

ORIGINAL



MEMORANDUM

30A

TO: Docket Control

FROM: Ernest G. Johnson  
*EGJ*  
Director  
Utilities Division

DATE: May 23, 2005

RE: SECOND ADDENDUM TO STAFF REPORT FOR PONDEROSA  
UTILITY CORPORATION FOR A PERMANENT RATE INCREASE  
(DOCKET NO. W-01717A-04-0825)

On November 15, 2004, Ponderosa Utility Corporation ("Company") filed an application with the Arizona Corporation Commission requesting a permanent rate increase. On May 2, 2005, Staff filed its Staff Report pertaining to this filing.

Subsequent to Staff's filing of its Staff Report, the Company late filed and furnished additional documentation and information for office supplies expense. Staff reviewed these and recommends inclusion of the additional expenses.

The attached pages of the Staff Report and schedules will replace the pages and schedules filed with the originally docketed Staff Report. All changes from the originally filed report and schedules are highlighted in bold print.

EGJ:CRM:

Originator: Charles R. Myhlhousen

Attachment: Original and sixteen copies

AZ CORP COMMISSION  
DOCUMENT CONTROL

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Arizona Corporation Commission

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MAY 23 2005

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Service List for: Ponderosa Utility Corporation  
Docket No. W-01717A-04-0825

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**EXECUTIVE SUMMARY  
PONDEROSA UTILITY CORPORATION  
DOCKET NO. W-01717A-04-0825**

Ponderosa Utility Corporation ("Company") is engaged in the business of providing utility water service exclusively to Arizona customers in the communities of Mountaineer and Highland Meadows near Flagstaff, Arizona in Coconino County. The Company provides service to approximately 526 residential customers. The Company's current rates were effective August 1, 1997.

The Company's rate application requested an increase in revenue of \$32,077 or a 14.84 percent increase over test year revenue of \$216,157. The Company's proposed revenues of \$248,234 result in an operating income of \$3,950 for a 2.06 percent rate of return on an original cost rate base ("OCRB") of \$191,975. The Company's requested rates would increase the typical residential bill with a median usage of 2,459 gallons from \$29.12 to \$33.14 for an increase of \$4.02 or 13.8 percent.

Staff's recommended rates would increase revenue by **\$32,077** or a **14.84** percent increase over test year revenue of \$216,157. Staff's recommended revenues of **\$248,234** result in an operating income of **\$15,693** for a **6.79** percent rate of return on a OCRB of **\$231,115**. Staff's recommended rates would increase the typical residential bill with a median usage of 2,459 gallons from \$29.12 to **\$32.73** for an increase of **\$3.61** or **12.4** percent.

Staff recommends approval of its rates and charges as presented on Schedule 4 of this report.

**Fact sheet**

**Current Rates:** Decision No. 60343, dated July 31, 1997, rates effective August 1, 1997.

**Type of Ownership:** Arizona "C" Corporation

**Location:** The Company is located near Flagstaff, Arizona in Coconino County.

**Rates:**

Permanent rate increase application filed: November 15, 2004, and amended January 13, 2005.

**Current Test Year Ended:** January 31, 2004

**Monthly Minimum Charges:**

|  | Company<br>Current<br>Rates | Company<br>Proposed<br>Rates | Staff<br>Recommended<br>Rates |
|--|-----------------------------|------------------------------|-------------------------------|
| Monthly Minimum Charge<br>Based on 5/8 X 3/4 inch meter              | \$21.00                     | \$24.41                      | \$24.25                       |
| Gallons in Minimum   | 0                           | 0                            | 0                             |
| Commodity Charge<br>Excess of minimum, per 1,000 gallons             | 3.30                        |                              |                               |
| All gallons  |                             |                              |                               |
| Tier one zero to 3,000 gallons                                       |                             | 3.55                         | 3.45                          |
| Tier two from 3,001 gallons to 5,000 gallons                         |                             | 3.75                         | 4.00                          |
| Tier three all gallons over 5,000 gallons                            |                             | 4.10                         | 4.25                          |
| Typical residential bill<br>(Based on median usage of 2,459 gallons) | \$29.12                     | \$33.14                      | \$32.73                       |

**Customers:**

Average number of customers in prior test year, 473, current test year, 526

**Notifications:**

Customer Notification was mailed on November 17, 2004.

### **Summary of Filing**

Based on test year results, as adjusted by Utilities Staff ("Staff") of the Arizona Corporation Commission ("Commission"), Ponderosa Utility Corporation ("Company") realized an operating loss of \$27,082 on an original cost rate base ("OCRB") of \$ 191,975 for no rate of return as shown on Schedule CRM-1.

The Company proposed rates produce operating revenues of \$ 248,234 and an operating income of \$3,950 for a 2.06 percent rate of return on an OCRB of \$ 191,975. The Company's proposed rates would increase the typical residential bill with a median usage of 2,459 gallons from \$29.12 to \$33.14 for an increase of \$4.02 or 13.8 percent.

Staff's recommended rates produce a revenue level of **\$248,234** and an operating income of **\$15,693** for a rate of return of **6.79** percent on Staff's adjusted OCRB of **\$231,115**. Staff's recommended rates would increase the typical residential bill with a median usage of 2,459 gallons from \$29.12 to **\$32.73** for an increase of **\$3.61** or **12.4** percent increase.

### **Company Background**

On November 15, 2004, the Company filed an application for a permanent rate increase with the Commission. On December 15, 2004, the Company's filing was found deficient. On January 13, 2005, the Company submitted the deficient items. On February 14, 2005, the application was deemed sufficient.

The Company's narrative portion of the application stated that it needs this rate increase because the number of customers have increased by 10 percent, while revenues since the prior rate case have increased by 6 percent over the authorized revenues. However, adjusted expenses have increased by over 37 percent since the prior rate case. There is no anticipated major increase or growth of customers to be served in the near future.

### **Consumer Services**

A review of the Commission's records revealed the following customer complaints and opinions were filed from years 2002 through 2005. In years 2002 and 2003, there were no complaints, inquiries or opinions. In year 2004, one inquiry-from customer regarding an upgrade of their 2-inch main to a 6-inch main. Resolved. One opinion-customer against the pending rate increase. Noted. In 2005, two complaints- one customers complaint about a service outage and the delay in getting service resorted in a timely manner. Noted. One customer complaint about a service outage due to a water main break. Resolved.

**Compliance**

The Utilities Division Compliance Section showed no outstanding compliance issues.

The Company is current in its property and sales tax payments.

The Company is in good standing with the Corporation's Division of the Commission.

The Arizona Department of Environmental Quality ("ADEQ") reported that Ponderosa is delivering water which meets the water quality standards required by the Arizona Administrative Code, Title 18 Chapter 4, and is in total compliance with all other requirements.

The Company is currently in compliance with the new arsenic Maximum Contaminant Level which will be effective January 23, 2006

The Company is not within any Active Management Area, and consequently is not subject to reporting and conservation rules.

**Rate Base**

Staff made adjustments to rate base of \$39,140. These adjustments were made to reflect Staff's decrease in accumulated depreciation in the amount of \$2,038, removing plant advances in the amount of \$15,521 and the inclusion of the formula method for the cash working capital portion of the working capital allowance in the amount of \$21,581 resulting in a rate base of \$231,115. See Schedule CRM-2 page 1.

**Plant-in-Service:**

Staff made no adjustment to plant in service. See Schedule CRM-2 page 2, plant in service is \$813,364.

**Accumulated Depreciation:**

Staff decreased the Company's proposed accumulated depreciation by \$2,038.

Staff's accumulated depreciation amount was calculated by adding depreciation expense for the years beginning February 1, 2000, through January 31, 2004, to the Commission approved accumulated depreciation balance in the prior test year ended January 31, 1999, of \$359,850.

**Advances-in-Aid-of-Construction:**

Staff removed advances-in-aid of-construction. The Company does not have advances. These are meter deposits and are properly recorded by the Company as meter deposits.

**Contributions-in-Aid-of-Construction:**

Staff concurs with the Company amount of contributions-in-aid-of construction.

**Operating Revenue**

Staff made no adjustments to metered revenue. The Company's bill count revenue matched the revenue shown in the application and that reflects the test year revenue.

**Operating Expenses**

Staff adjustments to operating expenses resulted in a decrease of **\$11,693** from \$243,239 to **\$231,546** as shown on Schedule CRM -3 page 1. Adjustments are discussed below.

Adjustment A: decreased Purchased Power by \$2,349 to reflect the amount Staff determined to be non- recurring expense. These locations are no longer used by the Company.

Adjustment B: decreased Office Supplies and Expense by **\$1,984** to reflect the amount of a journal entry made to reconcile the checking account.

Adjustment C: decreased Water Testing by \$696 to reflect Staff's recommended expense level.

Adjustment D: decreased Depreciation Expense by \$6,714. Staff recommended amount is consistent with the depreciation rates on a going forward basis and amortization of contributions-in-aid-of-construction.

**Rate of Return**

Staff recommended rates and charges would provide an operating income of **\$15,693** for a rate of return of 6.79 percent based on the Staff adjusted operating income and the Staff's adjusted rate base of **\$231,115**. This will give the Company a positive cash flow of **\$44,727**.

**Revenue Requirement**

The Company's narrative portion of the application stated that it needs this rate increase because the number of customers have increased by 10 percent, while revenues since the prior rate case have increased by 6 percent over the authorized revenues. However, adjusted expenses have increased by over 37 percent since the last rate case. There is no anticipated major increase or growth in the number of customers to be served in the near future.

Staff concurs with the Company in its needs to increase rates.

### **Rate Design**

Both the Company and Staff are utilizing an inverted three-tier rate structure. These recommended tiers provide an economic incentive for large consumption customers to conserve. No gallons are included in the minimum charge under the Company's proposed or Staff's recommended rates. The Company's proposed rates would increase the typical residential bill with a median usage of 2,459 gallons by \$4.02 or 13.8 percent. Staff's recommended rates would increase the typical residential bill with a median usage of 2,459 gallons by **\$3.61** or **12.4** percent.

The Company proposes to increase Reconnection (Delinquent) after hours from zero to \$25.00. Staff concurs.

The Company proposes to increase Deposit Interest from 6 percent to Per Commission Rules (R14-2-403B). Staff concurs.

The Company proposes to increase NSF Check from \$10.00 to \$25.00. Staff concurs.

The company proposes to increase Meter Re-read (if correct) from \$10.00 to \$25.00. Staff concurs.

### **Staff Recommendations**

Staff recommends:

- Approval of Staff's rates and charges as shown on Schedule CRM-4. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax per Commission Rule (14-2-409-D-5).
- That the Company docket with the Commission a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued.
- The Company adopt the specific depreciation rates by category found in Exhibit 3 of the Engineering Report.
- Acceptance of the Company's proposed curtailment tariff and recommends that the Company file its proposed curtailment tariff coincident with the ordered rate tariffs from this rate proceeding, or, as an alternative, file the curtailment tariff within 45 days after the effective date of any Decision and Order pursuant to this application. The tariff shall be filed with Docket Control.

**SUMMARY OF FILING**

|                                       | -- Present Rates --    |                         | -- Proposed Rates --      |                            |
|---------------------------------------|------------------------|-------------------------|---------------------------|----------------------------|
|                                       | Company<br>as<br>Filed | Staff<br>as<br>Adjusted | Company<br>as<br>Proposed | Staff<br>as<br>Recommended |
| Revenues:                             |                        |                         |                           |                            |
| Metered Water Revenue                 | \$212,274              | \$212,274               | \$244,351                 | <b>\$244,351</b>           |
| Unmetered Water Revenue               | 0                      | 0                       | 0                         | 0                          |
| Other Water Revenues                  | 3,883                  | 3,883                   | 3,883                     | 3,883                      |
| <b>Total Operating Revenue</b>        | <b>\$216,157</b>       | <b>\$216,157</b>        | <b>\$248,234</b>          | <b>\$248,234</b>           |
| Operating Expenses:                   |                        |                         |                           |                            |
| Operation and Maintenance             | \$189,347              | \$184,318               | \$189,347                 | <b>\$184,318</b>           |
| Depreciation                          | 35,748                 | 29,034                  | 35,748                    | 29,034                     |
| Property & Other Taxes                | 18,144                 | 18,144                  | 18,144                    | 18,144                     |
| Income Tax                            | 0                      | 50                      | 1,045                     | 1,045                      |
| <b>Total Operating Expense</b>        | <b>\$243,239</b>       | <b>\$231,546</b>        | <b>\$244,284</b>          | <b>\$232,541</b>           |
| <b>Operating Income/(Loss)</b>        | <b>(\$27,082)</b>      | <b>(\$15,389)</b>       | <b>\$3,950</b>            | <b>\$15,693</b>            |
| Rate Base O.C.L.D.                    | \$191,975              | \$231,115               | \$191,975                 | \$231,115                  |
| Rate of Return - O.C.L.D.             | -14.11%                | -6.66%                  | 2.06%                     | 6.79%                      |
| Times Interest Earned Ratio (Pre-Tax) | NMN                    | NMN                     | NMN                       | NMN                        |
| Debt Service Coverage Ratio (Pre-Tax) | NMN                    | NMN                     | NMN                       | NMN                        |
| Operating Margin                      | -12.53%                | -7.12%                  | 1.59%                     | 6.32%                      |

NMN: Not a meaningful number.

NOTE: Operating Margin represents the proportion of funds available to pay interest and other below the line or non-ratemaking expenses.

**RATE BASE**

|                         | ----- Original Cost ----- |                   |   | Staff            |
|-------------------------|---------------------------|-------------------|---|------------------|
|                         | Company                   | Adjustment        |   |                  |
| Plant in Service        | \$813,364                 | \$0               |   | \$813,364        |
| Less:                   |                           |                   |   |                  |
| Accum. Depreciation     | 547,670                   | (2,038)           | A | 545,632          |
| <b>Net Plant</b>        | <b>\$265,694</b>          | <b>\$2,038</b>    |   | <b>\$267,732</b> |
| Less:                   |                           |                   |   |                  |
| Plant Advances          | \$15,521                  | (\$15,521)        | B | \$0              |
| Meter Deposits          | 15,521                    | 0                 |   | 15,521           |
| <b>Total Advances</b>   | <b>\$31,042</b>           | <b>(\$15,521)</b> |   | <b>\$15,521</b>  |
| Contributions Gross     | \$95,595                  | \$0               |   | \$95,595         |
| Less:                   |                           |                   |   |                  |
| Amortization of CIAC    | 52,919                    | 0                 |   | 52,919           |
| <b>Net CIAC</b>         | <b>\$42,676</b>           | <b>\$0</b>        |   | <b>\$42,676</b>  |
| <b>Total Deductions</b> | <b>\$73,718</b>           | <b>(\$15,521)</b> |   | <b>\$58,197</b>  |
| Plus:                   |                           |                   |   |                  |
| 1/24 Power              | (\$0)                     | \$730             | C | \$730            |
| 1/8 Operation & Maint.  | (0)                       | 20,851            | C | 20,851           |
| Inventory               | 0                         | 0                 |   | 0                |
| Prepayments             | 0                         | 0                 |   | 0                |
| <b>Total Additions</b>  | <b>(\$1)</b>              | <b>\$21,581</b>   |   | <b>\$21,580</b>  |
| <b>Rate Base</b>        | <b>\$191,975</b>          | <b>\$39,140</b>   |   | <b>\$231,115</b> |

- A See Schedule CRM-2 page 3
- B Company does not have any plant advances. Staff removed.
- C Staff's inclusion of formula-method working capital, based on recommended operating expenses.

**PLANT ADJUSTMENT**

|  | Company          |            | Staff            |
|--|------------------|------------|------------------|
|  | Exhibit          | Adjustment | Adjusted         |
| 301 Organization                         | \$1,443          | \$0        | \$1,443          |
| 302 Franchises                           | 0                | 0          | 0                |
| 303 Land & Land Rights                   | 1,361            | 0          | 1,361            |
| 304 Structures & Improvements            | 119,247          | 0          | 119,247          |
| 307 Wells & Springs                      | 216,966          | 0          | 216,966          |
| 311 Pumping Equipment                    | 46,166           | 0          | 46,166           |
| 320 Water Treatment Equipment            | 0                | 0          | 0                |
| 330 Distribution Reservoirs & Standpipes | 71,548           | 0          | 71,548           |
| 331 Transmission & Distribution Mains    | 184,607          | 0          | 184,607          |
| 333 Services                             | 33,404           | 0          | 33,404           |
| 334 Meters & Meter Installations         | 50,091           | 0          | 50,091           |
| 335 Hydrants                             | 5,609            | 0          | 5,609            |
| 336 Backflow Prevention Devices          | 0                | 0          | 0                |
| 339 Other Plant and Misc. Equipment      | 121              | 0          | 121              |
| 340 Office Furniture & Equipment         | 16,645           | 0          | 16,645           |
| 341 Transportation Equipment             | 35,155           | 0          | 35,155           |
| 343 Tools Shop & Garage Equipment        | 26,439           | 0          | 26,439           |
| 344 Laboratory Equipment                 | 0                | 0          | 0                |
| 345 Power Operated Equipment             | 787              | 0          | 787              |
| 346 Communication Equipment              | 0                | 0          | 0                |
| 347 Miscellaneous Equipment              | 3,775            | 0          | 3,775            |
| 348 Other Tangible Plant                 | 0                | 0          | 0                |
| <b>TOTALS</b>                            | <b>\$813,364</b> | <b>\$0</b> | <b>\$813,364</b> |

**ACCUMULATED DEPRECIATION ADJUSTMENT**

|  | <u>Amount</u>                  |
|--|--------------------------------|
| Accumulated Depreciation - Per Company | \$547,670                      |
| Accumulated Depreciation - Per Staff   | <b>545,632</b>                 |
| <b>Total Adjustment</b>                | <b><u><u>(\$2,038)</u></u></b> |

*Explanation of Adjustment:*

|   |                              |
|---|------------------------------|
| Accumulated depreciation per decision No. 62424                               | 359,850                      |
| Plus: Depreciation Expense from February 1, 1999<br>through January 31, 2004. | <u>185,782</u>               |
| Total   | <b><u><u>545,632</u></u></b> |

**STATEMENT OF OPERATING INCOME**

|   | Company<br>Exhibit | Staff<br>Adjustments | Staff<br>Adjusted |
|---|--------------------|----------------------|-------------------|
| <b>Revenues:</b>                              |                    |                      |                   |
| 461 Metered Water Revenue                     | \$212,274          | \$0                  | \$212,274         |
| 460 Unmetered Water Revenue                   | 0                  | 0                    | 0                 |
| 474 Other Water Revenues                      | 3,883              | 0                    | 3,883             |
| <b>Total Operating Revenue</b>                | <b>\$216,157</b>   | <b>\$0</b>           | <b>\$216,157</b>  |
| <b>Operating Expenses:</b>                    |                    |                      |                   |
| 601 Salaries and Wages                        | \$118,455          | \$0                  | \$118,455         |
| 610 Purchased Water                           | 0                  | 0                    | 0                 |
| 615 Purchased Power                           | 19,861             | (2,349) A            | 17,512            |
| 618 Chemicals                                 | 2,549              | 0                    | 2,549             |
| 620 Repairs and Maintenance                   | 10,347             | 0                    | 10,347            |
| 621 Office Supplies & Expense                 | 13,483             | (1,984) B            | 11,499            |
| 630 Outside Services                          | 0                  | 0                    | 0                 |
| 635 Water Testing                             | 3,494              | (696) C              | 2,798             |
| 641 Rents                                     | 0                  | 0                    | 0                 |
| 650 Transportation Expenses                   | 12,081             | 0                    | 12,081            |
| 657 Insurance - General Liability             | 7,577              | 0                    | 7,577             |
| 659 Insurance - Health and Life               | 0                  | 0                    | 0                 |
| 666 Regulatory Commission Expense - Rate Case | 1,500              | 0                    | 1,500             |
| 675 Miscellaneous Expense                     | 0                  | 0                    | 0                 |
| 403 Depreciation Expense                      | 35,748             | (6,714) D            | 29,034            |
| 408 Taxes Other Than Income                   | 9,553              | 0                    | 9,553             |
| 408.11 Property Taxes                         | 8,591              | 0                    | 8,591             |
| 409 Income Tax                                | 0                  | 50                   | 50                |
| <b>Total Operating Expenses</b>               | <b>\$243,239</b>   | <b>(\$11,693)</b>    | <b>\$231,546</b>  |

|                                |                   |                 |                   |
|--------------------------------|-------------------|-----------------|-------------------|
| <b>OPERATING INCOME/(LOSS)</b> | <b>(\$27,082)</b> | <b>\$11,693</b> | <b>(\$15,389)</b> |
|--------------------------------|-------------------|-----------------|-------------------|

|                                       |            |            |            |
|---------------------------------------|------------|------------|------------|
| <b>Other Income/(Expense):</b>        |            |            |            |
| 419 Interest and Dividend Income      | \$0        | \$0        | \$0        |
| 421 Non-Utility Income                | 0          | 0          | 0          |
| 427 Interest Expense                  | 0          | 0          | 0          |
| 4XX Reserve/Replacement Fund Deposit  | 0          | 0          | 0          |
| 426 Miscellaneous Non-Utility Expense | 0          | 0          | 0          |
| <b>Total Other Income/(Expense)</b>   | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

|                          |                   |                 |                   |
|--------------------------|-------------------|-----------------|-------------------|
| <b>NET INCOME/(LOSS)</b> | <b>(\$27,082)</b> | <b>\$11,693</b> | <b>(\$15,389)</b> |
|--------------------------|-------------------|-----------------|-------------------|

### STAFF ADJUSTMENTS

|   |   |                               |          |                  |
|---|---|-------------------------------|----------|------------------|
| A | - | PURCHASED POWER - Per Company | \$19,861 |                  |
|   |   | Per Staff                     | 17,512   | <u>(\$2,349)</u> |

To remove \$2,349 of non-recurring expense.  
These sites are not being used by the Company.

|   |   |   |          |                  |
|---|---|---|----------|------------------|
| B | - | OFFICE SUPPLIES & EXPENSE - Per Company | \$13,483 |                  |
|   |   | Per Staff                               | 11,499   | <u>(\$1,984)</u> |

To reduce office supplies and expense by \$9,407 to  
remove the amount of a journal entry made to reconcile the  
checking account.

|   |   |                             |         |                |
|---|---|-----------------------------|---------|----------------|
| C | - | WATER TESTING - Per Company | \$3,494 |                |
|   |   | Per Staff                   | 2,798   | <u>(\$696)</u> |

To adjust to Staff Engineer's recommended expense level.

|   |   |                            |          |                  |
|---|---|----------------------------|----------|------------------|
| D | - | DEPRECIATION - Per Company | \$35,748 |                  |
|   |   | Per Staff                  | 29,034   | <u>(\$6,714)</u> |

To adjust to Staff's recommended depreciation expense.

**STAFF ADJUSTMENTS (Cont.)**

**Pro Forma Annual Depreciation Expense:**

|  |                               |
|--|-------------------------------|
| Plant in Service                             | \$813,364                     |
| Less: Non Depreciable Plant                  | 2,804                         |
| Fully Depreciated Plant                      | 0                             |
| Depreciable Plant                            | <u>\$810,560</u>              |
| Times: Staff Proposed Depreciation Rate      | <u>4.06%</u>                  |
| Credit to Accumulated Depreciation           | \$32,916 *                    |
| Less: Amort. of CIAC* @ 4.06%                | <u>3,882</u>                  |
| <b>Pro Forma Annual Depreciation Expense</b> | <b><u><u>\$29,034</u></u></b> |

**\* Amortization of CIAC:**

|  |                              |
|--|------------------------------|
| Contribution(s) in Aid of Construction (Gross) | \$95,595                     |
| Less: Non Amortizable Contribution(s)          | 0                            |
| Fully Amortized Contribution(s)                | 0                            |
| Amortizable Contribution(s)                    | <u>\$95,595</u>              |
| Times: Staff Proposed Amortization Rate        | <u>4.06%</u>                 |
| <b>Amortization of CIAC</b>                    | <b><u><u>\$3,882</u></u></b> |

**RATE DESIGN**

| Monthly Usage Charge                               | Present Compny |          | Staff       |
|--|----------------|----------|-------------|
|  | Rates          | Proposed | Recommended |
| 5/8" x 3/4" Meter                                  | \$21.00        | \$24.41  | \$24.25     |
| 3/4" Meter   | 31.50          | 36.62    | 36.00       |
| 1" Meter   | 52.50          | 61.03    | 60.00       |
| 1 1/2" Meter                                       | 105.00         | 122.06   | 120.00      |
| 2" Meter   | 168.00         | 195.30   | 192.00      |
| 3" Meter   | 315.00         | 366.19   | 360.00      |
| 4" Meter   | 525.00         | 610.31   | 600.00      |
| 6" Meter   | 1,050.00       | 1,220.63 | 1,200.00    |
| Gallons Included in Minimum                        | 0              | 0        | 0           |
| Excess of Minimum - per 1,000 gallons              | 3.30           | n/a      | n/a         |
| <b>5/8 inch and 3/4 inch Meters</b>                |                |          |             |
| Tier one zero gallons to 3,000 gallons             | n/a            | 3.55     | n/a         |
| Tier two from 3,001 gallons to 5,000 gallons       | n/a            | 3.75     | n/a         |
| Tier three all gallons over 5,000 gallons          | n/a            | 4.10     | n/a         |
| <b>5/8 inch and 3/4 inch Meters</b>                |                |          |             |
| Tier one zero gallons to 2,500 gallons             | n/a            | n/a      | 3.45        |
| Tier two from 2,501 gallons to 8,000 gallons       | n/a            | n/a      | 4.00        |
| Tier three all gallons over 8,000 gallons          | n/a            | n/a      | 4.25        |
| <b>One Inch Meter</b>                              |                |          |             |
| Tier one zero gallons to 15,000 gallons            | n/a            | 3.55     | 3.45        |
| Tier two from 15,001 gallons to 25,000 gallons     | n/a            | 3.75     | 4.00        |
| Tier three all gallons over 25,000 gallons         | n/a            | 4.10     | 4.25        |
| <b>One and one half Inch Meter</b>                 |                |          |             |
| Tier one zero gallons to 25,000 gallons            | n/a            | 3.55     | 3.45        |
| Tier two from 25,001 gallons to 35,000 gallons     | n/a            | 3.75     | 4.00        |
| Tier three all gallons over 35,000 gallons         | n/a            | 4.10     | 4.25        |
| <b>Two Inch Meter</b>                              |                |          |             |
| Tier one zero gallons to 40,000 gallons            | n/a            | 3.55     | 3.45        |
| Tier two from 40,001 gallons to 60,000 gallons     | n/a            | 3.75     | 4.00        |
| Tier three all gallons over 60,000 gallons         | n/a            | 4.10     | 4.25        |
| <b>Three Inch Meter</b>                            |                |          |             |
| Tier one zero gallons to 80,000 gallons            | n/a            | 3.55     | 3.45        |
| Tier two from 80,001 gallons to 125,000 gallons    | n/a            | 3.75     | 4.00        |
| Tier three all gallons over 125,000 gallons        | n/a            | 4.10     | 4.25        |
| <b>Four Inch Meter</b>                             |                |          |             |
| Tier one zero gallons to 125,000 gallons           | n/a            | 3.55     | 3.45        |
| Tier two from 125,001 gallons to 200,000 gallons   | n/a            | 3.75     | 4.00        |
| Tier three all gallons over 200,000 gallons        | n/a            | 4.10     | 4.25        |
| <b>Six Inch Meter</b>                              |                |          |             |
| Tier one zero gallons to 250,000 gallons           | n/a            | 3.55     | 3.45        |
| Tier two from 250,001 gallons to 450,000 gallons   | n/a            | 3.75     | 4.00        |
| Tier three all gallons over 450,000 gallons        | n/a            | 4.10     | 4.25        |
| Standpipe Rate Per 1,000 Gallons                   | 5.70           | 5.70     | 5.70        |
| <b>Service Line and Meter Installation Charges</b> |                |          |             |
| 5/8" x 3/4" Meter                                  | \$400.00       | \$400.00 | \$400.00    |
| 3/4" Meter   | 440.00         | 440.00   | 440.00      |
| 1" Meter   | 500.00         | 500.00   | 500.00      |
| 1 1/2" Meter                                       | 715.00         | 715.00   | 715.00      |
| 2" Meter Turbo                                     | 1,170.00       | 1,170.00 | 1,170.00    |
| 2" Meter Compound                                  | 1,700.00       | 1,700.00 | 1,700.00    |
| 3" Meter Turbo                                     | 1,585.00       | 1,585.00 | 1,585.00    |
| 3" Meter Compound                                  | 2,190.00       | 2,190.00 | 2,190.00    |
| 4" Meter Turbo                                     | 2,540.00       | 2,540.00 | 2,540.00    |
| 4" Meter Compound                                  | 3,215.00       | 3,215.00 | 3,215.00    |
| 6" Meter turbo                                     | 4,815.00       | 4,815.00 | 4,815.00    |
| 6" Meter Compound                                  | 6,270.00       | 6,270.00 | 6,270.00    |
| <b>Service Charges</b>                             |                |          |             |
| Establishment                                      | \$25.00        | \$25.00  | \$25.00     |
| Establishment (After Hours)                        | 40.00          | 40.00    | 40.00       |
| Reconnection (Delinquent)                          | 15.00          | 15.00    | 15.00       |
| Reconnection (Delinquent) after hours              | n/a            | 25.00    | 25.00       |
| Meter Test (If Correct)                            | 25.00          | 25.00    | 25.00       |
| Deposit  | *              | *        | *           |
| Deposit Interest                                   | 6.00%          | *        | *           |
| Re-Establishment (Within 12 Months)                | **             | **       | **          |
| NSF Check  | 10.00          | 25.00    | 25.00       |
| Deferred Payment                                   | ***            | ***      | ***         |
| Meter Re-Read (If Correct)                         | 10.00          | 25.00    | 25.00       |
| Late Payment Penalty (per month on unpaid balance) | 1.50%          | 1.50%    | 1.50%       |
| <b>Monthly Service Charge for Fire Sprinkler</b>   |                |          |             |
| 4" or Smaller                                      | ****           | ****     | ****        |
| 6"   | ****           | ****     | ****        |
| 8"   | ****           | ****     | ****        |
| 10"  | ****           | ****     | ****        |
| Larger than 10"                                    | n/a            | ****     | ****        |

\* Per Commission Rules (R14-2-403.B)  
\*\* Months off system times the minimum (R14-2-403.D)  
\*\*\* Per Commission Rules (R-14-2-409.G(6))  
\*\*\*\* 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

**TYPICAL BILL ANALYSIS**  
General Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 505

| <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           | 3,371          | \$32.12              | \$36.45               | \$4.33                 | 13.5%                   |
| Median Usage            | 2,459          | \$29.12              | \$33.14               | \$4.02                 | 13.8%                   |
| <u>Staff Proposed</u>   |                |                      |                       |                        |                         |
| Average Usage           | 3,371          | \$32.12              | \$36.36               | \$4.24                 | 13.2%                   |
| Median Usage            | 2,459          | \$29.12              | \$32.73               | \$3.61                 | 12.4%                   |

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

| <u>Gallons Consumption</u> | <u>Present Rates</u> | <u>Company Proposed Rates</u> | <u>% Increase</u> | <u>Staff Proposed Rates</u> | <u>% Increase</u> |
|----------------------------|----------------------|-------------------------------|-------------------|-----------------------------|-------------------|
| 0                          | \$21.00              | \$24.41                       | 16.2%             | \$24.25                     | 15.5%             |
| 1,000                      | 24.30                | 27.96                         | 15.1%             | 27.70                       | 14.0%             |
| 2,000                      | 27.60                | 31.51                         | 14.2%             | 31.15                       | 12.9%             |
| 3,000                      | 30.90                | 35.06                         | 13.5%             | 33.15                       | 7.3%              |
| 4,000                      | 34.20                | 38.81                         | 13.5%             | 37.15                       | 8.6%              |
| 5,000                      | 37.50                | 42.56                         | 13.5%             | 41.15                       | 9.7%              |
| 6,000                      | 40.80                | 46.66                         | 14.4%             | 45.15                       | 10.7%             |
| 7,000                      | 44.10                | 50.76                         | 15.1%             | 49.15                       | 11.5%             |
| 8,000                      | 47.40                | 54.86                         | 15.7%             | 53.15                       | 12.1%             |
| 9,000                      | 50.70                | 58.96                         | 16.3%             | 57.40                       | 13.2%             |
| 10,000                     | 54.00                | 63.06                         | 16.8%             | 61.65                       | 14.2%             |
| 15,000                     | 70.50                | 83.56                         | 18.5%             | 82.90                       | 17.6%             |
| 20,000                     | 87.00                | 104.06                        | 19.6%             | 104.15                      | 19.7%             |
| 25,000                     | 103.50               | 124.56                        | 20.3%             | 125.40                      | 21.2%             |
| 50,000                     | 186.00               | 227.06                        | 22.1%             | 231.65                      | 24.5%             |
| 75,000                     | 268.50               | 329.56                        | 22.7%             | 337.90                      | 25.8%             |
| 100,000                    | 351.00               | 432.06                        | 23.1%             | 444.15                      | 26.5%             |
| 125,000                    | 433.50               | 534.56                        | 23.3%             | 550.40                      | 27.0%             |
| 150,000                    | 516.00               | 637.06                        | 23.5%             | 656.65                      | 27.3%             |
| 175,000                    | 598.50               | 739.56                        | 23.6%             | 762.90                      | 27.5%             |
| 200,000                    | 681.00               | 842.06                        | 23.7%             | 869.15                      | 27.6%             |