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BEFORE THE ARIZONA CORPORATION COM
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COMMISSIONERS

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

2008 APR 25 P 3: 37

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE BY ITS PARADISE
VALLEY WATER DISTRICT

DOCKET NO. W-01303A-05-0405

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
INC., AN ARIZONA CORPORATION, FOR
APPROVAL OF AN AGREEMENT WITH THE
PARADISE VALLEY COUNTRY CLUB

DOCKET NO. W-01303A-05-0910

ARIZONA-AMERICAN WATER
COMPANY

NOTICE OF FILING DIRECT
TESTIMONY

1 Arizona-American Water Company hereby files in the above-referenced matter direct
2 testimony of Miles H. Kiger.

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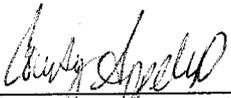
RESPECTFULLY SUBMITTED on April 25, 2008.

Paul M. Li
Associate Counsel
Arizona-American Water
19820 N. 7th Street
Suite 201
Phoenix, Arizona 85024
(623) 445-2442
Paul.Li@amwater.com

Arizona Corporation Commission
DOCKETED
APR 25 2008

DOCKETED BY

1 Original and 14 copies filed
2 on April 25, 2008, with:
3
4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007
8
9 Copies of the foregoing delivered
10 on April 25, 2008, to:
11
12 Teena Wolfe
13 Administrative Law Judge
14 Hearing Division
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, Arizona 85007
18
19 Maureen Scott
20 Legal Division
21 Arizona Corporation Commission
22 1200 West Washington St.
23 Phoenix, Arizona 85007
24
25 Daniel W. Pozefsky
26 Residential Utility Consumer Office
27 1110 West Washington Street
28 Suite 220
29 Phoenix, Arizona 85007
30
31 Robert J. Metli, Esq.
32 Snell & Wilmer LLP
33 One Arizona Center
34 400 E. Van Buren
35 Phoenix, Arizona 85004-2202
36 Attorneys for Paradise Valley Country Club
37 Sanctuary on Camelback Mountain, the
38 Camelback Inn, and the Scottsdale
39 Renaissance
40
41 Timothy J. Casey
42 Schmitt, Schneck, Smyth, and Herrod, PC
43 1221 E. Osborn Road, Suite 105
44 Phoenix, AZ 85014
45 Attorney for the Town of Paradise Valley
46

47 
48
49

50 By: Courtney Appelhans

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
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**DIRECT TESTIMONY
OF
MILES H. KIGER
ON BEHALF OF
ARIZONA-AMERICAN WATER COMPANY
APRIL 25, 2008**

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- MHK – 1** Letter from Brian Biesemeyer to Paradise Valley customers dated September 9, 2005
- MHK – 2** Anticipated Public Safety Surcharge Based on the Estimated Cost of Phase 3 of the Fire Flow Improvement Projects
- MHK – 3** Impact of Rate Design Agreement on Residential Customers with 5/8 and 1-inch meters and Commercial Customers with 2-inch and 6-inch meters

1 **I INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TELEPHONE**
3 **NUMBER.**

4 A. My name is Miles H. Kiger. My business address is 19820 N. 7th Street, Suite 201,
5 Phoenix, AZ 85024, and my telephone number is 623-445-2492.

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by American Water Service Company as a Rate Analyst for the Western
8 Region, including Arizona-American Water Company ("Arizona-American").

9 **Q. PLEASE OUTLINE YOUR RESPONSIBILITIES FOR ARIZONA-AMERICAN**
10 **AS A RATE ANALYST.**

11 A. As a rate analyst, my primary responsibilities are to prepare rate applications and other
12 regulatory filings. I recently prepared all the required schedules and the filing for Step-
13 Two ACRM applications for the Paradise Valley and Havasu Water Districts.

14 **Q. HAVE YOU PARTICIPATED IN THE PREPARATION OF RATE CASE**
15 **APPLICATIONS IN OTHER JURISDICTIONS?**

16 A. Yes. I recently prepared a water and sewer rate application for Texas American Water
17 Company. As the assigned rate analyst on that case, I prepared all the rate base and
18 operation and maintenance (O&M) expense schedules, reviewed all the notices to the
19 customers, and ensured that the approved rates were properly implemented.

20 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

21 A. I received a Master of Science degree in Agricultural & Resource Economics from the
22 University of Arizona in 2007 and a B.S. and B.A. from the University of Massachusetts
23 at Amherst in 2003.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

2 A. No.

3 **II PURPOSE OF TESTIMONY**

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

5 A. The primary purpose of my testimony is to explain how the existing rates in Paradise
6 Valley Water District ("PV") will change if the relief requested by the Town and resorts
7 is granted.

8 **III BACKGROUND OF THE HIGH BLOCK AND PUBLIC SAFETY**

9 **SURCHARGES**

10 **Q. PLEASE DESCRIBE THE HIGH BLOCK AND PUBLIC SAFETY**
11 **SURCHARGES.**

12 A. In Decision No. 68858 ("Decision"), the Commission approved the PV Public Safety and
13 High Block surcharges for the purposes of funding fire flow improvements and
14 encouraging water conservation. Residential customers with usage in the second and
15 third tier (over 25,000 gallons/month) and commercial customers with usage in the
16 second tier (over 400,000 gallons/month) are assessed a Public Safety Surcharge ("PSS")
17 in the amount of \$1.00 per 1,000 gallons per month. To further the Commission's goal of
18 water conservation, a High Block Surcharge ("HBS") of \$2.15 per 1,000 gallons per
19 month applies to residential usage in the third tier (over 80,000 gallons/month) and
20 commercial usage in the second tier (over 400,000 gallons/month). Proceeds from the
21 HBS and PSS are presently treated as Contributions in Aid of Construction ("CIAC") to
22 offset the construction expense associated with the Fire Flow Improvement Projects
23 ("FFIP") in PV.

1 **Q. DID ARIZONA-AMERICAN NOTIFY ITS CUSTOMERS ABOUT A PROPOSED**
2 **SURCHARGE TO FUND THE FFIP LONG BEFORE THE COMMISSION**
3 **ISSUED DECISION NO. 68858?**

4 A. Yes. Exhibit MHK- 1 provides a letter from then Arizona-American General Manager
5 Brian Biesemeyer to all Paradise Valley customers dated September 9, 2005.¹ The letter
6 communicates to the affected customers, among other things, the reasons for the FFIP,
7 the planned \$16 million capital expense (but not the forecasted rate amount) attributable
8 to the FFIP, and the surcharge funding mechanism for the FFIP.

9 **Q. WHAT IS THE AMOUNT OF HIGH BLOCK AND PUBLIC SAFETY**
10 **SURCHARGE PROCEEDS GENERATED AS OF MARCH 31, 2008?**

11 A. As of March 31, 2008, the two surcharges generated \$2,687,213 in CIAC, of which
12 \$2,262,945 came from HBS and \$424,268 came from PSS.

13 **Q. HOW MUCH FFIP RELATED EXPENDITURE HAS ARIZONA-AMERICAN**
14 **INCURRED AS OF MARCH 31, 2008?**

15 A. As of March 31, 2008, Arizona-American has spent \$5,835,077 on FFIP related
16 construction in PV.

17 **Q. TO DATE, HOW MUCH OF THE FFIP RELATED EXPENDITURE HAS BEEN**
18 **INCLUDED IN PV'S RATE BASE AND, THEREFORE, IS NOT SUBJECT TO**
19 **RECOVERY VIA THE SURCHARGES?**

20 A. In Decision No. 68858, the Commission approved \$3,018,867 FFIP related investment in
21 PV's rate base. This left a remaining net balance of \$2,816,210 construction cost and
22 \$317,909 in deferred depreciation expense and post-in-service AFUDC at March 31,

¹ The letter was also filed in this docket on September 16, 2005.

1 2008 to be funded by proceeds from surcharges. Therefore, the present remaining
2 amount of phases 1 and 2 of the FFIP to be recovered via surcharge is \$446,906.

3 **IV RATE DESIGN AGREEMENT**

4 **Q. DOES ARIZONA-AMERICAN SUPPORT THE AGREEMENT FILED BY THE**
5 **TOWN OF PARADISE VALLEY ON JANUARY 16, 2008?**

6 A. Arizona-American supports most of the provisions in the Rate Design Agreement
7 (“RDA”) filed by the Town on January 16, 2008 except the second sentence of Section
8 A, the last sentence of Section C, and Section D.

9 **Q. WHAT IS THE PURPOSE OF THE RDA?**

10 A. From the perspective of the customers, the RDA provides an immediate rate reduction
11 until a final order is effective in Arizona-American’s next PV rate case. An important
12 aspect of the RDA from Arizona-American’s perspective is the conversion of the Public
13 Safety surcharge from being accounted for as CIAC to being accounted for as revenue.
14 The surcharge mechanism to fund the FFIP remains revenue neutral under the RDA,
15 therefore the fair value finding made in Decision No. 68858 can be used here.

16 **Q PLEASE DESCRIBE THE RDA.**

17 A. The RDA decreases the HBS to \$1.00 per 1,000 gallons of consumption from \$2.15 per
18 1,000 gallons of consumption. The proceeds from the HBS will remain as CIAC used to
19 offset FFIP’s related construction and financing costs. The RDA also initially resets the
20 existing PSS to \$0.00 per 1,000 gallons from \$1.00 per 1,000 gallons until later approval
21 of a generic “ACRM-like” PSS step increase with a specific step increase filing in late
22 2008. The first PSS step increase request will be based on the actual costs incurred
23 during Phase 3 of the FFIP (construction scheduled to be completed by October 2008)
24 plus the unrecovered construction and authorized deferral costs of the FFIP, if any, from

1 earlier phases, minus the forecasted HBS proceeds through September 2009. Approval of
2 subsequent PSS step increases will be requested in the next PV rate case. Each step
3 increase is subject to an earning test using the most recent Commission approved return
4 on equity for PV. Like an ACRM, the Commission Staff and other interested parties will
5 have the ability to review Arizona-American's PSS step increase request.

6 **Q WHAT ARE THE ESTIMATED PROCEEDS FROM THE HIGH BLOCK**
7 **SURCHARGE UNDER THE RDA?**

8 A. The amount of proceeds from the HBS under the RDA is projected to be \$772,100 for the
9 13-month period from the anticipated conclusion of this case to September 2009, or the
10 anticipated date for the new PV rates. Arizona-American will be requesting the HBS
11 cease in the next PV rate case.

12 **Q. SECTION D. OF THE RDA STATES THE NEW HIGH BLOCK SURCHARGE IS**
13 **TASKED WITH RECOVERING 50% OF THE FFIP INVESTMENT. DOES THE**
14 **CURRENT FORECAST SUPPORT THIS ASSUMPTION?**

15 A. No. The cost estimate for Phase 3 of the FFIP is \$3,720,000. The projected proceeds of
16 \$772,100 from the HBS will only recover approximately 21% ($\$772,100/\$3,720,000$) of
17 Phase 3 of the FFIP costs.

18 **Q. WHAT IS THE ESTIMATED PUBLIC SAFETY SURCHARGE UNDER THE**
19 **RDA?**

20 A. Exhibit MHK – 2 estimates that the first step of the PSS will be roughly \$0.10 per 1,000
21 gallons of consumption. It is very important the Commission's order in this case
22 authorizes a PSS Step increase filing as part of approving the RDA or we will not have a
23 means to timely recover Phase FFIP costs. If we do not have a timely recovery, my
24 management informs me we cannot proceed with further FFIP construction.

1 **Q. WHAT IMPACT DOES THE RDA HAVE ON DIFFERENT CUSTOMER**
2 **CLASSES?**

3 A. As you can see from Exhibit MHK – 3, residential customers with usage in tiers 2 and 3
4 will see a decrease in their monthly bills from 14.41% to 36.30% and commercial
5 customers with usage in tier 2 will see a decrease in their monthly bills from 10.68% to
6 37.88%. There is no change for the residential and commercial customers with usage
7 only in tier 1.

8 **Q. WHAT EFFECT DOES THE RDA HAVE ON THE REPAYMENT PERIOD OF**
9 **THE FFIP?**

10 A. Under the RDA, Arizona-American will recover its remaining FFIP related investment
11 over a period up to 40 years, matching the average life of the FFIP related assets. The
12 revenue requirements accounting under the RDA extends the repayment period much
13 longer than the existing CIAC accounting.

14 **Q. CAN ARIZONA-AMERICAN ACCELERATE THE CONSTRUCTION OF THE**
15 **NEXT PHASE OF THE FFIP UNDER A REVENUE REQUIREMENTS**
16 **ACCOUNTING?**

17 A. Probably, but that depends on many factors, including the outcome of this case. Under
18 the existing CIAC accounting, my management sets spending limits for each phase of the
19 FFIP at the projected annual amount of surcharges proceeds. The conversion of the PSS
20 to a revenue requirements accounting effectively lifts the spending limits and allows
21 Arizona-American to reexamine and possibly accelerate each phase of the FFIP in light
22 of all the project's technical parameters, spending priorities and available capital budget
23 as part of its annual planning process. Arizona-American's capital project planning
24 process is already underway for year 2009 and beyond based on the assumption the RDA
25 will be approved. There is a small chance that, even without the spending limit, the future

1 phases of the FFIP will not be accelerated if there are too many capital demands for the
2 scarce capital budget.

3 **V ACCOUNTING ORDER (DECISION NO. 68303)**

4 **Q. PLEASE DESCRIBE THE ACCOUNTING ORDER AUTHORIZED BY**
5 **DECISION NO. 68303 AND SUBSEQUENTLY MODIFIED BY DECISION NO.**
6 **68858.**

7 **A.** In Decision No. 68303, the Commission granted Arizona-American's request for an
8 accounting order authorizing the deferral of FFIP depreciation expense and deferral of
9 post-in-service allowance for funds used during construction ("AFUDC"). The
10 accounting order, later modified by Decision No. 68858, limits the authorized deferral to
11 only the net investment in the FFIP after the application of CIAC collected via
12 surcharges.

13 **Q. WHAT IS THE NET BALANCE OF THE AUTHORIZED MODIFIED**
14 **DEFERRAL AS OF MARCH 31, 2008?**

15 **A.** As of March 31, 2008, the net balance of the authorized deferral is \$317,909. The
16 deferral balance consists of \$200,863 in post in-service AFUDC, and \$117,046 in
17 depreciation expense at an average rate of 1.99%.

18 **Q. HAVE THE PROCEEDS FROM THE SURCHARGES BEEN APPLIED TO THE**
19 **DEFERRED DEPRECIATION EXPENSE AND POST-IN-SERVICE AFUDC?**

20 **A.** Not yet, but the deferral is expected to be recovered via the PSS and HBS soon as the
21 remaining phase 1 and phase 2 construction costs are anticipated to be recovered in the
22 next few months.

23 **Q. MIGHT THE AUTHORIZED DEFERRAL BE AN ISSUE IN THE NEXT RATE**
24 **CASE?**

1 A. Yes. If the deferral is not fully recovered by the time of the next PV rate case's hearing
2 or not otherwise fully included in the next PSS step increase or if any party is interested
3 in its calculation, this can be addressed in the next PV rate case.

4 **VI OTHER MATTERS**

5 **Q. HAS ARIZONA-AMERICAN FILED ITS PARADISE VALLEY ACRM STEP-**
6 **TWO INCREASE APPLICATION?**

7 A. Yes. In addition to showing the monthly bill reductions attributable to the RDA, Exhibit
8 MHK – 3 also includes the impact of the recently filed PV ACRM Step-Two surcharge
9 on customers' monthly bills, for full disclosure purposes.

10 **Q. IS ARIZONA-AMERICAN FILING A NEW RATE CASE SOON FOR THE**
11 **PARADISE VALLEY WATER DISTRICT?**

12 A. Yes. The details of this new rate case should be available prior to the May 15, 2008,
13 hearing on this matter.

14 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

15 A. Yes.



September 6, 2005

Dear Valued Paradise Valley Water District Customer,

Although the Consumer Price Index has increased 19.2% during the past seven years, Arizona American Water has not increased your base water rates since 1998. In 2004, the Company commenced a six-year capital expenditure program that will result in improved customer health, safety, and welfare by removing more arsenic from drinking water and improving water flow and pressure for fire-fighting activities.

Due to this capital improvement program of more than 35 million dollars, we recently filed a rate increase request with the Arizona Corporation Commission. Arizona American Water requested these rate increases become effective late summer 2006.

If approved, the requested rates would include a 5.4 percent increase in the "Basic Service" rate, and two new surcharges titled, "Arsenic Cost Recovery Mechanism" and "Public Safety." For the typical customer using approximately 22,000 gallons of water per month, the average monthly bill before taxes would increase \$62.70 over the next five years. This monthly increase would be phased in annually based on Arizona American Water's capital expenditures.

The information below gives an overview of improvements in your quality of service.

Federal Mandate Requires Increased Drinking Water Quality

Arsenic Cost Recovery Mechanism

Arizona American Water has proposed a surcharge to underwrite capital improvements necessary to comply with the new federal drinking water standard.

New federal regulations, effective in 2006, require public and private water providers to make significant investments in the treatment of drinking water to permit no more than 10 parts per billion of arsenic, whereas the current federal standard permits up to 50 parts per billion. Water tests in your district's water supplies detected levels ranging from 8 to 18 parts per billion—well below the old standard but somewhat higher than the new.

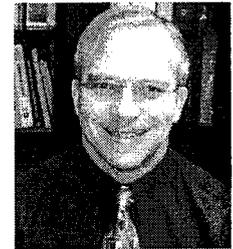
This unfunded federal mandate requires Arizona American Water to invest more than 19 million dollars for new drinking water treatment facilities in the Paradise Valley Water District. These improvements, currently under construction at 6237 North Cattletrack Road in Scottsdale, include the installation of new piping, filtration fixtures, pumps, and other infrastructure needed for enhanced drinking water treatment. If you would like to learn about public health benefits identified by the US Environmental Protection Agency, then please visit the agency's website at <http://www.epa.gov/safewater/arsenic.html>.

Protecting Your Lives and Investments with Better Fire Protection

Public Safety Surcharge

Arizona American Water has also proposed a surcharge related to public safety improvements. This surcharge is intended to underwrite capital expenditures necessary to enhance fire protection for customers and their property.

Arizona American Water implemented the first stages of the Paradise Valley Fire Flow Improvement Program in 2004 and 2005. This program was spearheaded by the Town of Paradise Valley and Arizona American Water in response to concerns from customers and the Town regarding the fire safety and protection of residents' lives and property.



Brian Biesemeyer
Arizona General Manager

Arizona American Water
Paradise Valley Water District
7500 E McDonald Rd, Ste 102A
Paradise Valley, AZ 85351

T 623-445-2400
F 480-483-8314
I www.amwater.com



In July 2003, Arizona American Water formed Paradise Valley Users Group in order to understand all the fire protection concerns and to solicit customer input to use in formulating possible solutions. The Users Group included citizens from various areas in the district, business representatives, Town elected officials and staff, as well as Arizona American Water representatives and consultants. After months of concerted effort, the Users Group and Arizona American Water established a six-year program for improving Paradise Valley Water District fire protection systems.

Since then, Arizona American Water began implementing the 16 million dollar Paradise Valley Fire Flow Improvement Program. We have acted proactively, addressing specific immediate needs by completing the Jackrabbit-Invergordon Main Replacement and the Tatum-McDonald Realignment; both improvements were identified in the plan. However, due to the magnitude of the continuing investments, Arizona American Water will need approval of this surcharge in order to timely proceed with the balance of the program.

Operations, Maintenance and Improvements of Older Systems

Base Rate Increase of 5.4%

The first of Arizona American Water's Paradise Valley Water District infrastructure was put into service more than half a century ago. This system requires ongoing delivery improvements, replacements, and an aggressive preventative maintenance program. In addition to these operational and maintenance improvements, Arizona American Water, like any other company, is faced with inflationary market conditions.

The Company's proposal also includes a conservation surcharge for residential customers using more than 80,000 gallons per month and commercial customers using more than 400,000 gallons per month. If you meet these criteria and would like to know the potential conservation charges you may see in your monthly bill, please contact Arizona American Water.

What's next?

The Arizona Corporation Commission will hold a public hearing relating to this rate increase request on March 27, 2006.

Thank you for taking time to learn more about what Arizona American Water is doing to improve the service we provide to you. Arizona American Water is committed to our customers' health and welfare, and is constantly working to ensure your water system is reliable and safe. If you have any questions, comments, or wish to learn how your monthly bill may be impacted, please feel free to contact me or Rob Antoniak, Community Relations (623-815-3112, rob.antoniak@amwater.com).

Sincerely,



Brian K. Biesemeyer, P. E.
General Manager

Arizona-American Water Company
 Paradise Valley Water District
 Public Safety Surcharge Calculation

Line No.	Growth	(A) Customers	(B) Total Gallons Sold	(C) Gallons Sold Per Cust.	(D) Monthly Minimum	(E) Minimum Multiples	(F) Equivalent Meters
1	Dec. 2006 (Year 1)	4,726	3,077,899	651.27	24.34	1.0	2,396
2	Dec. 2007 (Year 2)	4,750	3,065,644	645.40	25.18	1.0	33
3	Year 2 minus Year 1	24	(12,255)	(6)	40.60	1.7	3,376
4	Percentage Change	0.51%	-0.40%	-0.90%	81.98	3.4	253
5	Avg Gallons (Col B Ln 1 + Col B Ln 2 + 2)		3,071,772		130.65	5.4	1,437
6					242.09	9.9	229
7					402.85	16.6	17
8					806.97	33.2	166
9							
10							
11	<u>Meter Size</u>	<u>Average Customers at Dec. 2007</u>	<u>Estimated Customers at Dec. 2008</u>	<u>Estimated Average Customers</u>	<u>Monthly Minimum</u>	<u>Minimum Multiples</u>	<u>Equivalent Meters</u>
12	5/8-inch	2,390	2,402	2,396	24.34	1.0	2,396
13	3/4-inch	32	32	32	25.18	1.0	33
14	1-inch	2,019	2,029	2,024	40.60	1.7	3,376
15	1.5-inch	75	75	75	81.98	3.4	253
16	2-inch	267	268	268	130.65	5.4	1,437
17	3-inch	23	23	23	242.09	9.9	229
18	4-inch	1	1	1	402.85	16.6	17
19	6-inch	5	5	5	806.97	33.2	166
20							
21							
22	Total	4,812	4,836	4,824			7,908
23							
24							
25	<u>Calculation of Public Safety Surcharge</u>		<u>Commodity Surcharge</u>				
26	Total costs to be recovered	\$ 304,694					
27	Commodity Revenue (Col A Ln 26)		\$ 304,694				
28							
29	<u>Monthly Increment Per Equivalent Meter</u>		3,071,772				
30	Average Gallons (Col B Ln 5)						
31							
32	Public Safety Surcharge (Col B Ln 27 + Ln 30)						<u>\$ 0.0992</u>
33							

RESIDENTIAL 5/8"

<u>Gallons Consumption</u>	<u>Previous</u>	<u>Existing Rates</u>	<u>Existing plus ACRM Step 2</u>	<u>Settlement Proposal</u>	<u>Dollar Increase</u>		<u>Dollar Increase</u>	
					<u>(Proposal - Previous)</u>	<u>% Increase</u>	<u>(Proposal - Existing plus ACRM Step 2)</u>	<u>% Increase</u>
0	\$ 9.50	\$ 24.34	\$ 26.76	\$ 26.76	\$ 17.26	181.7%	\$ -	0.00%
5,000	13.30	30.41	33.20	33.20	19.90	149.6%	-	0.00%
10,000	17.10	36.47	39.64	39.64	22.54	131.8%	-	0.00%
25,000	28.50	54.68	58.96	58.96	30.46	106.9%	-	0.00%
50,000	69.75	157.26	163.42	138.42	68.67	98.4%	(25.00)	-15.90%
75,000	111.00	259.85	267.87	217.87	106.87	96.3%	(50.00)	-19.24%
100,000	162.85	396.03	405.92	307.92	145.07	89.1%	(98.00)	-24.75%
150,000	271.85	685.20	698.83	493.33	221.48	81.5%	(205.50)	-29.99%
200,000	380.85	974.37	991.73	678.73	297.88	78.2%	(313.00)	-32.12%
250,000	489.85	1,263.54	1,284.64	864.14	374.29	76.4%	(420.50)	-33.28%
300,000	598.85	1,552.71	1,577.54	1,049.54	450.69	75.3%	(528.00)	-34.01%
350,000	707.85	1,841.88	1,870.45	1,234.95	527.10	74.5%	(635.50)	-34.50%
400,000	816.85	2,131.05	2,163.35	1,420.35	603.50	73.9%	(743.00)	-34.87%
1,000,000	2,124.85	5,601.09	5,678.21	3,645.21	1,520.36	71.6%	(2,033.00)	-36.30%

RESIDENTIAL 1"

<u>Gallons Consumption</u>	<u>Previous</u>	<u>Existing Rates</u>	<u>Existing plus ACRM Step 2</u>	<u>Settlement Proposal</u>	<u>Dollar Increase</u>		<u>Dollar Increase</u>	
					<u>(Proposal - Previous)</u>	<u>% Increase</u>	<u>(Proposal - Existing plus ACRM Step 2)</u>	<u>% Increase</u>
0	\$ 15.85	\$ 40.60	\$ 43.02	\$ 43.02	\$ 27.17	171.4%	\$ -	0.00%
5,000	19.65	46.67	49.46	49.46	29.81	151.7%	-	0.00%
10,000	23.45	52.73	55.90	55.90	32.45	138.4%	-	0.00%
25,000	34.85	70.94	75.22	75.22	40.37	115.8%	-	0.00%
50,000	76.10	173.52	179.68	154.68	78.58	103.3%	(25.00)	-14.41%
75,000	117.35	276.11	284.13	234.13	116.78	99.5%	(50.00)	-18.11%
100,000	169.20	412.29	422.18	324.18	154.98	91.6%	(98.00)	-23.77%
150,000	278.20	701.46	715.09	509.59	231.39	83.2%	(205.50)	-29.30%
200,000	387.20	990.63	1,007.99	694.99	307.79	79.5%	(313.00)	-31.60%
250,000	496.20	1,279.80	1,300.90	880.40	384.20	77.4%	(420.50)	-32.86%
300,000	605.20	1,568.97	1,593.80	1,065.80	460.60	76.1%	(528.00)	-33.65%
350,000	714.20	1,858.14	1,886.71	1,251.21	537.01	75.2%	(635.50)	-34.20%
400,000	823.20	2,147.31	2,179.61	1,436.61	613.41	74.5%	(743.00)	-34.60%
1,000,000	2,131.20	5,617.35	5,694.47	3,661.47	1,530.27	71.8%	(2,033.00)	-36.19%

COMMERCIAL 2"

<u>Gallons Consumption</u>	<u>Previous</u>	<u>Existing Rates</u>	<u>Existing plus ACRM Step 2</u>	<u>Settlement Proposal</u>	<u>Dollar Increase</u>		<u>Dollar Increase</u>	
					<u>(Proposal - Previous)</u>	<u>% Increase</u>	<u>(Proposal - Existing plus ACRM Step 2)</u>	<u>% Increase</u>
0	\$ 51.00	\$ 130.65	\$ 133.07	\$ 133.07	\$ 82.07	160.9%	\$ -	0.00%
400,000	559.00	820.01	852.31	852.31	293.31	52.5%	\$ -	0.00%
500,000	715.00	1,336.35	1,376.12	1,161.12	446.12	62.4%	\$ (215.00)	-16.09%
1,000,000	1,495.00	3,918.05	3,995.17	2,705.17	1,210.17	80.9%	\$ (1,290.00)	-32.92%
1,500,000	2,275.00	6,499.75	6,614.22	4,249.22	1,974.22	86.8%	\$ (2,365.00)	-36.39%
2,000,000	3,055.00	9,081.45	9,233.27	5,793.27	2,738.27	89.6%	\$ (3,440.00)	-37.88%

COMMERCIAL 6"

<u>Gallons Consumption</u>	<u>Previous</u>	<u>Existing Rates</u>	<u>Existing plus ACRM Step 2</u>	<u>Settlement Proposal</u>	<u>Dollar Increase</u>		<u>Dollar Increase</u>	
					<u>(Proposal - Previous)</u>	<u>% Increase</u>	<u>(Proposal - Existing plus ACRM Step 2)</u>	<u>% Increase</u>
0	\$ 315.00	\$ 806.97	\$ 809.39	\$ 809.39	\$ 494.39	156.9%	\$ -	0.00%
400,000	823.00	1,496.33	1,528.63	1,528.63	705.63	85.7%	\$ -	0.00%
500,000	979.00	2,012.67	2,052.44	1,837.44	858.44	87.7%	\$ (215.00)	-10.68%
1,000,000	1,759.00	4,594.37	4,671.49	3,381.49	1,622.49	92.2%	\$ (1,290.00)	-28.08%
1,500,000	2,539.00	7,176.07	7,290.54	4,925.54	2,386.54	94.0%	\$ (2,365.00)	-32.96%
2,000,000	3,319.00	9,757.77	9,909.59	6,469.59	3,150.59	94.9%	\$ (3,440.00)	-35.25%