

ORIGINAL



0000078319

BEFORE THE ARIZONA CORPORATION CC

COMMISSIONERS

- MIKE GLEASON, Chairman
- WILLIAM A. MUNDELL
- JEFF HATCH-MILLER
- KRISTIN K. MAYES
- GARY PIERCE

IN THE MATTER OF THE APPLICATION OF  
CORDES LAKES WATER COMPANY FOR A  
PERMANENT RATE INCREASE.

DOCKET NO. W-02060A-07-0256

NOTICE OF FILING  
STAFF'S SURREBUTTAL TESTIMONY

Staff of the Arizona Corporation Commission hereby files the Surrebuttal Testimony of Gary  
T. McMurry in the above-referenced matter.

RESPECTFULLY SUBMITTED this 1st day of November, 2007.

Robin R. Mitchell  
Attorney, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
(602) 542-6024

Original and thirteen (13) copies  
of the foregoing were filed this  
1st day of November, 2007 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Copy of the foregoing mailed this  
1st day of November, 2007 to:

Mr. Neil Folkman  
Authorized Representative  
Cordes lakes Water Company  
2501 East Palo verde  
Phoenix, Arizona 85016

Arizona Corporation Commission  
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**SURREBUTTAL**

**TESTIMONY**

**OF**

**GARY T. MCMURRY**

**DOCKET NO. W-02060A-07-0256**

**IN THE MATTER OF THE APPLICATION OF  
CORDES LAKES WATER COMPANY FOR APPROVAL  
OF A WATER COMPANY RATE REVIEW STATEMENT OF RATE BASE**

**NOVEMBER 01, 2007**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

MIKE GLEASON  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
JEFF HATCH-MILLER  
Commissioner  
KRISTIN K. MAYES  
Commissioner  
GARY PIERCE  
Commissioner

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. WS-02060A-07-0256  
CORDES LAKES WATER COMPANY )  
AN ARIZONA CORPORATION, FOR AN )  
INCREASE IN ITS RATES )  
\_\_\_\_\_ )

SURREBUTTAL  
TESTIMONY  
OF  
GARY MCMURRY  
PUBLIC UTILITIES ANALYST IV  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION  
November 1, 2007

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**EXECUTIVE SUMMARY  
CORDES LAKES WATER COMPANY  
DOCKET NO. WS-02060A-07-0256**

The Surrebuttal Testimony of Staff witness Gary McMurry addresses the following issues:

Rate Design – On page 22 of Direct Testimony, Staff recommends a change to the three-tier inverted block to correct a typing error. The 3/4-inch customer classes presently have break-over points for the 2<sup>nd</sup> tier at 10,000 gallons for these three tiers. Staff adjusted the 2<sup>nd</sup> tier break-over point from 10,000 gallons to 8,000 gallons as shown on GTM-24.

Impact to the median customer bill – On page 24 of Direct Testimony the impact to the median customer bill is shown to decrease by \$0.14 or -0.9 percent, from \$15.77 to \$15.63. This is the result of a formula error. Staff's adjusted impact to the typical 3/4-inch meter bill with a median use of 2,645 gallons would increase by \$2.64 or 16.7 percent, from \$15.77 to \$18.41.

Rate Design Schedules – Staff's Direct Testimony Schedule GTM-24 shows the first, second and third tier rates per 1,000 gallons for 3/4-inch customers at \$1.75, 2.60, and \$3.10, respectively. The correct Schedule GTM-24 has the per 1,000 gallons charges for the first tier at \$2.80, the second tier at \$4.22, and the third tier rate at \$5.00, respectively. Staff also recommends replacing GTM-25 and GTM-26 to correct errors resulting from the changes in the tier rates on GTM-24.

Response to the Rebuttal Testimony of Mr. Neil Folkman:

1. Mr. Folkman requests that the Staff report as filed be adopted "... but with the tacit acknowledgement that the Company may, prior to its next application, take appropriate measures to "reinstate" the amounts for plant removed."
2. Rate Base Adjustment No. 1 - Land – Staff continues to recommend that the cost of the real estate parcel be excluded from the rate base. The land is not being utilized for utility purposes and the Company has not provided any support as to what or when the land will be put into service.
3. Rate Base Adjustment No. 3 – Unsupported Plant - Staff continues to recommend the removal of unsupported plant in service of \$350,954. The Company, contrary to its claim, did not maintain the necessary transaction detail so that a proper determination of the Plant-in-Service values could be made during the audit process.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Gary McMurry. I am a Public Utilities Analyst IV employed by the Arizona  
4 Corporation Commission ("Commission") in the Utilities Division ("Staff"). My business  
5 address is 1200 West Washington Street, Phoenix, Arizona 85007.

6

7 **Q. Briefly describe your responsibilities as a Public Utilities Analyst IV.**

8 A. I am responsible for the examination and verification of financial and statistical  
9 information included in utility rate applications, financing applications and various other  
10 matters. In addition, I develop revenue requirements; prepare written reports, testimonies,  
11 and schedules that include Staff recommendations to the Commission. I am also  
12 responsible for testifying at formal hearings on these matters.

13

14 **Q. Are you the same Gary McMurry who previously submitted pre-filed testimony in  
15 this case?**

16 A. Yes, I am.

17

18 **PURPOSE OF SURREBUTTAL TESTIMONY**

19 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding?**

20 A. The purpose of my Surrebuttal Testimony in this proceeding is to respond, on behalf of  
21 Staff, to the Rebuttal Testimonies of Mr. Neil Folkman, Vice President, who represents  
22 Cordes Lakes Water Company in this matter.

1 **Q. Did Staff attempt to address every issue raised by the Company in its Rebuttal**  
2 **Testimony?**

3 A. No. This testimony is limited to certain issues as outlined below. Silence on any  
4 particular issue raised in the Company's Rebuttal Testimony does not indicate that Staff  
5 agrees with the Company's stated Rebuttal position on the issue. I rely on my Direct  
6 Testimony unless modified by this Surrebuttal Testimony. Staff's recommendations are  
7 shown in the attached Surrebuttal Schedules GTM-1 through GTM-26.

8  
9 **Q. What issues will Staff address?**

10 A. Staff will address the issues listed below that are discussed in the Rebuttal Testimonies of  
11 Company witnesses Mr. Neil Folkman.

12  
13 1. Rate Base Adjustment No. One - Land

14 2. Rate Base Adjustment No. Three – Unsupported Plant

15  
16 **SUMMARY OF RECOMMENDATIONS**

17 **Q. Please provide a summary of Staff's Surrebuttal recommendations for Cordes Lakes**  
18 **Water Company ("Cordes").**

19 A. Staff continues to recommends that the adjustments made in its Direct Testimony  
20 concerning land and unsupported Plant-in-Service be retained.

1 **RESPONSE TO REBUTTAL TESTIMONY OF NEIL FOLKMAN**

2 **RATE BASE ADJUSTMENTS**

3 **Rate Base Adjustment No. 1 – Land**

4 **Q. Please describe the Company’s opposition to the treatment proposed by Staff relative**  
5 **to rate base adjustment No. 1.**

6 A. The Company states that the “property will likely be used for its intended purpose prior to  
7 another application for a rate increase...” The Company goes on to indicate that the  
8 immediate standard seems arbitrary and unreasonable. Since the Company’s last rate case  
9 was 1984, Staff has no reason to doubt that the land will be productive in the indefinite  
10 future. However, the land is currently not productive and the Company has not supplied  
11 staff with the necessary documentation that the land will become used and useful in the  
12 immediate future.

13

14 **Rate Base Adjustment No. 3 – Unsupported Plant**

15 **Q. Please describe the Company’s opposition to the treatment proposed by Staff relative**  
16 **to rate base adjustment No. 3.**

17 A. The Company has objected to the removal of unsupported plant additions on the grounds  
18 that it is unable “to allocate items purchased specifically to the Cordes System.” Prior to  
19 2004, the Company states that “no effort was made to allocate plant and equipment to the  
20 different systems...” The Company did not maintain the necessary transaction detail so  
21 that a proper determination of Plant-in-Service values could be made during the audit  
22 process.

23

24 **Q. Does this conclude your Surrebuttal Testimony?**

25 A. Yes, it does.

CORDES LAKES WATER COMPANY

Docket No. W-02060A-07-0256

Test Year Ended December 31, 2006

SURREBUTAL TESTIMONY OF Gary T McMurry

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REVENUE REQUIREMENT

| LINE NO. | DESCRIPTION                           | (A)<br>COMPANY<br>ORIGINAL<br>COST | (B)<br>COMPANY<br>FAIR<br>VALUE | (C)<br>STAFF<br>ORIGINAL<br>COST | (D)<br>STAFF<br>FAIR<br>VALUE |
|----------|---------------------------------------|------------------------------------|---------------------------------|----------------------------------|-------------------------------|
| 1        | Adjusted Rate Base                    | \$ 524,384                         | \$ 524,384                      | \$ 161,919                       | \$ 161,919                    |
| 2        | Adjusted Operating Income (Loss)      | A \$ (116,109)                     | \$ (116,109)                    | \$ (59,129)                      | \$ (59,129)                   |
| 3        | Current Rate of Return (L2 / L1)      | -22.14%                            | -22.14%                         | -36.52%                          | -36.52%                       |
| 4        | Required Rate of Return               | 5.72%                              | 5.72%                           | 10.00%                           | 10.00%                        |
| 5        | Required Operating Income (L4 * L1)   | \$ 30,000                          | \$ 30,000                       | \$ 16,192                        | \$ 16,192                     |
| 6        | Operating Income Deficiency (L5 - L2) | \$ 146,109                         | \$ 146,109                      | \$ 75,321                        | \$ 75,321                     |
| 7        | Gross Revenue Conversion Factor       | 1.0000                             | 1.0000                          | 1.3204                           | 1.3204                        |
| 8        | Required Revenue Increase (L7 * L6)   | \$ 146,148                         | \$ 146,148                      | <b>\$ 99,456</b>                 | <b>\$ 99,456</b>              |
| 9        | Adjusted Test Year Revenue            | \$ 555,811                         | \$ 555,811                      | \$ 372,596                       | \$ 372,596                    |
| 10       | Proposed Annual Revenue (L8 + L9)     | \$ 701,959                         | \$ 701,959                      | \$ 472,052                       | \$ 472,052                    |
| 11       | Required Increase in Revenue (%)      | 26.29%                             | 26.29%                          | 26.69%                           | 26.69%                        |
| 12       | Rate of Return on Common Equity (%)   | 10.40%                             | 10.40%                          | 10.00%                           | 10.00%                        |

References:

Column (A): Company Schedule B-1  
Column (B): Company Schedules A-1, A-2, & D-1  
Column (C): Staff Schedule GTM-5 & 12 AND SPI-1  
Column (D): Staff Schedule GTM-5 & 12 AND SPI-1

A - The Company's application (Schedule A-1) uses Net Income as Operating Income

**GROSS REVENUE CONVERSION FACTOR**

| LINE NO.   | DESCRIPTION  | (A)             | (B)              | (C)               | (D)      |
|--|--|-----------------|------------------|-------------------|----------|
| <u>Calculation of Gross Revenue Conversion Factor:</u> |  |                 |                  |                   |          |
| 1  | Revenue  | 100.0000%       |                  |                   |          |
| 2  | Uncollectible Factor (Line 11)   | 0.0000%         |                  |                   |          |
| 3  | Revenues (L1 - L2)   | 100.0000%       |                  |                   |          |
| 4  | Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)                        | 24.2671%        |                  |                   |          |
| 5  | Subtotal (L3 - L4)   | 75.7329%        |                  |                   |          |
| 6  | <b>Revenue Conversion Factor (L1 / L5)</b>   | <b>1.320430</b> |                  |                   |          |
| <u>Calculation of Uncollectible Factor:</u>            |  |                 |                  |                   |          |
| 7  | Unity  | 100.0000%       |                  |                   |          |
| 8  | Combined Federal and State Tax Rate (Line 17)  | 23.1840%        |                  |                   |          |
| 9  | One Minus Combined Income Tax Rate (L7 - L8)   | 76.8160%        |                  |                   |          |
| 10   | Uncollectible Rate   | 0.0000%         |                  |                   |          |
| 11   | Uncollectible Factor (L9 * L10)  | 0.0000%         |                  |                   |          |
| <u>Calculation of Effective Tax Rate:</u>              |  |                 |                  |                   |          |
| 12   | Operating Income Before Taxes (Arizona Taxable Income)   | 100.0000%       |                  |                   |          |
| 13   | Arizona State Income Tax Rate  | 6.9680%         |                  |                   |          |
| 14   | Federal Taxable Income (L12 - L13)   | 93.0320%        |                  |                   |          |
| 15   | Applicable Federal Income Tax Rate (Line 53)   | 17.4306%        |                  |                   |          |
| 16   | Effective Federal Income Tax Rate (L14 x L15)  | 16.2160%        |                  |                   |          |
| 17   | Combined Federal and State Income Tax Rate (L13 +L16)  | 23.1840%        |                  |                   |          |
| <u>Calculation of Effective Property Tax Factor</u>    |  |                 |                  |                   |          |
| 18   | Unity  | 100.0000%       |                  |                   |          |
| 19   | Combined Federal and State Tax Rate (Line 17)  | 23.1840%        |                  |                   |          |
| 20   | One Minus Combined Income Tax Rate (L18 - L19)   | 76.8160%        |                  |                   |          |
| 21   | Property Tax Factor (GTM-18, L24)  | 1.4100%         |                  |                   |          |
| 22   | Effective Property Tax Factor (L 21 * L 22)  | 1.0831%         |                  |                   |          |
| 23   | Combined Federal and State Tax and Property Tax Rate (L17+L22)                                       |                 | 24.2671%         |                   |          |
| 24   | Required Operating Income (Schedule GTM-1, Line 5)   | \$ 16,192       |                  |                   |          |
| 25   | Adjusted Test Year Operating Income (Loss) (Schedule GTM-10, Line 40)                                | \$ (59,129)     |                  |                   |          |
| 26   | Required Increase in Operating Income (L24 - L25)  |                 | \$ 75,321        |                   |          |
| 27   | Income Taxes on Recommended Revenue (Col. (D), L52)  | \$ 4,284        |                  |                   |          |
| 28   | Income Taxes on Test Year Revenue (Col. (B), L52)  | \$ (18,449)     |                  |                   |          |
| 29   | Required Increase in Revenue to Provide for Income Taxes (L27 - L28)                                 |                 | \$ 22,733        |                   |          |
| 30   | Recommended Revenue Requirement (Schedule GTM-1, Line 10)  | \$ 472,052      |                  |                   |          |
| 31   | Uncollectible Rate (Line 10)   | 0.0000%         |                  |                   |          |
| 32   | Uncollectible Expense on Recommended Revenue (L24 * L25)   | \$ -            |                  |                   |          |
| 33   | Adjusted Test Year Uncollectible Expense   | \$ -            |                  |                   |          |
| 34   | Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)                           |                 | \$ -             |                   |          |
| 35   | Property Tax with Recommended Revenue (GTM-18, L19)  | \$ 15,624       |                  |                   |          |
| 36   | Property Tax on Test Year Revenue (GTM-18, L 16)   | \$ 14,222       |                  |                   |          |
| 37   | Increase in Property Tax Due to Increase in Revenue (GTM-18, L22)                                    |                 | \$ 1,402         |                   |          |
| 38   | <b>Total Required Increase in Revenue (L26 + L29 + L34+L37)</b>                                      |                 | <b>\$ 99,456</b> |                   |          |
| <u>Calculation of Income Tax:</u>                      |  |                 |                  |                   |          |
|  |  | Test Year       |                  | STAFF Recommended |          |
| 39   | Revenue (Schedule GTM-10, Col.(C), Line 5 & Sch. GTM-1, Col. (B), Line 10)                           | \$ 372,596      | \$ 99,456        | \$ 472,052        |          |
| 40   | Operating Expenses Excluding Income Taxes  | \$ 450,173      |                  | \$ 451,576        |          |
| 41   | Synchronized Interest (L47)  | \$ -            |                  | \$ -              |          |
| 42   | Arizona Taxable Income (L36 - L317- L38)   | \$ (77,577)     |                  | \$ 20,476         |          |
| 43   | Arizona State Income Tax Rate  | 6.9680%         |                  | 6.9680%           |          |
| 44   | Arizona Income Tax (L39 x L40)   |                 | \$ (5,406)       | \$ -              | \$ 1,427 |
| 45   | Federal Taxable Income (L33 - L35)   | \$ (72,172)     |                  | \$ 19,049         |          |
| 46   | Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%   | \$ (7,500)      |                  | \$ 2,857          |          |
| 47   | Federal Tax on Second Income Bracket (\$50,001 - \$75,000) @ 25%                                     | \$ (5,543)      |                  | \$ -              |          |
| 48   | Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%                                     | \$ -            |                  | \$ -              |          |
| 49   | Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%                                   | \$ -            |                  | \$ -              |          |
| 50   | Federal Tax on Fifth Income Bracket (\$335,001 - \$1,000,000) @ 34%                                  | \$ -            |                  | \$ -              |          |
| 51   | Total Federal Income Tax   | \$ (13,043)     |                  | \$ 2,857          |          |
| 52   | Combined Federal and State Income Tax (L44 + L51)  | \$ (18,449)     |                  | \$ 4,284          |          |
| 53   | Applicable Federal Income Tax Rate [Col. (D), L51 - Col. (B), L51] / [Col. (C), L45 - Col. (A), L45] |                 |                  |                   | 17.4306% |
| <u>Calculation of Interest Synchronization:</u>        |  |                 |                  |                   |          |
| 54   | Rate Base (Schedule GTM-3, Col. (C), Line 17)  | \$ 161,919      |                  |                   |          |
| 55   | Weighted Average Cost of Debt (Schedule SPI-1)   | 0.00%           |                  |                   |          |
| 56   | Synchronized Interest (L54 X L56)  | \$ -            |                  |                   |          |

**RATE BASE - ORIGINAL COST**

| LINE<br>NO.  | (A)<br>COMPANY<br>AS<br>FILED               | (B)<br>STAFF<br>ADJUSTMENTS | REF                 | (C)<br>STAFF<br>AS<br>ADJUSTED |
|--------------|---|-----------------------------|---------------------|--------------------------------|
| 1            | Plant in Service                            | \$ 921,465                  | \$ 126,741          | \$ 1,048,206                   |
| 2            | Less: Accumulated Depreciation              | 391,562                     | 356,733             | 748,295                        |
| 3            | Net Plant in Service                        | <u>\$ 529,903</u>           | <u>\$ (229,992)</u> | <u>\$ 299,911</u>              |
| <b>LESS:</b> |   |                             |                     |                                |
| 4            | Contributions in Aid of Construction (CIAC) | \$ -                        | \$ 76,247           | \$ 76,247                      |
| 5            | Less: Accumulated Amortization              | -                           | -                   | -                              |
| 6            | Net CIAC                                    | -                           | 76,247              | 76,247                         |
| 7            | Advances in Aid of Construction (AIAC)      | -                           | -                   | -                              |
| 8            | Customer Deposits                           | 34,300                      | -                   | 34,300                         |
| 9            | Deferred Income Tax Credits                 | 27,445                      | -                   | 27,445                         |
| <b>ADD:</b>  |   |                             |                     |                                |
| 10           | Unamortized Finance Charges                 | -                           | -                   | -                              |
| 11           | Deferred Tax Assets                         | -                           | -                   | -                              |
| 12           | Working Capital                             | 56,226                      | (56,226)            | -                              |
| 17           | <b>Original Cost Rate Base</b>              | <u>\$ 524,384</u>           | <u>\$ (362,465)</u> | <u>\$ 161,919</u>              |

**References:**

Column (A), Company Schedule B-1  
Column (B): Schedule GTM-4  
Column (C): Column (A) + Column (B)

Surrebudal  
Schedule GTM-4

CORDES LAKES WATER COMPANY  
DocId: No. W-02060-A07-0236  
Test Year Ended December 31, 2006

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

| LINE NO.                 | ACCT. NO. | DESCRIPTION                                 | (A)<br>COMPANY AS FILED | (B)<br>Res. & Res. Land ADJ.#1 | (C)<br>Vehicle Alloc ADJ.#2 | (D)<br>Unsupported Plant ADJ.#3 | (E)<br>Used & Useful ADJ.#4 | (F)<br>Accr. Depr ADJ.#5 | (G)<br>Recognize CIAC ADJ.#6 | (H)<br>Working Capital ADJ.#7 | (I)<br>STAFF ADJUSTED |
|--------------------------|-----------|---|-------------------------|--------------------------------|-----------------------------|---------------------------------|-----------------------------|--------------------------|------------------------------|-------------------------------|-----------------------|
| <b>PLANT IN SERVICE:</b> |           |   |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 1                        |           | Organization                                | \$ -                    | \$ -                           | \$ -                        | \$ -                            | \$ -                        | \$ -                     | \$ -                         | \$ -                          | \$ -                  |
| 2                        | 301       | Franchises                                  | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 3                        | 302       | Land and Land Rights                        | 35,875                  | (35,875)                       | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 4                        | 303       | Structures & Improvements                   | 15,609                  | -                              | -                           | (6,962)                         | -                           | -                        | -                            | -                             | 6,657                 |
| 5                        | 304       | Collecting & Impounding Reservoirs          | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 6                        | 305       | Lakes, Rivers, Other Intakes                | -                       | -                              | -                           | (740)                           | -                           | -                        | -                            | -                             | -                     |
| 7                        | 306       | Wells and Springs                           | 138,895                 | -                              | -                           | -                               | -                           | -                        | -                            | -                             | 138,155               |
| 8                        | 307       | Infiltration Galleries and Tunnels          | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 9                        | 308       | Supply Mains                                | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 10                       | 309       | Power Generation Equipment                  | 93,954                  | -                              | -                           | (83,396)                        | -                           | -                        | -                            | -                             | 10,558                |
| 11                       | 310       | Pumping Equipment                           | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 12                       | 311       | Water Treatment Plant                       | 285,387                 | -                              | -                           | (128,144)                       | -                           | -                        | -                            | -                             | 137,243               |
| 13                       | 320       | Distribution Reservoirs & Standpipes        | 80,753                  | -                              | -                           | -                               | 511,631                     | -                        | -                            | -                             | 572,384               |
| 14                       | 330       | Transmission & Distribution Mains           | -                       | -                              | -                           | -                               | 19,350                      | -                        | -                            | -                             | 19,350                |
| 15                       | 331       | Services                                    | 158,794                 | -                              | -                           | (121,205)                       | -                           | -                        | -                            | -                             | 35,589                |
| 16                       | 332       | Hydros & Meter Installation                 | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 17                       | 334       | Backflow Prevention Devices                 | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 18                       | 335       | Other Plant & Misc. Equipment               | 54,149                  | -                              | -                           | -                               | -                           | -                        | -                            | -                             | 54,149                |
| 19                       | 338       | Office Furniture & Equipment                | 13,007                  | -                              | -                           | (8,517)                         | -                           | -                        | -                            | -                             | 4,490                 |
| 20                       | 339       | Transportation Equipment                    | 87,042                  | (17,993)                       | -                           | -                               | -                           | -                        | -                            | -                             | 69,049                |
| 21                       | 340       | Stores Equipment                            | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 22                       | 341       | Tools, Ship & Garage Equipment              | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 23                       | 342       | Laboratory Equipment                        | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 24                       | 343       | Power Operator Equipment                    | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 25                       | 344       | Communication Equipment                     | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 26                       | 345       | Miscellaneous Equipment                     | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 27                       | 346       | Other Tangible Plant                        | -                       | -                              | -                           | -                               | 582                         | -                        | -                            | -                             | 582                   |
| 28                       | 347       |   | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 29                       | 348       |   | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 30                       |           |   | 921,485                 | (35,875)                       | (17,993)                    | (350,954)                       | 531,563                     | -                        | -                            | -                             | 1,048,208             |
| 31                       |           |   |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 32                       |           | Add:  |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 33                       |           | Post Test Year Plant                        | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 34                       |           | General Office Plant Allocation             | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 35                       |           | Less:                                       |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 36                       |           | Total Plant in Service                      | \$ 921,485              | \$ (35,875)                    | \$ (17,993)                 | \$ (350,954)                    | \$ 531,563                  | \$ 366,733               | \$ -                         | \$ -                          | \$ 1,048,208          |
| 37                       |           | Less: Accumulated Depreciation              | 391,562                 | -                              | -                           | -                               | -                           | (366,733)                | -                            | -                             | 748,295               |
| 38                       |           |   |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 39                       |           |   | \$ 529,923              | \$ (35,875)                    | \$ (17,993)                 | \$ (350,954)                    | \$ 531,563                  | \$ (366,733)             | \$ -                         | \$ -                          | \$ 299,911            |
| 40                       |           |   |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 41                       |           |   |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 42                       |           |   |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 43                       |           | LESS:                                       |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 44                       |           | Contributions in Aid of Construction (CIAC) | -                       | -                              | -                           | -                               | -                           | -                        | \$ 76,247                    | -                             | \$ 76,247             |
| 45                       |           | Less: Accumulated Amortization              | -                       | -                              | -                           | -                               | -                           | -                        | 76,247                       | -                             | 76,247                |
| 46                       |           | Net CIAC (L25 - L26)                        | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 47                       |           | Advances in Aid of Construction (AIAC)      | 34,300                  | -                              | -                           | -                               | -                           | -                        | -                            | -                             | 34,300                |
| 48                       |           | Customer Meter Deposits                     | 27,445                  | -                              | -                           | -                               | -                           | -                        | -                            | -                             | 27,445                |
| 49                       |           | Service Deposits                            | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 50                       |           |   |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 51                       |           |   |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 52                       |           | ADJ:  |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 53                       |           | Unamortized Finance Charges                 | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 54                       |           | Deferred Tax Assets                         | 56,226                  | -                              | -                           | -                               | -                           | -                        | -                            | (56,226)                      | -                     |
| 55                       |           | Working Capital                             | -                       | -                              | -                           | -                               | -                           | -                        | -                            | -                             | -                     |
| 56                       |           |   |                         |                                |                             |                                 |                             |                          |                              |                               |                       |
| 57                       |           | Original Cost Rate Base                     | \$ 524,384              | \$ (35,875)                    | \$ (17,993)                 | \$ (350,954)                    | \$ 531,563                  | \$ (366,733)             | \$ (76,247)                  | \$ (56,226)                   | \$ 161,919            |

| ADJ.# | Reference:                                |
|-------|---|
| 1     | Recalculation and Restatement of Land     |
| 2     | Allocation of Common Vehicle              |
| 3     | Schedule GTM-5                            |
| 4     | Removal Unsupported Plant Additions       |
| 5     | Schedule GTM-7                            |
| 6     | Recalculation of Accumulated Depreciation |
| 7     | Schedule GTM-9                            |
|       | Schedule GTM-10                           |
|       | Remove Working Capital Allowance          |
|       | Schedule GTM-11                           |

CORDES LAKES WATER COMPANY  
Docket No. W-02060A-07-0256  
Test Year Ended December 31, 2006

**Surrebuttal  
Schedule GTM - 5**

**RATE BASE ADJUSTMENT #1 - REMOVE NON-USED AND USEFUL LAND**

| <u>Line<br/>No.</u> | <u>DESCRIPTION</u> | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|---------------------|--------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1                   | Land               | <u>\$ 35,875</u>                    | <u>\$ (35,875)</u>                   | <u>\$ -</u>                          |

References:

Col [A]: Company Schedule B-1

Col [B]: Col [C] - Col [A]

Col [C]: Data Request GTM-5.12, and on site audit.

CORDES LAKES WATER COMPANY  
 Docket No. W-02060A-07-0256  
 Test Year Ended December 31, 2006

**Surrebuttal  
 Schedule GTM-6**

**RATE BASE ADJUSTMENTS #2 - ALLOCATION OF COMMON VEHICLE**

| <u>Line No.</u>                       | <u>DESCRIPTION</u>   | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|---------------------------------------|--|-------------------------------------|--------------------------------------|--------------------------------------|
| 1                                     | Plant - Transportation Equipment                             | \$ 87,042                           | \$ (17,993)                          | \$ 69,049                            |
| <u>Vehicle Allocation Calculation</u> |  | <u>Date Price</u>                   | <u>Cordes Lakes<br/>(10 Percent)</u> | <u>Berneil<br/>(90 Percent)</u>      |
| 2                                     | Vehicle, Pick-up Serial # 11529 (Driver Don) Acquired in 200 | \$ 19,992                           |                                      |                                      |
| 3                                     | Allocation to Cordes Lakes                                   |                                     | \$ 1,999                             |                                      |
| 4                                     | Allocation to - Berneil (Staff Adjustment)                   |                                     |                                      | \$ 17,993                            |

**Notes:**

Don spends approximately 10% of his time on Company business. The rest of his working hours are paid by the Berneil Water Company.

CORDES LAKES WATER COMPANY  
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 Test Year Ended December 31, 2006

**Surrebuttal**  
**Schedule GTM-7**

**RATE BASE ADJUSTMENT #3- REMOVAL OF UNSUPPORTED PLANT**

| LINE<br>NO. | ACCT<br>NO. | DESCRIPTION                          | [A]                    | [B]                  | [C]                  |
|-------------|-------------|--------------------------------------|------------------------|----------------------|----------------------|
|             |             |                                      | COMPANY<br>AS<br>FILED | STAFF<br>ADJUSTMENTS | STAFF<br>RECOMMENDED |
| 1           | 304.00      | Structures & Improvements            | \$ 15,609              | \$ (8,952)           | \$ 6,657             |
| 2           | 307.00      | Wells and Springs                    | 138,895                | (740)                | 138,155              |
| 3           | 311.00      | Pumping Equipment                    | 93,954                 | (83,396)             | 10,558               |
| 4           | 330.00      | Distribution Reservoirs & Standpipes | 265,387                | (128,144)            | 137,243              |
| 5           | 334.00      | Meters & Meter Installation          | 156,794                | (121,205)            | 35,589               |
| 6           | 339.00      | Other Plant & Misc. Equipment        | 54,149                 | -                    | 54,149               |
| 7           | 340.00      | Office Furniture & Equipment         | 13,007                 | (8,517)              | 4,490                |
| Totals      |             |                                      | <u>\$ 737,795</u>      | <u>\$ (350,954)</u>  | <u>\$ 386,841</u>    |

[A]: Company Schedule E-5

[B]: Unsupported plant additions included in Company application.

[C]: Col [A] - Col [B]

CORDES LAKES WATER COMPANY  
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 Test Year Ended December 31, 2006

**Surrebuttal  
 Schedule GTM-8**

**RATE BASE ADJUSTMENT #4 - REINSTATE USED AND USEFUL  
 FULLY DEPRECIATED PLANT**

| LINE<br>NO. | ACCT<br>NO. | DESCRIPTION                       | [A]<br>COMPANY<br>AS<br>FILED | [B]<br>STAFF<br>ADJUSTMENTS | [C]<br>STAFF<br>RECOMMENDED |
|-------------|-------------|-----------------------------------|-------------------------------|-----------------------------|-----------------------------|
| 1           | 331         | Transmission & Distribution Mains | \$ 60,753                     | \$ 511,631                  | \$ 572,384                  |
| 2           | 333         | Services                          | -                             | \$ 19,350                   | \$ 19,350                   |
| 3           | 347         | Miscellaneous Equipment           | -                             | 582                         | 582                         |
| Totals      |             |                                   | <u>\$ 60,753</u>              | <u>\$ 531,563</u>           | <u>\$ 592,316</u>           |

[A]: Company Schedule E-5  
 [B]: Col [C] - Col [A]  
 [C]: Plant supported.

CORDES LAKES WATER COMPANY  
 Docket No. W-02060A-07-0256  
 Test Year Ended December 31, 2006

**Surrebuttal  
 Schedule GTM-9**

**RATE BASE ADJUSTMENT #5 - ACCUMULATED DEPRECIATION**

| LINE NO. | DESCRIPTION                                      | [A]<br>COMPANY<br>PROPOSED | [B]<br>STAFF<br>ADJUSTMENTS | [C]<br>STAFF<br>RECOMMENDED |
|----------|--|----------------------------|-----------------------------|-----------------------------|
| 1        | Accumulated Depreciation                         | \$ 391,562                 | \$ 356,733                  | \$ 748,295                  |
|          | Plant Plant (Dec. No. 54526)                     |                            |                             | \$ 646,293                  |
|          | Less: Land                                       |                            |                             | \$ (905)                    |
|          | Less: Retirements Documented                     |                            |                             | \$ (6,586)                  |
|          | Accumulated Depreciation on Documented Additions |                            |                             | \$ 109,493                  |
|          | Staff Recommended Accumulated Depreciation       |                            |                             | \$ 748,295                  |

References:

- Col [A]: Company Schedule B-1
- Col [B]: Col [C] - Col [A]
- Col [C]: GTM Testimony

CORDES LAKES WATER COMPANY  
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Test Year Ended December 31, 2006

**Surrebuttal  
Schedule GTM-10**

**RATE BASE ADJUSTMENT #6 - CIAC**

| <u>LINE<br/>NO.</u> | <u>DESCRIPTION</u>                   | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|---------------------|--------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1                   | Contributions in aid of construction | \$ -                                | \$ 76,247                            | \$ 76,247                            |

References:

Col [A]: Company Schedule B-1

Col [B]: Col [C] - Col [A]

Col [C]: GTM Testimony

CORDES LAKES WATER COMPANY  
Docket No. W-02060A-07-0256  
Test Year Ended December 31, 2006

**Surrebuttal  
Schedule GTM-11**

**RATE BASE ADJUSTMENT #7 - WORKING CAPITAL ALLOWANCE**

| <u>LINE</u><br><u>NO.</u> | <u>DESCRIPTION</u>        | <u>[A]</u><br><u>COMPANY</u><br><u>PROPOSED</u> | <u>[B]</u><br><u>STAFF</u><br><u>ADJUSTMENTS</u> | <u>[C]</u><br><u>STAFF</u><br><u>RECOMMENDED</u> |
|---------------------------|---------------------------|---|--|--|
| 1                         | Working Capital Allowance | \$ 56,226                                       | \$ (56,226)                                      | \$ -   |

References:

Col [A]: Company Schedule B-1

Col [B]: Col [C] - Col [A]

Col [C]: GTM Testimony

CORDES LAKES WATER COMPANY  
Docket No. W-02060A-07-0256  
Test Year Ended December 31, 2006

Surrebuttal  
Schedule GTM-12

CORDES LAKES WATER COMPANY  
Docket No. W-02060A-07-0256  
Test Year Ended December 31, 2006

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

| LINE NO. | DESCRIPTION                                   | [A]<br>COMPANY<br>ADJUSTED<br>TEST YEAR<br>AS FILED | [B]<br>STAFF<br>TEST YEAR<br>ADJUSTMENTS | [C]<br>STAFF<br>TEST YEAR<br>AS<br>ADJUSTED | [D]<br>STAFF<br>PROPOSED<br>CHANGES | [E]<br>STAFF<br>RECOMMENDED |
|----------|---|---|--|---|-------------------------------------|-----------------------------|
| 1        | <u>REVENUES:</u>                              |   |  |   |                                     |                             |
| 2        | Metered Water Sales                           | \$ 395,205  | \$ (26,164)                              | \$ 369,041                                  | \$ 90,368                           | \$ 459,409                  |
| 3        | Water Sales - Unmetered                       | 160,606   | (160,606)                                | -   | -                                   | -                           |
| 4        | Other Operating Revenue                       | -   | 3,555                                    | 3,555                                       | 9,088                               | 12,643                      |
| 5        | <b>Total Operating Revenues</b>               | <b>\$ 555,811</b>                                   | <b>\$ (183,215)</b>                      | <b>\$ 372,596</b>                           | <b>\$ 99,456</b>                    | <b>\$ 472,052</b>           |
| 6        | <u>OPERATING EXPENSES:</u>                    |   |  |   |                                     |                             |
| 7        | Payroll                                       | \$ 337,078  | \$ (160,606)                             | \$ 176,472                                  | \$ -                                | \$ 176,472                  |
| 10       | Contract Labor                                | 8,447   | -  | 8,447                                       | -                                   | 8,447                       |
| 11       | Employee Benefits                             | 12,003  | -  | 12,003                                      | -                                   | 12,003                      |
| 13       | Purchased Power                               | 24,325  | -  | 24,325                                      | -                                   | 24,325                      |
| 14       | Repairs and Maintenance                       | 22,275  | (6,132)                                  | 16,143                                      | -                                   | 16,143                      |
| 15       | Office Supplies and Expense                   | 15,339  | -  | 15,339                                      | -                                   | 15,339                      |
| 16       | Outside Seivces - Accounting                  | 2,475   | -  | 2,475                                       | -                                   | 2,475                       |
| 17       | Outside Seivces - Billing Services            | 18,002  | -  | 18,002                                      | -                                   | 18,002                      |
| 18       | Outside Seivces - Computer Programming        | 2,481   | -  | 2,481                                       | -                                   | 2,481                       |
| 19       | Water Testing                                 | 6,250   | (927)                                    | 5,323                                       | -                                   | 5,323                       |
| 20       | Rents   | 25,200  | -  | 25,200                                      | -                                   | 25,200                      |
| 21       | Transportation Expenses                       | 17,432  | -  | 17,432                                      | -                                   | 17,432                      |
| 22       | Insurance - General Liability                 | 31,113  | -  | 31,113                                      | -                                   | 31,113                      |
| 23       | Insurance - Health and Life                   | 6,456   | -  | 6,456                                       | -                                   | 6,456                       |
| 24       | Rate Case Expense                             | 8,000   | (5,333)                                  | 2,667                                       | -                                   | 2,667                       |
| 25       | Regulatory Expense                            | 45  | -  | 45  | -                                   | 45                          |
| 26       | Misc Expense - Permits                        | 2,040   | -  | 2,040                                       | -                                   | 2,040                       |
| 27       | Misc Expense - Travel                         | 545   | -  | 545   | -                                   | 545                         |
| 28       | Misc. Expenses - Utilities except Electricity | 8,917   | -  | 8,917                                       | -                                   | 8,917                       |
| 29       | Misc. Expenses - Bank Charges                 | 332   | -  | 332   | -                                   | 332                         |
| 30       | Misc. Expenses - Payroll Services             | 1,182   | -  | 1,182                                       | -                                   | 1,182                       |
| 31       | Depreciation Expense                          | 44,279  | (19,142)                                 | 25,137                                      | -                                   | 25,137                      |
| 32       | Payroll Taxes                                 | 33,875  | -  | 33,875                                      | -                                   | 33,875                      |
| 33       | Taxes other than Income (Sales Tax)           | 22,609  | (22,609)                                 | -   | -                                   | -                           |
| 34       | Property Taxes                                | 20,206  | (5,984)                                  | 14,222                                      | 1,402                               | 15,624                      |
| 35       | Income Tax                                    | -   | (18,449)                                 | (18,449)                                    | 22,733                              | 4,284                       |
| 36       | Interest Income                               | (2,035)   | 2,035                                    | -   | -                                   | -                           |
| 37       | Interest Expense                              | 3,049   | (3,049)                                  | -   | -                                   | -                           |
| 38       |   |   |  |   |                                     |                             |
| 39       | <b>Total Operating Expenses</b>               | <b>\$ 671,920</b>                                   | <b>\$ (240,195)</b>                      | <b>\$ 431,725</b>                           | <b>\$ 24,135</b>                    | <b>\$ 455,860</b>           |
| 40       | <b>Operating Income (Loss)</b>                | <b>\$ (116,109)</b>                                 | <b>\$ 56,980</b>                         | <b>\$ (59,129)</b>                          | <b>\$ 75,321</b>                    | <b>\$ 16,192</b>            |

References:

Column (A): Company Schedule C-1 (TAB IS-ADJ)  
Column (B): Schedule GTM-11  
Column (C): Column (A) + Column (B)  
Column (D): Schedules JRM-1 and JRM-2  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

| LINE NO. | DESCRIPTION                                   | (A)<br>COMPANY AS FILED | (B)<br>Sales Tax ADJ.#1 | (C)<br>Contract Labor ADJ.#2 | (D)<br>Repairs & Maint ADJ.#3 | (F)<br>Rate Case ADJ.#4 | (G)<br>Depr. Exp. ADJ.#5 | (H)<br>Prop. Tax ADJ.#6 | (I)<br>Inc. Tax ADJ.#7 | (J)<br>Non-Operating ADJ.#8 | (K)<br>Water Testing ADJ.#9 | (L)<br>Other Rev ADJ.#10 | (T)<br>STAFF ADJUSTED |
|----------|---|-------------------------|-------------------------|------------------------------|-------------------------------|-------------------------|--------------------------|-------------------------|------------------------|-----------------------------|-----------------------------|--------------------------|-----------------------|
| 1        | REVENUES:                                     |                         |                         |                              |                               |                         |                          |                         |                        |                             |                             |                          |                       |
| 2        | Sales   | \$ 395,205              | \$ (22,609)             | \$ -                         | \$ -                          | \$ -                    | \$ -                     | \$ -                    | \$ -                   | \$ -                        | \$ -                        | \$ (3,555)               | \$ 369,041            |
| 3        | Received for Contract Labor                   | 160,606                 | -                       | (160,606)                    | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | -                     |
| 4        | Other Operating Revenue                       | -                       | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | 3,555                    | 3,555                 |
| 5        | Total Operating Revenues                      | \$ 555,811              | \$ (22,609)             | \$ (160,606)                 | \$ -                          | \$ -                    | \$ -                     | \$ -                    | \$ -                   | \$ -                        | \$ -                        | \$ -                     | \$ 372,596            |
| 6        | OPERATING EXPENSES:                           |                         |                         |                              |                               |                         |                          |                         |                        |                             |                             |                          |                       |
| 7        | Payroll                                       | \$ 337,078              | \$ -                    | \$ (160,606)                 | \$ -                          | \$ -                    | \$ -                     | \$ -                    | \$ -                   | \$ -                        | \$ -                        | \$ -                     | \$ 176,472            |
| 8        | Contract Labor                                | 8,447                   | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 8,447                 |
| 9        | Employee Benefits                             | 12,003                  | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 12,003                |
| 10       | Purchased Power                               | 24,325                  | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 24,325                |
| 11       | Repairs and Maintenance                       | 22,275                  | -                       | -                            | (6,132)                       | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 16,143                |
| 12       | Office Supplies and Expense                   | 15,339                  | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 15,339                |
| 13       | Outside Services - Accounting                 | 2,475                   | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 2,475                 |
| 14       | Outside Services - Billing Services           | 18,002                  | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 18,002                |
| 15       | Outside Services - Computer Programming       | 2,481                   | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 2,481                 |
| 16       | Water Testing                                 | 6,250                   | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | (927)                       | -                        | 5,323                 |
| 17       | Rents   | 25,200                  | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 25,200                |
| 18       | Transportation Expenses                       | 17,432                  | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 17,432                |
| 19       | Medical Insurance                             | 31,113                  | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 31,113                |
| 20       | Liability Insurance                           | 6,456                   | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 6,456                 |
| 21       | Rate Case Expense                             | 8,000                   | -                       | -                            | -                             | (5,333)                 | -                        | -                       | -                      | -                           | -                           | -                        | 2,667                 |
| 22       | Regulatory Expense                            | 45                      | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 45                    |
| 23       | Misc Expense - Permits                        | 2,040                   | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 2,040                 |
| 24       | Misc Expense - Travel                         | 545                     | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 545                   |
| 25       | Misc. Expenses - Utilities except Electricity | 8,917                   | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 8,917                 |
| 26       | Misc. Expenses - Bank Charges                 | 332                     | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 332                   |
| 27       | Misc. Expenses - Payroll Services             | 1,182                   | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 1,182                 |
| 28       | Depreciation Expense                          | 44,279                  | -                       | -                            | -                             | -                       | (19,142)                 | -                       | -                      | -                           | -                           | -                        | 25,137                |
| 29       | Payroll Taxes                                 | 33,875                  | -                       | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | 33,875                |
| 30       | Taxes other than Income (Sales Tax)           | 22,609                  | (22,609)                | -                            | -                             | -                       | -                        | -                       | -                      | -                           | -                           | -                        | -                     |
| 31       | Property Taxes                                | 20,206                  | -                       | -                            | -                             | -                       | -                        | (5,984)                 | -                      | -                           | -                           | -                        | 14,222                |
| 32       | Income Tax                                    | -                       | -                       | -                            | -                             | -                       | -                        | -                       | (18,449)               | -                           | -                           | -                        | -                     |
| 33       | Interest Income                               | (2,035)                 | -                       | -                            | -                             | -                       | -                        | -                       | -                      | 2,035                       | -                           | -                        | (18,449)              |
|          | Interest Expense                              | 3,049                   | -                       | -                            | -                             | -                       | -                        | -                       | -                      | (3,049)                     | -                           | -                        | -                     |
| 34       | Total Operating Expenses                      | \$ 671,920              | \$ (22,609)             | \$ (160,606)                 | \$ (6,132)                    | \$ (5,333)              | \$ (19,142)              | \$ (5,984)              | \$ (18,449)            | \$ (1,014)                  | \$ (927)                    | \$ -                     | \$ 431,725            |
| 35       | Operating Income (Loss)                       | \$ (116,109)            | \$ -                    | \$ -                         | \$ 6,132                      | \$ 5,333                | \$ 19,142                | \$ 5,984                | \$ 18,449              | \$ 1,014                    | \$ 927                      | \$ -                     | \$ (59,129)           |

|       |                                       |
|-------|---------------------------------------|
| ADJ.# | References:                           |
| 1     | Sales Tax                             |
| 2     | Contract Labor                        |
| 3     | Normalization of Repairs & Maint      |
| 4     | Normalization of Rate Case Expense    |
| 5     | Depreciation Expense                  |
| 6     | Property Taxes                        |
| 7     | Income Taxes                          |
| 8     | Remove Non-operating Income & Expense |
| 9     | Water Testing                         |
| 10    | Other Operating Revenue               |
|       | Schedule GTM-14                       |
|       | Schedule GTM-15                       |
|       | Schedule GTM-16                       |
|       | Schedule GTM-17                       |
|       | Schedule GTM-18                       |
|       | Schedule GTM-19                       |
|       | Schedule GTM-20                       |
|       | Schedule GTM-21                       |
|       | Schedule GTM-22                       |
|       | Schedule GTM-23                       |

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**Surrebuttal  
Schedule GTM-14**

**OPERATING INCOME ADJUSTMENT #1 - REMOVAL OF SALES TAX FROM REVENUES AND EXPENSES**

| <u>Line No.</u> | <u>DESCRIPTION</u> | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|-----------------|--------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1               | Sales Tax Revenue  | \$ 22,609                           | \$ (22,609)                          | \$ -                                 |
| 2               | Sales Tax Expense  | \$ 22,609                           | \$ (22,609)                          | \$ -                                 |
| 3               |                    |                                     |                                      |                                      |

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: Testimony - GTM

CORDES LAKES WATER COMPANY  
Docket No. W-02060A-07-0256  
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Surrebuttal  
Schedule GTM-15

**OPERATING INCOME ADJUSTMENT #2 - REMOVE NON-UTILITY REVENUES AND EXPENSES FOR CONTRACT LABOR**

| <u>LINE<br/>NO.</u> | <u>DESCRIPTION</u>     | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|---------------------|------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1                   | Contract Labor Revenue | \$ 160,606                          | \$ (160,606)                         | \$ -                                 |
| 2                   | Contract Labor Expense | \$ 318,078                          | (160,606)                            | \$ 157,472                           |
| 3                   | Total                  | <u>\$ 478,684</u>                   | <u>\$ (321,212)</u>                  | <u>\$ 157,472</u>                    |

References:

Col [A]: Company Schedule C-1  
Col [B]: Col [C] - Col [A]  
Col [C]: Data Request 4.1.

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**Surrebuttal  
Schedule GTM-16**

**OPERATING INCOME ADJUSTMENT #3 - NORMALIZATION OF REPAIRS & MAINTENANCE EXPENSES**

| <u>LINE<br/>NO.</u> | <u>DESCRIPTION</u>                                | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|---------------------|---|-------------------------------------|--------------------------------------|--------------------------------------|
| 1                   | <u>Repairs &amp; Maintenance</u>                  | <u>\$ 22,275</u>                    | <u>\$ (6,132)</u>                    | <u>\$ 16,143</u>                     |
| 2                   | Repairs & Maintenance - Company's Test Year: 2006 |                                     |                                      | \$ 22,275                            |
| 3                   | Repairs & Maintenance - 2005                      |                                     |                                      | 10,810                               |
| 4                   | Repairs & Maintenance - 2004                      |                                     |                                      | 15,345                               |
| 5                   | Repairs & Maintenance expenses, past three years  |                                     |                                      | <u>\$ 48,430</u>                     |
| 6                   | Average Repair & Maintenance expense (line 5/3)   |                                     |                                      | <u>\$ 16,143</u>                     |

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: Normalized Repairs & Maintenance Expense Col [C] L6.

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Surrebuttal  
Schedule GTM-17

**OPERATING INCOME ADJUSTMENT #4 - NORMALIZATION OF RATE CASE EXPENSE**

| <u>LINE<br/>NO.</u> | <u>DESCRIPTION</u> | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|---------------------|--------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1                   | Rate Case Expense  | <u>\$ 8,000</u>                     | <u>\$ (5,333)</u>                    | <u>\$ 2,667</u>                      |

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: Normalized Rate Case Expense (\$8,000/3yrs.)

**OPERATING INCOME ADJUSTMENT #5 - DEPRECIATION EXPENSE**

| Line No.                | ACCT NO. | DESCRIPTION   | [A]<br>AMOUNT | Depreciable Amount | [B]<br>Projected RATE | [C]<br>EXPENSE   |
|-------------------------|----------|---|---------------|--------------------|-----------------------|------------------|
| <b>Plant In Service</b> |          |   |               |                    |                       |                  |
| 1                       | 301      | Organization  | \$ -          | \$ -               | 0.00%                 | \$ -             |
| 2                       | 302      | Franchises  | -             | -                  | 0.00%                 | -                |
| 3                       | 303      | Land and Land Rights                                      | -             | -                  | 0.00%                 | -                |
| 4                       | 304      | Structures & Improvements                                 | 6,657         | 6,657              | 3.33%                 | 222              |
| 5                       | 305      | Collecting & Impounding Reservoirs                        | -             | -                  | 2.50%                 | -                |
| 6                       | 306      | Lakes, Rivers, Other Intakes                              | -             | -                  | 2.50%                 | -                |
| 7                       | 307      | Wells and Springs   | 138,155       | 138,155            | 3.33%                 | 4,601            |
| 8                       | 308      | Infiltration Galleries and Tunnels                        | -             | -                  | 6.67%                 | -                |
| 9                       | 309      | Supply Mains  | -             | -                  | 2.00%                 | -                |
| 10                      | 310      | Power Generation Equipment                                | -             | -                  | 5.00%                 | -                |
| 11                      | 311      | Pumping Equipment   | 10,558        | 10,558             | 12.50%                | 1,320            |
| 12                      | 320      | Water Treatment Plant                                     | -             | -                  | 3.33%                 | -                |
| 13                      | 330      | Distribution Reservoirs & Standpipes                      | 137,243       | 137,243            | 2.22%                 | 3,047            |
| 14                      | 331      | Transmission & Distribution Mains                         | 572,384       | 9,444              | 2.00%                 | 189              |
| 15                      | 333      | Services  | 19,350        | -                  | 3.33%                 | -                |
| 16                      | 334      | Meters & Meter Installation                               | 35,589        | 35,589             | 8.33%                 | 2,965            |
| 17                      | 335      | Hydrants  | -             | -                  | 2.00%                 | -                |
| 18                      | 336      | Backflow Prevention Devices                               | -             | -                  | 6.67%                 | -                |
| 19                      | 339      | Other Plant & Misc. Equipment                             | 54,149        | 54,149             | 6.67%                 | 3,612            |
| 20                      | 340      | Office Furniture & Equipment                              | 4,490         | 4,490              | 6.67%                 | 299              |
| 21                      | 341      | Transportation Equipment                                  | 69,049        | 69,049             | 20.00%                | 13,810           |
| 22                      | 342      | Stores Equipment  | -             | -                  | 4.00%                 | -                |
| 23                      | 343      | Tools, Ship & Garage Equipment                            | -             | -                  | 5.00%                 | -                |
| 24                      | 344      | Laboratory Equipment                                      | -             | -                  | 10.00%                | -                |
| 25                      | 345      | Power Operated Equipment                                  | -             | -                  | 5.00%                 | -                |
| 26                      | 346      | Communication Equipment                                   | -             | -                  | 10.00%                | -                |
| 27                      | 347      | Miscellaneous Equipment                                   | 582           | -                  | 10.00%                | -                |
| 28                      | 348      | Other Tangible Plant                                      | -             | -                  | 10.00%                | -                |
| 29                      |          | Subtotal General  | \$ 1,048,206  | \$ 465,334         |                       | \$ 30,063        |
| 30                      |          | Less: Non- depreciable Account(s) (L3)                    | -             | -                  |                       | -                |
| 31                      |          | Depreciable Plant (L29-L30)                               | \$ 1,048,206  | \$ 465,334         |                       |                  |
| 32                      |          | Contributions-in-Aid-of-Construction (CIAC)               | \$ 76,247     |                    |                       |                  |
| 33                      |          | Composite Depreciation/Amortization Rate                  | 6.46%         |                    |                       |                  |
| 34                      |          | Less: Amortization of CIAC (L32 x L33)                    |               |                    |                       | \$ 4,926         |
| 35                      |          | <b>Depreciation Expense - STAFF [Col. (C), L29 - L34]</b> |               |                    |                       | <b>\$ 25,137</b> |

| LINE NO. | DESCRIPTION          | [A]<br>COMPANY<br>PROPOSED | [B]<br>STAFF<br>ADJUSTMENTS | [C]<br>STAFF<br>RECOMMENDED |
|----------|----------------------|----------------------------|-----------------------------|-----------------------------|
| 36       | Depreciation Expense | \$ 44,279                  | \$ (19,142)                 | \$ 25,137                   |

**OPERATING INCOME ADJUSTMENT #6 - PROPERTY TAXES**

| LINE NO. | Property Tax Calculation  | (C)               |                   |
|----------|---|-------------------|-------------------|
|          |   | STAFF AS ADJUSTED | STAFF RECOMMENDED |
| 1        | Staff Adjusted Test Year Revenues - 2006                                  | \$ 372,596        | \$ 372,596        |
| 2        | Weight Factor   | 2                 | 2                 |
| 3        | Subtotal (Line 1 * Line 2)  | 745,192           | \$ 745,192        |
| 4        | Staff Recommended Revenue, Per Schedule GTM-1                             | 372,596           | \$ 472,052        |
| 5        | Subtotal (Line 4 + Line 5)  | 1,117,788         | 1,217,244         |
| 6        | Number of Years   | 3                 | 3                 |
| 7        | Three Year Average (Line 5 / Line 6)                                      | 372,596           | \$ 405,748        |
| 8        | Department of Revenue Multiplier  | 2                 | 2                 |
| 9        | Revenue Base Value (Line 7 * Line 8)                                      | 745,192           | \$ 811,496        |
| 10       | Plus: 10% of CWIP -   | -                 | -                 |
| 11       | Less: Net Book Value of Licensed Vehicles                                 | 72,750            | \$ 72,750         |
| 12       | Full Cash Value (Line 9 + Line 10 - Line 11)                              | 672,442           | \$ 738,746        |
| 13       | Assessment Ratio  | 23.5%             | 23.5%             |
| 14       | Assessment Value (Line 12 * Line 13)                                      | 158,024           | \$ 173,605        |
| 15       | Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 1)    | 9.0000%           | 9.0000%           |
|          |   |                   | \$ -              |
| 16       | Staff Test Year Adjusted Property Tax (Line 14 * Line 15)                 | \$ 14,222         |                   |
| 17       | Company Proposed Property Tax   | 20,206            |                   |
| 18       | Staff Test Year Adjustment (Line 16-Line 17)                              | \$ (5,984)        |                   |
| 19       | Property Tax - Staff Recommended Revenue (Line 14 * Line 15)              |                   | \$ 15,624         |
| 20       | Staff Test Year Adjusted Property Tax Expense (Line 16)                   |                   | \$ 14,222         |
| 21       | Increase in Property Tax Expense Due to Increase in Revenue Requirement   |                   | \$ 1,402          |
| 22       | Increase to Property Tax Expense  |                   | \$ 1,402          |
| 23       | Increase in Revenue Requirement   |                   | 99,456            |
| 24       | Increase to Property Tax per Dollar Increase in Revenue (Line 19/Line 20) |                   | 1.410000%         |

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**Surrebuttal  
Schedule GTM-20**

**OPERATING INCOME ADJUSTMENT #7 - TEST YEAR INCOME TAXES**

| <u>LINE<br/>NO.</u> | <u>DESCRIPTION</u> | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|---------------------|--------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1                   | Income Tax Expense | <u>\$ -</u>                         | <u>\$ (18,449)</u>                   | <u>\$ (18,449)</u>                   |

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: Schedule GTM-2, Line 43

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Surrebuttal  
Schedule GTM-21

**OPERATING INCOME ADJUSTMENT #8 - REMOVAL OF NON-OPERATING INCOME & EXPENSE**

| <u>LINE<br/>NO.</u> | <u>DESCRIPTION</u> | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|---------------------|--------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1                   | Interest Income    | \$ (2,035)                          | \$ 2,035                             | \$ -                                 |
| 2                   | Interest Expense   | \$ 3,049                            | \$ (3,049)                           | \$ -                                 |

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: Schedule GTM-2, Line 43

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Surrebuttal  
Schedule GTM-22

**OPERATING INCOME ADJUSTMENT #9 - Water Testing**

| <u>LINE<br/>NO.</u> | <u>DESCRIPTION</u>    | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|---------------------|-----------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1                   | Water Testing Expense | <u>\$ 6,250</u>                     | <u>\$ (927)</u>                      | <u>\$ 5,323</u>                      |

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: GTM Testimony

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Surrebuttal  
Schedule GTM-23

**OPERATING INCOME ADJUSTMENT #10 - Other Operating Revenue**

| <u>LINE<br/>NO.</u> | <u>DESCRIPTION</u>      | <u>[A]<br/>COMPANY<br/>PROPOSED</u> | <u>[B]<br/>STAFF<br/>ADJUSTMENTS</u> | <u>[C]<br/>STAFF<br/>RECOMMENDED</u> |
|---------------------|-------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| 1                   | Other Operating Revenue | \$ -                                | \$ 3,555                             | \$ 3,555                             |

References:

Col [A]: Company Schedule C-1

Col [B]: Col [C] - Col [A]

Col [C]: GTM Testimony

**RATE DESIGN**

| Monthly Usage Charge                  | Present Rates | Company Proposed Rates | Staff Recommended Rates |
|---------------------------------------|---------------|------------------------|-------------------------|
| 3/4"                                  | \$ 11.00      | \$ 13.50               | \$ 11.00                |
| 1"                                    | \$ 11.00      | \$ 13.50               | \$ 19.50                |
| 1 1/2"                                | N/A           | N/A                    | \$ 39.00                |
| 2"                                    | \$ 11.00      | \$ 175.00              | \$ 62.50                |
| 3"                                    | N/A           | N/A                    | \$ 125.00               |
| 4"                                    | N/A           | N/A                    | \$ 220.00               |
| 6"                                    | N/A           | N/A                    | \$ 390.00               |
| <b>Commodity Rates</b>                |               |                        |                         |
| 3/4"                                  |               |                        |                         |
| Gallons Included in Minimum           | 1,000         | 1,000                  | -                       |
| Excess of Minimum - per 1,000 Gallons |               |                        |                         |
| All Gallons                           | \$ 2.90       | N/A                    | N/A                     |
| From 1 to 20,000 Gallons              | N/A           | \$ 3.50                | N/A                     |
| Over 20,000 Gallons                   | N/A           | \$ 4.10                | N/A                     |
| From 1 to 3,000 Gallons               | N/A           | N/A                    | \$ 2.80                 |
| From 3,001 to 8,000 Gallons           | N/A           | N/A                    | \$ 4.30                 |
| Over 8,000 Gallons                    | N/A           | N/A                    | \$ 5.00                 |
| 1"                                    |               |                        |                         |
| Gallons Included in Minimum           | 1,000         | 1,000                  | -                       |
| Excess of Minimum - per 1,000 Gallons |               |                        |                         |
| All Gallons                           | \$ 2.90       | N/A                    | N/A                     |
| From 1 to 20,000 Gallons              | N/A           | \$ 3.50                | N/A                     |
| Over 20,000 Gallons                   | N/A           | \$ 4.10                | N/A                     |
| From 1 to 18,000 Gallons              | N/A           | N/A                    | \$ 4.30                 |
| Over 18,000 Gallons                   | N/A           | N/A                    | \$ 5.00                 |
| 1 1/2"                                |               |                        |                         |
| Gallons Included in Minimum           | -             | -                      | -                       |
| Excess of Minimum - per 1,000 Gallons |               |                        |                         |
| From 1 to 43,500 Gallons              | N/A           | N/A                    | \$ 4.30                 |
| Over 43,500 Gallons                   | N/A           | N/A                    | \$ 5.00                 |
| 2"                                    |               |                        |                         |
| Gallons Included in Minimum           | 1,000         | 1,000                  | -                       |
| Excess of Minimum - per 1,000 Gallons |               |                        |                         |
| All Gallons                           | \$ 2.90       | N/A                    | N/A                     |
| From 1 to 50,000 Gallons              | N/A           | \$ -                   | N/A                     |
| Over 50,000 Gallons                   | N/A           | \$ 4.50                | N/A                     |
| From 1 to 75,000 Gallons              | N/A           | N/A                    | \$ 4.30                 |
| Over 75,000 Gallons                   | N/A           | N/A                    | \$ 5.00                 |
| 3"                                    |               |                        |                         |
| Gallons Included in Minimum           | N/A           | N/A                    | -                       |
| From 1 to 160,000 Gallons             | N/A           | N/A                    | \$ 4.30                 |
| Over 160,000 Gallons                  | N/A           | N/A                    | \$ 5.00                 |
| 4"                                    |               |                        |                         |
| Gallons Included in Minimum           | N/A           | N/A                    | -                       |
| Excess of Minimum - per 1,000 Gallons |               |                        |                         |
| From 1 to 290,000 Gallons             | N/A           | N/A                    | \$ 4.30                 |
| Over 290,000 Gallons                  | N/A           | N/A                    | \$ 5.00                 |
| 6"                                    |               |                        |                         |
| Gallons Included in Minimum           | N/A           | N/A                    | -                       |
| Excess of Minimum - per 1,000 Gallons |               |                        |                         |
| From 1 to 530,000 Gallons             | N/A           | N/A                    | \$ 4.30                 |
| Over 530,000 Gallons                  | N/A           | N/A                    | \$ 5.00                 |

| Service Line & Meter Installation Charges | Present  | Company        | Staff             |              |          |
|---|----------|----------------|-------------------|--------------|----------|
|   | Rates    | Proposed Rates | Recommended Rates |              |          |
|   |          |                | Service Line      | Meter Charge | Total    |
|   |          |                | Charge            |              | Charge   |
| 5/8 x 3/4"                                | \$100.00 |                |                   |              |          |
| 3/4"                                      | \$120.00 | \$ 405         | \$ 355            | \$ 165       | \$ 520   |
| 1"  | \$160.00 | \$ 455         | \$ 405            | \$ 205       | \$ 610   |
| 1 1/2"                                    | \$300.00 | \$ 665         | \$ 440            | \$ 415       | \$ 855   |
| 2"  | \$400.00 | \$ 1,080       | \$ 600            | \$ 915       | \$ 1,515 |
| 3"  |          | \$ 1,460       | \$ 775            | \$ 1,420     | \$ 2,195 |
| 4"  |          | \$ 2,985       | \$ 1,110          | \$ 2,250     | \$ 3,360 |
| 6"  |          | \$ 4,450       | \$ 1,670          | \$ 4,445     | \$ 6,115 |
| <b>Service Charges</b>                    |          |                |                   |              |          |
| NSF Check                                 | \$ 5.00  | \$ 12.50       | \$                | \$ 12.50     |          |
| Establishment                             | \$ 5.00  | \$ 25.00       | \$                | \$ 25.00     |          |
| Establishment (After Hours)               | \$ 15.00 | \$ 35.00       | \$                | \$ 35.00     |          |
| Reconnection (Deliquent)                  | \$ 10.00 | \$ 15.00       | \$                | \$ 15.00     |          |
| Reconnection (Deliquent and After Hours)  | \$ 20.00 | \$ 25.00       | \$                | \$ 25.00     |          |
| Meter Re-Read                             | \$ 5.00  | \$ 10.00       | \$                | \$ 10.00     |          |
| Meter Test                                | \$ 25.00 | \$ 25.00       | \$                | \$ 25.00     |          |
| Deferred Payment, Per Month               | NT       | 1.50%          |                   | 1.50%        |          |
| Deposit Interest                          | 0.00%    | 6.00%          |                   | 6.00%        |          |
| Deposit Amount                            | \$ 35.00 | Per Rule*      |                   | Per Rule*    |          |
|   |          | #months times  |                   | #months      |          |
| Re-establish within 12 months             | \$ 25.00 | minimum fee    |                   | times        |          |
| Late Charge per month                     | NT       | 1.50%          |                   | minimum fee  |          |
| Road cutting or boring                    | NT       | At Actual Cost |                   | 1.50%        |          |
|   |          |                |                   | NT           |          |

NT = No Tariff

\* Per Commission Rules (R14-2-403.B)

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule (14-2-409.D.5).

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN COST COMPARISONS

| LINE NO. | CUSTOMER CLASS | CURRENT RATES |          |         |          |
|----------|----------------|---------------|----------|---------|----------|
|          |                | AVERAGE       |          | MEDIAN  |          |
|          |                | USAGE         | DOLLARS  | USAGE   | DOLLARS  |
| 1        | 3/4"           | 4,637         | \$ 21.55 | 2,645   | \$ 15.77 |
| 2        | 1"             | 5,517         | 24.10    | 4,000   | 19.70    |
| 3        | 2"             | 155,250       | 458.33   | 146,000 | 431.50   |

| LINE NO. | CUSTOMER CLASS | COMPANY PROPOSED |         |         |           |         |         |
|----------|----------------|------------------|---------|---------|-----------|---------|---------|
|          |                | AVERAGE          |         |         | MEDIAN    |         |         |
|          |                | AVERAGE          | CHANGE  | PERCENT | MEDIAN    | DOLLARS | PERCENT |
| 4        | 3/4"           | \$ 26.23         | \$ 4.68 | 21.73%  | \$ 19.26  | \$ 3.49 | 22.11%  |
| 5        | 1"             | \$ 29.31         | 5.21    | 21.62%  | \$ 24.00  | 4.30    | 21.83%  |
| 6        | 2"             | \$ 648.63        | 190.30  | 41.52%  | \$ 607.00 | 175.50  | 40.67%  |

| LINE NO. | CUSTOMER CLASS | STAFF RECOMMENDED |         |         |          |          |         |
|----------|----------------|-------------------|---------|---------|----------|----------|---------|
|          |                | AVERAGE           |         |         | MEDIAN   |          |         |
|          |                | AVERAGE           | CHANGE  | PERCENT | MEDIAN   | INCREASE | PERCENT |
| 7        | 3/4"           | \$ 26.43          | \$ 4.88 | 22.66%  | \$ 18.41 | \$ 2.64  | 16.71%  |
| 8        | 1"             | 43.19             | 19.09   | 79.23%  | 36.68    | 16.98    | 86.18%  |
| 9        | 2"             | 785.88            | 327.55  | 71.47%  | 739.63   | 308.13   | 71.41%  |

**Typical Bill Analysis**  
Residential 3/4" Meter

| Company Proposed | Gallons | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|------------------|---------|---------------|----------------|-----------------|------------------|
| Average Usage    | 4,637   | \$ 21.55      | \$ 26.23       | \$ 4.68         | 21.73%           |
| Median Usage     | 2,645   | \$ 15.77      | \$ 19.26       | \$ 3.49         | 22.11%           |

**Staff Recommended**

|               |       |          |          |         |        |
|---------------|-------|----------|----------|---------|--------|
| Average Usage | 4,637 | \$ 21.55 | \$ 26.43 | \$ 4.88 | 22.66% |
| Median Usage  | 2,645 | \$ 15.77 | \$ 18.41 | \$ 2.64 | 16.71% |

| Consumption | Bills    | Bills    | Increase | Bills    | Increase |
|-------------|----------|----------|----------|----------|----------|
| -           | \$ 11.00 | \$ 13.50 | 22.73%   | \$ 11.00 | 0.00%    |
| 1,000       | 11.00    | 13.50    | 22.73%   | 13.80    | 25.45%   |
| 2,000       | 13.90    | 17.00    | 22.30%   | 16.60    | 19.42%   |
| 3,000       | 16.80    | 20.50    | 22.02%   | 19.40    | 15.48%   |
| 4,000       | 19.70    | 24.00    | 21.83%   | 23.70    | 20.28%   |
| 5,000       | 22.60    | 27.50    | 21.68%   | 27.99    | 23.85%   |
| 6,000       | 25.50    | 31.00    | 21.57%   | 32.29    | 26.61%   |
| 7,000       | 28.40    | 34.50    | 21.48%   | 36.58    | 28.80%   |
| 8,000       | 31.30    | 38.00    | 21.41%   | 40.88    | 30.59%   |
| 9,000       | 34.20    | 41.50    | 21.35%   | 45.88    | 34.14%   |
| 10,000      | 37.10    | 45.00    | 21.29%   | 50.88    | 37.13%   |
| 11,000      | 40.00    | 48.50    | 21.25%   | 55.88    | 39.69%   |
| 12,000      | 42.90    | 52.00    | 21.21%   | 60.88    | 41.90%   |
| 13,000      | 45.80    | 55.50    | 21.18%   | 65.88    | 43.83%   |
| 14,000      | 48.70    | 59.00    | 21.15%   | 70.88    | 45.53%   |
| 15,000      | 51.60    | 62.50    | 21.12%   | 75.88    | 47.04%   |
| 16,000      | 54.50    | 66.00    | 21.10%   | 80.88    | 48.39%   |
| 17,000      | 57.40    | 69.50    | 21.08%   | 85.88    | 49.61%   |
| 18,000      | 60.30    | 73.00    | 21.06%   | 90.88    | 50.70%   |
| 19,000      | 63.20    | 76.50    | 21.04%   | 95.88    | 51.70%   |
| 20,000      | 66.10    | 80.00    | 21.03%   | 100.88   | 52.61%   |
| 25,000      | 80.60    | 100.50   | 24.69%   | 125.88   | 56.17%   |
| 30,000      | 95.10    | 121.00   | 27.23%   | 150.88   | 58.65%   |
| 35,000      | 109.60   | 141.50   | 29.11%   | 175.88   | 60.47%   |
| 40,000      | 124.10   | 162.00   | 30.54%   | 200.88   | 61.87%   |
| 45,000      | 138.60   | 182.50   | 31.67%   | 225.88   | 62.97%   |
| 50,000      | 153.10   | 203.00   | 32.59%   | 250.88   | 63.86%   |
| 75,000      | 225.60   | 305.50   | 35.42%   | 375.88   | 66.61%   |
| 100,000     | 298.10   | 408.00   | 36.87%   | 500.88   | 68.02%   |