ 26). Further, while the median user gets a slight decrease, the average user gets a slight increase. (*Id.*). When first implementing three-tiered rates, the rate impact will vary by consumption. Sometimes this results in rate reductions for some consumption levels. The most important point is that beyond the first tier, the rates will send an appropriate price signal to customers, resulting over the long term in conservation.

Pineview also noted that Staff's rate design produced an extra $10,000 above Staff's recommended revenue requirement. (*Id.* at 53:5-18). Staff concedes this issue.

VII. Financing.

Staff recommends that Pineview be approved funding for only a one million gallon storage tank. Staff's engineer, Dorothy Hains, reviewed McDonald's rebuttal testimony, which claimed that Staff failed to take into account an expected increase in the number of customers the water company will service in the future (Tr. at 346). Staff re-ran its analysis using McDonald's growth figures. (Tr. at 346-47). Even using the revised numbers, Hains' testimony has remained constant: Pineview needs a one million gallon tank for today and the future, and not a two million gallon tank (Tr. at 346). This recommendation also includes the requirements to cover needed fire flow (Tr. at 347). A two million gallon tank is so large that with current production it would run the risk of not filling fast enough to prevent the pumps from burning out (Tr. at 348). Further, it would take three days to fill a two million gallon tank with current production. (*Id.* at 348:1-6). Therefore, Hains testified that "production is the problem, storage is not." (*Id.* at

348:7-8).

And just as important, Hains testified that building a two million gallon tank without the current and foreseeable need will mean that customers today will be paying for Pineview's future investments (Tr. at 358). Further, Pineview can still convert its system to a gravity system on the site with the one million gallon tank. (Tr. at 349). If the need arises, Pineview could connect another storage tank or create a hybrid system of pressure and gravity storage (Tr. at 349). Moreover, a future system that encompassed dual tanks would be more reliable than a single tank, especially when it came to maintenance or the failure of a tank (Tr. at 359).

Pineview also suggested that Staff's cost estimates are erroneous. But Hains testified that she used the well-recognized Handy-Whitman index, which showed that tank costs only increased "a little bit". (*Id.* at 364:4-5). Hains also used the bids Pineview submitted with its financing application. Pineview later attacked these bids. But as Ms. Hains notes, Pineview had every incentive to be accurate in preparing its application. (*Id.* at 363:9-12). Indeed, McDonald testified that Pineview "took appropriate care" in preparing its financing application. (*Id.* at 575) In Rebuttal, McDonald submitted some new "estimates" of tank costs. But McDonald admitted that these are merely estimates, not bids. (*Id.* at 579). Moreover, these estimates are from only a few of the companies that submitted bids. (*Id.* at 576-78). Further, one of the estimates only increased by three percent. (*Id.* at 564:11-18). And in any event, Pineview will have the opportunity to recover any prudent cost overrun in its next rate case.

Additionally, Staff's finance expert, James Johnson, only recommends funding for a one million gallon tank. Part of his rationale for only funding part of the company's requested financing is because of Pineview's projected capital structure (Tr. at 397). Mr. Johnson does not see the value in allowing a company to borrow to its full potential in case of any unforeseen expenses that come along (Tr. at 406).

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VIII. Conclusion.

Staff respectfully requests that its recommendations be adopted for the reasons described above.

RESPECTFULLY SUBMITTED this 8th day of April 2005.

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