

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

EA for SMO

DATE February 10, 2010

RE: STAFF REPORT FOR BELLEMONT WATER COMPANY (DOCKET NOS. W-02526A-09-0421 AND W-02526A-09-0253)

Attached is the Staff Report for Bellemont Water Company's applications for a permanent rate increase and for authorization of financing. Staff recommends approval of its rates and charges as shown in Schedule PMC-4. Staff recommends denial of the financing application.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before February 18, 2010.

SMO:PMC:red

Originator: Pedro M. Chaves

Arizona Corporation Commission

DOCKETED

FEB 10 2010

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Service List for: Bellemont Water Company
Docket Nos. W-02526A-09-0421 and W-02526A-09-0253

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**BELLEMONT WATER COMPANY
DOCKET NOS. W-02526A-09-0421 AND W-02526A-09-0253**

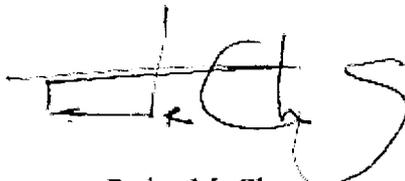
**APPLICATION
FOR A
PERMANENT RATE INCREASE**

**APPLICATION
FOR APPROVAL OF FINANCING**

FEBRUARY 10, 2010

STAFF ACKNOWLEDGMENT

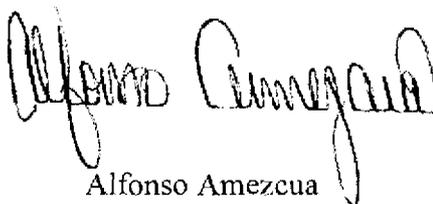
The Staff Report for Bellemont Water Company (Docket Nos. W-02526A-09-0421 and W-02526A-09-0253) are the responsibility of the Staff members listed below. Pedro M. Chaves is responsible for the review and analysis of the applications, recommended revenue requirement, rate base, rate design and financial analyses. Marlin Scott, Jr. is responsible for the engineering and technical analysis. Alfonso Amezcua is responsible for analysis of customer complaints, opinions and other consumer data relative to these applications.

A handwritten signature in black ink, appearing to read 'P. Chaves', with a large, sweeping flourish extending to the right.

Pedro M. Chaves
Public Utilities Analyst III

A handwritten signature in black ink, appearing to read 'Marlin Scott, Jr.', with a large, sweeping flourish extending to the right.

Marlin Scott, Jr.
Utilities Engineer

A handwritten signature in black ink, appearing to read 'Alfonso Amezcua', with a large, sweeping flourish extending to the right.

Alfonso Amezcua
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
BELLEMONT WATER COMPANY
DOCKET NOS. W-02526A-09-0421 AND W-02526A-09-0253

Bellefont Water Company ("Bellefont" or "Company") is located about ten miles southwest of Flagstaff, Arizona, in Coconino County. The Company is engaged in the business of providing utility water service to 8 metered customers and standpipe service to non-captive customers.

On May 20, 2009, Bellefont filed an application with the Arizona Corporation Commission ("Commission") requesting authorization to execute a loan agreement with the Water Infrastructure Finance Authority of Arizona ("WIFA") in the amount of \$1.75 million.

On September 3, 2009, Bellefont filed a permanent rate application with the Commission. A Procedural Order, dated October 19, 2009, granted the Company's request to consolidate the permanent rate and financing applications.

The Company's rate application proposes, as filed, a \$72,000, or a 113.42 percent revenue increase over test year revenue of \$63,480. The Company's proposed revenues of \$135,480, as filed, result in an operating income of \$83,800 for an operating margin of 61.85 percent. The Company's application requests to change only the rate for standpipe sales. The Company's proposed rates would decrease standpipe rates by \$6.00, or 40.0 percent, from \$15.00 to \$9.00 per thousand gallons. Bellefont expects an increase in its standpipe consumer base due to the lower standpipe rate.

Staff recommends total revenue of \$51,223, which represents a \$51,310, or 46.65 percent, decrease over adjusted test year revenue of \$109,985. Staff's recommended revenue would provide an 11.50 percent rate of return on a \$72,088 rate base and a 14.13 percent operating margin.

Staff's analysis indicates that the Company lacks sufficient operating cash flow to meet its proposed long-term debt obligation. In the event that the Commission authorizes Bellefont's financing request, Staff concludes that implementation of a surcharge mechanism to provide sufficient revenue via a surcharge for a 1.25 debt service coverage ratio ("DSC") on the actual loan consistent with the methodology indicated in the Staff Report is appropriate. Due to the magnitude of the surcharge required to provide a 1.25 DSC, Staff concludes that approval or denial of the proposed financing is best determined by the Commission's consideration of comments submitted by metered customers (Attachment B). However, based on comments from customers that they would likely leave this system and also the fact that there is no guarantee that the new well will produce adequate water, Staff recommends that the financing for the new well not be approved.

Staff recommends:

- Approval of Staff's rates and charges as presented on Schedule PMC-4 of this report.

- Approval of Staff's Service Line and Meter Installation Charges as shown in Table I-1 of the Engineering Report (Attachment A).
- Authorization of the depreciation rates shown in Table H-1 of the Engineering Report (Attachment A).

- That approval or denial of the proposed financing is best determined by the Commission's consideration of comments submitted by metered customers (Attachment B). However, based on comments from customers that they would likely leave this system and also the fact that there is no guarantee that the new well will produce adequate water, Staff recommends that the financing for the new well not be approved.

- That in the event that the Commission authorizes the requested financing, the Company use the steps delineated herein to calculate the estimated surcharges by meter size to submit in an application for surcharge approval once the Company has closed on the loan. Staff will verify, and recalculate if appropriate, the Company's proposed surcharge amounts and prepare a report with its recommendations.

- That if the requested financing is authorized, the Company be ordered to install a proper sized wellhead meter on its new deep well. If the financing request is not approved, then Staff recommends that the Company be ordered to reinstall a proper sized wellhead meter on its existing well.

- That the Company file with Docket Control within 3 months of the effective date of an order in this proceeding if the new well is not approved, or within 15 days of the new well being in operation if the new well is approved, as a compliance item in this docket, documentation demonstrating that a proper sized wellhead meter has been reinstalled.

- That the Company file with Docket Control, as a compliance item in this docket, a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued.

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SCHEDULES

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ATTACHMENTS

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FACT SHEET

Company:

Current Rates: Decision No. 70482, dated September 3, 2008.
Type of Ownership: Arizona Subchapter "C" Corporation.

Location: The Company is located in the town of Bellefont, west of Flagstaff, in Coconino County, Arizona. The Company is not located in an Active Management Area ("AMA").

Rates:

Permanent rate increase application filed: September 3, 2009.
Current test year ended: December 31, 2008.
Prior test year ended: December 31, 2007.

Monthly Charges:

| | <u>Current Rates</u> | <u>Company Proposed Rates</u> | <u>Staff Recommended Rates</u> |
|---|--------------------------|---------------------------------------|--|
| Monthly Minimum Charge | | | |
| 5/8 x 3/4-inch meter | \$27.00 | \$27.00 | \$16.00 |
| 3/4-inch meter | 45.00 | 45.00 | 24.00 |
| 1-inch meter | 75.00 | 75.00 | 40.00 |
| 1½-inch meter | 120.00 | 120.00 | 80.00 |
| 2-inch meter | 160.00 | 160.00 | 128.00 |
| 3-inch meter | 330.00 | 330.00 | 256.00 |
| 4-inch meter | 500.00 | 500.00 | 400.00 |
| 6-inch meter | 700.00 | 700.00 | 800.00 |
| Commodity Charge: | | | |
| <u>Residential</u> | | | |
| 0 to 4,000 gallons (per 1,000 gallons) | \$45.00 | | \$15.00 |
| 4,001 to 10,000 gallons (per 1,000 gallons) | \$50.00 | | \$22.50 |
| Over 10,000 gallons (per 1,000 gallons) | \$55.00 | | \$29.00 |
| <u>Non-residential</u> | | | |
| 0 to 10,000 gallons (per 1,000 gallons) | | \$50.00 | \$22.50 |
| Over 10,000 gallons (per 1,000 gallons) | | \$55.00 | \$29.00 |
| Standpipe Service (per 1,000 gallons): | \$15.00 | \$9.00 | \$9.00 |

Customers:

Number of metered customers in prior test year (12/31/07): 7

Number of metered customers in the current test year (12/31/08): 8

Number of customers in the current test year (12/31/08): 7

Customer notification for rate application filed: September 18, 2009, October 19, 2009, and
December 3, 2009.

Number of customer complaints and/or opinions concerning rate/financing applications filed: 6
opinions.

Percentage of complaints/opinions to customer base (by number of costumers): 86 percent

SUMMARY OF FILING

The test year results for Bellemont Water Company ("Bellemont" or "Company"), as adjusted by the Arizona Corporation Commission ("Commission") Utilities Division ("Staff"), reflect total operating revenue of \$109,985 and an operating income of \$59,600 on an original cost rate base ("OCRB") of \$72,088 for a 82.68 percent rate of return and an operating margin of 54.19 percent, as shown in Schedule PMC-1.

The Company's proposed rates, as filed, would produce total operating revenue of \$135,480 and operating income of \$83,800, for a 123.48 percent rate of return and a 61.85 percent operating margin.

Staff recommends rates that would produce total operating revenue of \$58,675, operating income of \$8,290, for an 11.50 percent rate of return and a 14.13 percent operating margin. The impact on the median and average monthly bill for each of the eight metered customers is provided in Schedule PMC-5.

BACKGROUND

Bellemont is an Arizona subchapter "C" Corporation engaged in the business of providing water services located about ten miles west of Flagstaff, Arizona, in Coconino County. Bellemont's current rates were established in Decision No. 70482, dated September 3, 2008.

On May 20, 2009, Bellemont filed an application with the Commission requesting authorization to execute a loan agreement with the Water Infrastructure Finance Authority of Arizona ("WIFA") in an amount of \$1.75 million.

On September 3, 2009, Bellemont filed a permanent rate application with the Commission. On September 30, 2009, Staff filed a Letter of Deficiency. A Procedural Order, dated October 19, 2009, granted the Company's request to consolidate the permanent rate increase and financing applications. Staff issued a Letter of Sufficiency on November 23, 2009.

Bellemont filed with Docket Control evidence that it noticed customers of the filing of the rate case by mail on September 18, 2009, October 19, 2009, and December 3, 2009.

CONSUMER SERVICES

Staff reviewed the Commission's records and found no complaints and six opinions for the period January 1, 2007, through February 9, 2010. Five of the six opinions were against the pending financing; the remaining opinion is dependent upon the level of the associated surcharge. (See Attachment B for written responses.) In addition, Staff performed the following activities: telephonically contacted customers to determine if they had received notice from the Company; mailed notice to customers informing them of Staff's preliminary calculation of the average monthly surcharge (\$1,661) needed from each of the eight metered customers to cover

debt service on the proposed \$1,750,000 loan and encouraged written responses; contacted customers to verify receipt of Staff's mailed notice; and responded to questions resulting from Staff's mail notice.

ENGINEERING ANALYSIS AND RECOMMENDATIONS

Staff inspected the Company's plant facilities on October 28, 2009. A complete discussion of Staff's technical findings and recommendations and a complete description of the water system are provided in the attached Engineering Report (Attachment A).

Staff has reviewed the Company's proposed deep well project and concludes that the proposed project is appropriate to the extent that neither the Company nor Staff is aware of a more viable alternative that would augment the Company's supply of water to improve service reliability and that the associated cost estimate totaling \$1,750,000 is accurate. However, no "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate-making or rate base purposes.

Staff recommends that if the financing is approved, the Company file with Docket Control, as a compliance item in this proceeding, by December 31, 2010, a copy of the Arizona Department of Environmental Quality ("ADEQ") Certificate of Approval to Construct for the new deep well project.

COMPLIANCE

A check with the Utilities Division Compliance Section showed that the Company had no delinquent Commission compliance issues.

RATE BASE

The Company did not present reconstruction cost new plant values in its application; accordingly, its fair value rate base is equal to its original cost rate base. Staff's adjustments increased the Company's proposed rate base by \$4,223, from \$67,865 to \$72,088, as shown in Schedule PMC-2, page 1. Details of Staff's adjustment are discussed below.

Working Capital – Adjustment A provides a cash working capital allowance of \$4,223 based on the formula method. The formula method recognizes one-eighth of the operating expenses excluding depreciation, taxes, purchased power expenses plus one twenty-fourth of purchased power expenses. Bellefont did not claim a cash working capital allowance.

OPERATING INCOME STATEMENT

Staff's adjustments increased the Company's test year operating income by \$47,800, from \$11,800 to \$59,600, as shown in Schedule PMC-3 page 1. Details of Staff's adjustments to operating revenues and expenses are discussed below.

Operating Revenue

Metered Water Revenue – Adjustment A increases this account by \$34,085, from \$63,480 to \$97,565, to reflect the annualized revenue that results from applying the permanent rates authorized by Decision No. 70482, which became effective during the test year, to the actual test year billing determinants.

Unmetered Water Revenue – Adjustment B increases this account by \$12,420, from \$0 to \$12,420, to reflect annualization of the actual test year standpipe sales that occurred in only four months of the test year by multiplying the actual sales times three. The Company's application includes standpipe sales in Meter Water Revenue. The Company had standpipe sales in only four months due to a moratorium that was removed by Decision No. 70482.

Operating Expenses

Staff's adjustment to operating expenses resulted in a net decrease of \$1,295, from \$51,680 to \$50,385.

Water Testing Expense – Adjustment C decreases this account by \$1,295, from \$3,546 to \$2,251, to reflect the water testing expense per the Engineering Report.

REVENUE REQUIREMENT

Staff recommends total operating revenue of \$58,675, a \$51,310 (46.7 percent) decrease from the Staff-adjusted test year operating revenue of \$109,985. Staff's recommended revenue provides an operating income of \$8,290, an 11.50 rate of return on a \$72,088 rate base and an operating margin of 14.13 percent, as shown in Schedule PMC-1.

RATE DESIGN

Schedule PMC-4 presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

The present residential rate design is an inverted, three-tier commodity rate structure with breakover points at 4,000 and 10,000 gallons for all meter sizes with no gallons in the minimum. The Company had no residential customers in the test year.

The present commercial rate design is an inverted, two-tier commodity rate structure with a breakover point at 10,000 gallons for all meter sizes with no gallons in the minimum. All eight of the Company's metered customers are in the commercial class.

The Company's application requests only one change from current rates, a change to the rate for standpipe sales. The Company's proposed rates would decrease standpipe rates by \$6.00, or 40.0 percent, from \$15.00 to \$9.00 per thousand gallons. Bellefont's application

shows that it expects net revenues to increase by \$72,000 due to an increase in standpipe customers and sales resulting from a lower standpipe rate.

Staff recommends that the Commission maintain the existing residential rate structure (i.e., an inverted, three-tier commodity rate structure with breakover points at 4,000 and 10,000 gallons for all residential meter sizes with no gallons in the minimum). Staff-recommended rates are presented in Schedule PMC-4.

Staff recommends that the Commission maintain the existing commercial rate structure (i.e., an inverted, two-tier commodity rate structure with a breakover point at 10,000 gallons for all commercial meter sizes with no gallons in the minimum). Staff recommended rates are presented in Schedule PMC-4. The impact on the median and average monthly bill for each of the eight metered customers is provided in Schedule PMC-5.

FINANCING APPLICATION AND SURCHARGE MECHANISM

The purpose of the proposed \$1.75 million WIFA financing is to provide funds for drilling a deep well (approximately 2,800 feet) that is projected to produce between 100 to 200 gallons per minute.

Staff has reviewed the Company's proposed deep well project and concludes that the proposed project is appropriate to the extent that neither the Company nor Staff is aware of a more viable alternative that would augment the Company's supply of water to improve service reliability and that the associated cost estimate totaling \$1,750,000 is accurate. However, no "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate-making or rate base purposes. See attached Engineering Report Attachment A.

FINANCIAL ANALYSIS

Staff's analysis is based on selected financial information from its financial statements dated December 31, 2008.

CAPITAL STRUCTURE

At December 31, 2008, the Company reported a capital structure that consisted of 0 percent short-term debt, 0 percent long-term debt and 100 percent equity.

Staff's analysis indicates that the Company lacks sufficient operating cash flow to meet its proposed long-term debt obligation. In the event that the Commission authorizes Bellefont's financing request, Staff concludes that implementation of a surcharge mechanism to provide sufficient revenue via a surcharge for a 1.25 debt service coverage ratio ("DSC") on the actual loan consistent with the methodology indicated in the Staff report is appropriate. Due to the magnitude of the surcharge required to provide a 1.25 DSC, Staff concludes that approval or

denial of the proposed financing is best determined by the Commission's consideration of comments submitted by metered customers (Attachment B). However, based on comments from customers that they would likely leave this system and also the fact that there is no guarantee that the new well will produce adequate water, Staff recommends that the financing for the new well not be approved.

The Company lacks sufficient operating cash flow to meet its proposed long-term debt obligation. Therefore, a surcharge that provides funds for the debt service on a WIFA loan is appropriate, in the event that the Commission authorizes Bellefont's requested financing. Since the terms of the WIFA loan will not be known until after the Company closes on the loan, an appropriate method to generate revenue for debt service on the actual loan is to implement a surcharge mechanism that provides revenues that correlate with the actual loan.

A surcharge mechanism establishes the methodology for calculating the surcharge rates by meter size needed to meet the annual principal and interest ("debt service") and related obligations² on the actual loan. Staff presents details of the surcharge mechanism it would recommend in the event that the Commission authorizes the Company's proposed financing. The surcharge mechanism provides for the Company to submit a surcharge application to the Commission for consideration under this Docket, using the methodology Staff has defined in this Report, once the Company has closed on the loan.

CALCULATION OF SURCHARGE

In the event that the Commission authorizes Bellefont's requested financing, the following is the methodology that Staff recommends to calculate the surcharge needed to provide funds for the debt service on the loan. Also provided, as an illustration, is a sample calculation applying Staff's proposed methodology to a 20-year loan at the estimated, subsidized rate of 4.5 percent using the Staff-recommended not-to-exceed loan amount of \$1,750,000.

If the Commission approves the financing application, Staff recommends that the Company use the following steps to calculate the estimated surcharges by meter size to submit in an application for surcharge approval once the Company has closed on the loan. Under the recommended surcharge mechanism, Staff will verify, and recalculate if appropriate, the Company's proposed surcharge amounts and prepare a report with its recommendations.

² WIFA loans require funding of a Debt Service Reserve Fund equal to 20 percent of debt service during the first 60 months of a loan and an equivalent Maintenance and Replacement Reserve thereafter. Accordingly, the DSC must equal or exceed 1.2. Staff typically recommends a minimum DSC of 1.25.

INSTRUCTIONS TO CALCULATE THE SURCHARGE ON THE LOAN

Example - For Illustrative Purposes Only

Loan amount: \$1,750,000
Term: 20 years
Stated Annual Interest Rate: 4.50%

Instruction for Step 1

Step 1. Find the Annual Payment on the Loan

Refer to Table A, the Conversion Factor Table. Reading the table from top to bottom, find the interest rate in Column A that is equal to the stated annual interest rate of the loan. Reading across the table, find the Annual Payment Conversion Factor in Column B that corresponds with the loan interest rate (in the event that the loan interest rate is different from the interest rates in Table A, use the next higher interest rate that can be found in Table A). Multiply that annual payment conversion factor by the total amount of the loan to calculate the annual debt service on the loan.

Result

| | |
|---------------|---|
| 0.0759 | Annual Payment Conversion Factor (Table A, Column B for 4.50 percent) |
| x \$1,750,000 | Total loan amount |
| \$ 132,856 | Annual loan payment |

| TABLE A CONVERSION TABLE FACTORS | | | |
|-------------------------------------|-----------------------|----------------------------|-----------------------------|
| Col A | Col B | Col C | Col D |
| Annual Interest Rate | Annual Payment Factor | First Year Interest Factor | First Year Principal Factor |
| 3.50% | 0.0696 | 0.0344 | 0.0352 |
| 3.75% | 0.0711 | 0.0369 | 0.0342 |
| 4.00% | 0.0727 | 0.0394 | 0.0333 |
| 4.25% | 0.0743 | 0.0419 | 0.0324 |
| 4.50% | 0.0759 | 0.0444 | 0.0316 |
| 4.75% | 0.0775 | 0.0468 | 0.0307 |
| 5.00% | 0.0792 | 0.0493 | 0.0299 |
| 5.25% | 0.0809 | 0.0518 | 0.0291 |
| 5.50% | 0.0825 | 0.0543 | 0.0283 |
| 5.75% | 0.0843 | 0.0568 | 0.0275 |
| 6.00% | 0.0860 | 0.0593 | 0.0267 |
| 6.25% | 0.0877 | 0.0618 | 0.0259 |
| 6.50% | 0.0895 | 0.0643 | 0.0252 |
| 6.75% | 0.0912 | 0.0668 | 0.0245 |
| 7.00% | 0.0930 | 0.0692 | 0.0238 |
| 7.25% | 0.0948 | 0.0717 | 0.0231 |
| 7.50% | 0.0967 | 0.0742 | 0.0224 |
| 7.75% | 0.0985 | 0.0767 | 0.0218 |
| 8.00% | 0.1004 | 0.0792 | 0.0211 |

Instruction for Step 2

Step 2. Find the additional annual revenue required for a 1.25 DSC.

Multiply the annual payment on the loan from Step 1 and multiply by 1.25. Then, subtract the operating income and depreciation expense authorized in this proceeding from the result.

| | |
|------------|---|
| \$132,856 | Total annual loan payment (Step 1) |
| x 1.25 | 1.25 DSC factor |
| <hr/> | |
| \$166,070 | |
| - \$ 8,290 | Operating income - authorized |
| - \$ 9,768 | Depreciation expense - authorized |
| <hr/> | |
| \$148,012 | Additional annual revenue required for a 1.25 DSC |

Instruction for Step 3

Step 3. Find the equivalent bills.

Multiply the American Water Works Association ("AWWA") meter capacity multiplier by the number of current customers and by the number of months per year. The sum of the products equals the equivalent bills.

| Col A | Col B | Col C | Col D | Col E |
|---------------------|--------------------------------|------------------------------|--------------------------|-----------------------------------|
| Meter Size | AWWA Meter Capacity Multiplier | Average Number of Customers* | Number of Months In Year | Equivalent Bills Col B x C x D |
| 5/8"x 3/4" Meter | 1 | 0 | 12 | 0 |
| 3/4" Meter | 1.5 | 4 | 12 | 72 |
| 1" Meter | 2.5 | 2 | 12 | 60 |
| 1 1/2" Meter | 5 | 0 | 12 | 0 |
| 2" Meter | 8 | 1 | 12 | 96 |
| 3" Meter | 15 | 0 | 12 | 0 |
| 4" Meter | 25 | 1 | 12 | 300 |
| 6" Meter | 50 | 0 | 12 | 0 |
| | | | Total | 528 |

* Decimals represent partial year service

Instruction for Step 4

Step 4. Find the monthly surcharge for 5/8 x 3/4-inch meter customers.

Divide the result obtained in step 2 by the number of equivalent bills calculated in step 3 to obtain the monthly surcharge for 5/8 x 3/4-inch customers.

Result

| | |
|-----------|--|
| \$148,012 | Additional annual revenue required for a 1.25 DSC (Step 2) |
| ÷ 528 | Number of equivalent bills (Step 3) |
| \$ 280.33 | Total monthly surcharge for 5/8 x 3/4-inch meter customers |

Instruction for Step 5

Step 5. Find the monthly surcharge for remaining meter size customers.

Multiply the Result obtained in step 4 by the AWWA meter capacity multipliers to obtain the monthly surcharges for all other meter sizes.

| Col A | Col B | Col C | Col D |
|-------------------|---------------------------------------|---|--|
| Meter Size | AWWA Meter Capacity Multiplier | 5/8" x 3/4" Customers' Surcharge | Surcharge by Meter Size Col B x C |
| 5/8" Meter | 1 | \$ 280.33 | \$ 280.33 |
| 3/4" Meter | 1.5 | \$ 280.33 | \$ 420.49 |
| 1" Meter | 2.5 | \$ 280.33 | \$ 700.82 |
| 1 1/2" Meter | 5 | \$ 280.33 | \$ 1,401.63 |
| 2" Meter | 8 | \$ 280.33 | \$ 2,242.61 |
| 3" Meter | 15 | \$ 280.33 | \$ 4,485.23 |
| 4" Meter | 25 | \$ 280.33 | \$ 7,008.17 |
| 6" Meter | 50 | \$ 280.33 | \$ 14,016.33 |

For the proposed \$1.75 million loan, under the terms assumed above, Staff estimates surcharges of \$420.49 per month for 3/4-inch meter customers, \$700.82 per month for 1-inch meter customers, \$2,242.61 per month for 2-inch meter customers and \$7,008.17 per month for 4-inch meter customers.

The surcharge is ultimately dependent on the actual loan terms. For example, if the actual loan has a different term or interest rate, the surcharge will vary from the amount shown above.

In the event that the Commission authorizes Bellefont's financing request, Staff concludes that implementation of a surcharge mechanism to provide sufficient revenue via a surcharge for a 1.25 DSC on the actual loan consistent with the methodology described above is appropriate. Due to the magnitude of the surcharge required to provide a 1.25 DSC, Staff concludes that approval or denial of the proposed financing is best determined by the Commission's consideration of comments submitted by metered customers (Attachment B). However, based on comments from customers that they would likely leave this system and also the fact that there is no guarantee that the new well will produce adequate water, Staff recommends that the financing for the new well not be approved.

STAFF RECOMMENDATIONS

Staff recommends:

- Approval of Staff's rates and charges as shown in Schedule PMC-4.
- Approval of Staff's Service Line and Meter Installation Charges as shown in Table I-1 of the Engineering Report (Attachment A).
- Authorization of the depreciation rates shown in Table H-1 of the Engineering Report (Attachment A).
- That approval or denial of the proposed financing is best determined by the Commission's consideration of comments submitted by metered customers (Attachment B). However, based on comments from customers that they would likely leave this system and also the fact that there is no guarantee that the new well will produce adequate water, Staff recommends that the financing for the new well not be approved.
- That in the event that the Commission authorizes the requested financing, the Company use the steps delineated herein to calculate the estimated surcharges by meter size to submit in an application for surcharge approval once the Company has closed on the loan. Staff will verify, and recalculate if appropriate, the Company's proposed surcharge amounts and prepare a report with its recommendations.
- That if the requested financing is authorized, the Company be ordered to install a proper sized wellhead meter on its new deep well. If the financing request is not approved, then Staff recommends that the Company be ordered to reinstall a proper sized wellhead meter on its existing well.
- That the Company file with Docket Control within 3 months of the effective date of an order in this proceeding if the new well is not approved, or within 15 days of the new well be in operation if the new well is approved, as a compliance item in this docket, documentation demonstrating that a proper sized wellhead meter has been reinstalled.
- That the Company file with Docket Control, as a compliance item in this docket, a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued.

Bellefont Water Co.

Docket No. Docket No. W-02526A-09-0421
 Test Year Ended December 31, 2008

Schedule PMC-1

SUMMARY OF FILING

| | -- Present Rates -- | | -- Proposed Rates -- | |
|--------------------------------|------------------------|-------------------------|------------------------|-------------------------|
| | Company as Filed | Staff as Adjusted | Company as Filed | Staff as Adjusted |
| Revenues: | | | | |
| Metered Water Revenue | \$63,480 | \$97,565 | \$63,480 | \$ 51,223 |
| Unmetered Water Revenue | 0 | 12,420 | 72,000 | 7,452 |
| Other Water Revenues | 0 | 0 | 0 | 0 |
| Total Operating Revenue | \$63,480 | \$109,985 | \$135,480 | \$58,675 |
| Operating Expenses: | | | | |
| Operation and Maintenance | \$39,960 | \$38,665 | \$39,960 | \$38,665 |
| Depreciation | 9,768 | 9,768 | 9,768 | 9,768 |
| Property & Other Taxes | 1,952 | 1,952 | 1,952 | 1,952 |
| Income Tax | 0 | 0 | 0 | 0 |
| Total Operating Expense | \$51,680 | \$50,385 | \$51,680 | \$50,385 |
| Operating Income/(Loss) | \$11,800 | \$59,600 | \$83,800 | \$8,290 |
| Rate Base O.C.L.D. | \$67,865 | \$72,088 | \$67,865 | \$72,088 |
| Rate of Return - O.C.L.D. | 17.39% | 82.68% | 123.48% | 11.50% |
| Operating Margin | 18.59% | 54.19% | 61.85% | 14.13% |

RATE BASE

| | ----- Original Cost ----- | | Staff |
|-----------------------------------|---------------------------|----------------|------------------|
| | Company | Adjustment | |
| Plant in Service | \$433,102 | \$0 | \$433,102 |
| Less: | | | |
| Accum. Depreciation | 145,173 | 0 | 145,173 |
| Net Plant | \$287,929 | \$0 | \$287,929 |
| Less: | | | |
| Plant Advances | \$220,064 | \$0 | \$220,064 |
| Accumulated Deferred Income Taxes | 0 | 0 | 0 |
| Total Advances | \$220,064 | \$0 | \$220,064 |
| Contributions Gross | \$0 | \$0 | \$0 |
| Less: | | | |
| Amortization of CIAC | 0 | 0 | 0 |
| Net CIAC | \$0 | \$0 | \$0 |
| Total Deductions | \$220,064 | \$0 | \$220,064 |
| Plus: | | | |
| 1/24 Power | \$0 | \$305 A | \$305 |
| 1/8 Operation & Maint. | 0 | 3,917 A | 3,917 |
| Inventory | 0 | 0 | 0 |
| Prepayments | 0 | 0 | 0 |
| Total Additions | \$0 | \$4,223 | \$4,223 |
| Rate Base | \$67,865 | \$4,223 | \$72,088 |

Explanation of Adjustment:

A - To provide cash working capital allowance based on the formula method.
~~method.~~

PLANT ADJUSTMENT

| | Company Exhibit | Adjustment | Staff Adjusted |
|--|--------------------|-------------|-------------------|
| 301 Organization | \$0 | \$0 | \$0 |
| 302 Franchises | 1,339 | 0 | 1,339 |
| 303 Land & Land Rights | 23,400 | 0 | 23,400 |
| 304 Structures & Improvements | 24,515 | 0 | 24,515 |
| 307 Wells & Springs | 14,093 | 0 | 14,093 |
| 311 Pumping Equipment | 51,216 | 0 | 51,216 |
| 320 Water Treatment Equipment | 2,681 | 0 | 2,681 |
| 320.1 Water Treatment Plants | 0 | 0 | 0 |
| 320.2 Solution Chemical Feeders | 0 | 0 | 0 |
| 330 Distribution Reservoirs & Standpipes | 54,464 | 0 | 54,464 |
| 330.1 Storage Tanks | 185,927 | 0 | 185,927 |
| 330.2 Pressure Tanks | 0 | 0 | 0 |
| 331 Transmission & Distribution Mains | 23,036 | 0 | 23,036 |
| 333 Services | 0 | 0 | 0 |
| 334 Meters & Meter Installations | 16,293 | 0 | 16,293 |
| 335 Hydrants | 0 | 0 | 0 |
| 336 Backflow Prevention Devices | 0 | 0 | 0 |
| 339 Other Plant and Misc. Equipment | 35,690 | 0 | 35,690 |
| 340 Office Furniture & Equipment | 0 | 0 | 0 |
| 340.1 Computers and Software | 0 | 0 | 0 |
| 341 Transportation Equipment | 0 | 0 | 0 |
| 343 Tools Shop & Garage Equipment | 448 | 0 | 448 |
| 344 Laboratory Equipment | 0 | 0 | 0 |
| 345 Power Operated Equipment | 0 | 0 | 0 |
| 346 Communication Equipment | 0 | 0 | 0 |
| 347 Miscellaneous Equipment | 0 | 0 | 0 |
| 348 Other Tangible Plant | 0 | 0 | 0 |
| 105 C.W.I.P. | 0 | 0 | 0 |
| TOTALS | \$433,102 | \$ - | \$433,102 |

ACCUMULATED DEPRECIATION ADJUSTMENT

| | <u>Amount</u> |
|--|-------------------|
| Accumulated Depreciation - Per Company | \$145,173 |
| Accumulated Depreciation - Per Staff | <u>145,173</u> |
| Total Adjustment | <u>\$0</u> |

STATEMENT OF OPERATING INCOME

| | Company Exhibit | Staff Adjustments | | Staff Adjusted |
|---|--------------------|----------------------|---|-------------------|
| Revenues: | | | | |
| 461 Metered Water Revenue | \$63,480 | \$34,085 | A | \$97,565 |
| 460 Unmetered Water Revenue | 0 | 12,420 | B | 12,420 |
| 474 Other Water Revenues | 0 | 0 | | 0 |
| Total Operating Revenue | \$63,480 | \$46,505 | | \$109,985 |
| Operating Expenses: | | | | |
| 601 Salaries and Wages | \$7,200 | \$0 | | \$7,200 |
| 610 Purchased Water | 600 | 0 | | 600 |
| 615 Purchased Power | 6,727 | 0 | | 6,727 |
| 618 Chemicals | 101 | 0 | | 101 |
| 620 Repairs and Maintenance | 1,452 | 0 | | 1,452 |
| 621 Office Supplies & Expense | 5,076 | 0 | | 5,076 |
| 630 Outside Services | 86 | 0 | | 86 |
| 635 Water Testing | 3,546 | (1,295) | C | 2,251 |
| 641 Rents | 3,015 | 0 | | 3,015 |
| 650 Transportation Expenses | 3,977 | 0 | | 3,977 |
| 657 Insurance - General Liability | 1,699 | 0 | | 1,699 |
| 659 Insurance - Health and Life | 0 | 0 | | 0 |
| 666 Regulatory Commission Expense - Rate Case | 54 | 0 | | 54 |
| 675 Miscellaneous Expense | 6,427 | 0 | | 6,427 |
| 403 Depreciation Expense | 9,768 | 0 | | 9,768 |
| 408 Taxes Other Than Income | 0 | 0 | | 0 |
| 408.11 Property Taxes | 1,952 | 0 | | 1,952 |
| 409 Income Tax | 0 | 0 | | 0 |
| Total Operating Expenses | \$51,680 | (\$1,295) | | \$50,385 |
| OPERATING INCOME/(LOSS) | | | | |
| | \$11,800 | \$47,800 | | \$59,600 |
| Other Income/(Expense): | | | | |
| 419 Interest and Dividend Income | \$2 | \$0 | | \$2 |
| 421 Non-Utility Income | 87,567 | (87,567) | | 0 |
| 427 Interest Expense | 0 | 0 | | 0 |
| 426 Miscellaneous Non-Utility Expense | 60,600 | (60,600) | | 0 |
| Total Other Income/(Expense) | \$26,969 | (\$26,967) | | \$2 |
| NET INCOME/(LOSS) | | | | |
| | \$38,769 | \$20,833 | | \$59,602 |

STAFF ADJUSTMENTS

| | | | |
|-----|-------------------------------------|---------------|-----------------|
| A - | METERED WATER REVENUE - Per Company | \$63,480 | |
| | Per Staff | <u>97,565</u> | <u>\$34,085</u> |

To annualize revenue based on the mid-test year rates approved by Decision No. 70482.

| | | | |
|-----|---------------------------------------|---------------|-----------------|
| B - | UNMETERED WATER REVENUE - Per Company | \$0 | |
| | Per Staff | <u>12,420</u> | <u>\$12,420</u> |

To annualize revenue based on the mid-test year rates approved by Decision No. 70482.

| | | | |
|-----|-----------------------------|--------------|------------------|
| C - | WATER TESTING - Per Company | \$3,546 | |
| | Per Staff | <u>2,251</u> | <u>(\$1,295)</u> |

To reflect water testing per Engineering Report.

RATE DESIGN

| Monthly Usage Charge | Present | -Proposed Rates- | |
|----------------------|-----------|------------------|-----------|
| | Rates | Company | Staff |
| 5/8" x 3/4" Meter | \$27.00 | \$27.00 | \$ 16.00 |
| 3/4" Meter | \$ 45.00 | \$45.00 | \$ 24.00 |
| 1" Meter | \$ 75.00 | \$75.00 | \$ 40.00 |
| 1 1/2" Meter | \$ 120.00 | \$120.00 | \$ 80.00 |
| 2" Meter | \$ 160.00 | \$160.00 | \$ 128.00 |
| 3" Meter | \$ 330.00 | \$330.00 | \$ 256.00 |
| 4" Meter | \$ 500.00 | \$500.00 | \$ 400.00 |
| 6" Meter | \$ 700.00 | \$700.00 | \$ 800.00 |
| Fire Sprinkler | N/A | N/A | *** |

| | | | |
|--|------|------|------|
| Gallons Included in Minimum Charge For all meter sizes: | 0.00 | 0.00 | 0.00 |
|--|------|------|------|

| Residential Commodity Charges | Present | -Proposed Rates- | |
|--|---------|------------------|-------|
| | Rates | Company | Staff |
| 0 - 4,000 gallons (per 1,000 gallons) | 45.00 | 45.00 | 15.00 |
| 4,001 - 10,000 gallons | 50.00 | 50.00 | 22.50 |
| Over 10,000 gallons | 55.00 | 55.00 | 29.00 |
| <u>Commercial Commodity Charges</u> | | | |
| 0 - 10,000 gallons (per 1,000 gallons) | 50.00 | 50.00 | 22.50 |
| Over 10,000 gallons | 55.00 | 55.00 | 29.00 |
| Standpipe Service (per 1,000 gallons): | 15.00 | 9.00 | 9.00 |

RATE DESIGN

| Service Line and Meter Installation Charges | -----Company's----- | | -----Staff Recommended----- | | |
|---|---------------------|------------------|-----------------------------|---------------|---------------|
| | Present Rates | Proposed Charges | Service Line Charges | Meter Charges | Total Charges |
| 5/8" x 3/4" Meter | \$520.00 | \$520.00 | \$415.00 | \$ 105.00 | \$ 520.00 |
| 3/4" Meter | 620.00 | \$620.00 | 415.00 | 205.00 | \$ 620.00 |
| 1" Meter | 730.00 | \$730.00 | 465.00 | 265.00 | \$ 730.00 |
| 1½" Meter | 9,958.00 | \$9,958.00 | 520.00 | 475.00 | \$ 995.00 |
| 2" Turbine Meter | 1,795.00 | \$1,795.00 | 800.00 | 995.00 | \$ 1,795.00 |
| 2" Compound Meter | 2,640.00 | \$2,640.00 | 800.00 | 1,840.00 | \$ 2,640.00 |
| 3" Turbine Meter | 2,635.00 | \$2,635.00 | 1,015.00 | 1,620.00 | \$ 2,635.00 |
| 3" Compound Meter | 3,630.00 | \$3,630.00 | 1,135.00 | 2,495.00 | \$ 3,630.00 |
| 4" Turbine Meter | 4,000.00 | \$4,000.00 | 1,430.00 | 2,570.00 | \$ 4,000.00 |
| 4" Compound Meter | 5,155.00 | \$5,155.00 | 1,610.00 | 3,545.00 | \$ 5,155.00 |
| 6" Turbine Meter | 7,075.00 | \$7,075.00 | 2,150.00 | 4,925.00 | \$ 7,075.00 |
| 6" Compound Meter | 9,090.00 | \$9,090.00 | 2,270.00 | 6,820.00 | \$ 9,090.00 |
| Service Charges | | | | | |
| Establishment | \$30.00 | \$30.00 | \$30.00 | | |
| Establishment (After Hours) | 45.00 | 45.00 | 45.00 | | |
| Reconnection (Delinquent) | 30.00 | 30.00 | 30.00 | | |
| Reconnection (Delinquent) after hours | 45.00 | 45.00 | 45.00 | | |
| Meter Test (If Correct) | 40.00 | 40.00 | 40.00 | | |
| Deposit | * | * | * | | |
| Deposit Interest Per Annum | * | * | * | | |
| Re-Establishment (Within 12 Months) | ** | ** | ** | | |
| NSF Check | 20.00 | 20.00 | 20.00 | | |
| Deferred Payment - Per Month | 1.50% | 1.50% | 1.50% | | |
| Meter Re-Read (If Correct) | 20.00 | 20.00 | 20.00 | | |
| Late Payment Charge-Per Month | 1.50% | 1.50% | 1.50% | | |

* Per Commission Rules (R14-2-403.B)
** Months off system times the minimum (R14-2-403.D)
*** 2.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Typical Bill Analysis
3/4" Meter (Above All Marble & Stone)

| Company Proposed | Gallons | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|--------------------------|---------|---------------|----------------|-----------------|------------------|
| Average Usage | 1,579 | \$ 123.97 | \$ 123.97 | \$ - | 0.00% |
| Median Usage | 1,476 | 118.80 | 118.80 | \$ - | 0.00% |
| Staff Recommended | | | | | |
| Average Usage | 1,579 | \$ 123.97 | \$ 59.54 | \$ (64.43) | -51.98% |
| Median Usage | 1,476 | 118.80 | 57.21 | \$ (61.59) | -51.84% |

Present & Proposed Rates (Without Taxes)
3/4" Meter (Above All Marble & Stone)

| Gallons Consumption | Present Rates | Company Proposed Rates | % Increase | Staff Recommended Rates | % Increase |
|---------------------|---------------|------------------------|------------|-------------------------|------------|
| - | \$ 45.00 | \$ 45.00 | 0.00% | \$ 24.00 | -46.67% |
| 1,000 | 95.00 | 95.00 | 0.00% | 46.50 | -51.05% |
| 2,000 | 145.00 | 145.00 | 0.00% | 69.00 | -52.41% |
| 1,476 | 118.80 | 118.80 | 0.00% | 57.21 | -51.84% |
| 3,000 | 195.00 | 195.00 | 0.00% | 91.50 | -53.08% |
| 1,579 | 123.97 | 123.97 | 0.00% | 59.54 | -51.98% |
| 4,000 | 245.00 | 245.00 | 0.00% | 114.00 | -53.47% |
| 5,000 | 295.00 | 295.00 | 0.00% | 136.50 | -53.73% |
| 6,000 | 345.00 | 345.00 | 0.00% | 159.00 | -53.91% |
| 7,000 | 395.00 | 395.00 | 0.00% | 181.50 | -54.05% |
| 8,000 | 445.00 | 445.00 | 0.00% | 204.00 | -54.16% |
| 9,000 | 495.00 | 495.00 | 0.00% | 226.50 | -54.24% |
| 10,000 | 545.00 | 545.00 | 0.00% | 249.00 | -54.31% |
| 11,000 | 600.00 | 600.00 | 0.00% | 278.00 | -53.67% |
| 12,000 | 655.00 | 655.00 | 0.00% | 307.00 | -53.13% |
| 13,000 | 710.00 | 710.00 | 0.00% | 336.00 | -52.68% |
| 14,000 | 765.00 | 765.00 | 0.00% | 365.00 | -52.29% |
| 15,000 | 820.00 | 820.00 | 0.00% | 394.00 | -51.95% |
| 16,000 | 875.00 | 875.00 | 0.00% | 423.00 | -51.66% |
| 17,000 | 930.00 | 930.00 | 0.00% | 452.00 | -51.40% |
| 18,000 | 985.00 | 985.00 | 0.00% | 481.00 | -51.17% |
| 19,000 | 1,040.00 | 1,040.00 | 0.00% | 510.00 | -50.96% |
| 20,000 | 1,095.00 | 1,095.00 | 0.00% | 539.00 | -50.78% |
| 25,000 | 1,370.00 | 1,370.00 | 0.00% | 684.00 | -50.07% |
| 30,000 | 1,645.00 | 1,645.00 | 0.00% | 829.00 | -49.60% |
| 35,000 | 1,920.00 | 1,920.00 | 0.00% | 974.00 | -49.27% |
| 40,000 | 2,195.00 | 2,195.00 | 0.00% | 1,119.00 | -49.02% |
| 45,000 | 2,470.00 | 2,470.00 | 0.00% | 1,264.00 | -48.83% |
| 50,000 | 2,745.00 | 2,745.00 | 0.00% | 1,409.00 | -48.67% |
| 75,000 | 4,120.00 | 4,120.00 | 0.00% | 2,134.00 | -48.20% |
| 100,000 | 5,495.00 | 5,495.00 | 0.00% | 2,859.00 | -47.97% |

Typical Bill Analysis
3/4" Meter (Canyonland Publishing I)

| Company Proposed | Gallons | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|--------------------------|---------|---------------|----------------|-----------------|------------------|
| Average Usage | 3,342 | \$ 212.10 | \$ 212.10 | \$ - | 0.00% |
| Median Usage | 2,105 | 150.25 | 150.25 | \$ - | 0.00% |
| Staff Recommended | | | | | |
| Average Usage | 3,342 | \$ 212.10 | \$ 99.20 | \$ (112.91) | -53.23% |
| Median Usage | 2,105 | 150.25 | 71.36 | \$ (78.89) | -52.50% |

Present & Proposed Rates (Without Taxes)
3/4" Meter (Canyonland Publishing I)

| Gallons Consumption | Present Rates | Company Proposed Rates | % Increase | Staff Recommended Rates | % Increase |
|---------------------|---------------|------------------------|------------|-------------------------|------------|
| - | \$ 45.00 | \$ 45.00 | 0.00% | \$ 24.00 | -46.67% |
| 1,000 | 95.00 | 95.00 | 0.00% | 46.50 | -51.05% |
| 2,000 | 145.00 | 145.00 | 0.00% | 69.00 | -52.41% |
| 2,105 | 150.25 | 150.25 | 0.00% | 71.36 | -52.50% |
| 3,000 | 195.00 | 195.00 | 0.00% | 91.50 | -53.08% |
| 3,342 | 212.10 | 212.10 | 0.00% | 99.20 | -53.23% |
| 4,000 | 245.00 | 245.00 | 0.00% | 114.00 | -53.47% |
| 5,000 | 295.00 | 295.00 | 0.00% | 136.50 | -53.73% |
| 6,000 | 345.00 | 345.00 | 0.00% | 159.00 | -53.91% |
| 7,000 | 395.00 | 395.00 | 0.00% | 181.50 | -54.05% |
| 8,000 | 445.00 | 445.00 | 0.00% | 204.00 | -54.16% |
| 9,000 | 495.00 | 495.00 | 0.00% | 226.50 | -54.24% |
| 10,000 | 545.00 | 545.00 | 0.00% | 249.00 | -54.31% |
| 11,000 | 600.00 | 600.00 | 0.00% | 278.00 | -53.67% |
| 12,000 | 655.00 | 655.00 | 0.00% | 307.00 | -53.13% |
| 13,000 | 710.00 | 710.00 | 0.00% | 336.00 | -52.68% |
| 14,000 | 765.00 | 765.00 | 0.00% | 365.00 | -52.29% |
| 15,000 | 820.00 | 820.00 | 0.00% | 394.00 | -51.95% |
| 16,000 | 875.00 | 875.00 | 0.00% | 423.00 | -51.66% |
| 17,000 | 930.00 | 930.00 | 0.00% | 452.00 | -51.40% |
| 18,000 | 985.00 | 985.00 | 0.00% | 481.00 | -51.17% |
| 19,000 | 1,040.00 | 1,040.00 | 0.00% | 510.00 | -50.96% |
| 20,000 | 1,095.00 | 1,095.00 | 0.00% | 539.00 | -50.78% |
| 25,000 | 1,370.00 | 1,370.00 | 0.00% | 684.00 | -50.07% |
| 30,000 | 1,645.00 | 1,645.00 | 0.00% | 829.00 | -49.60% |
| 35,000 | 1,920.00 | 1,920.00 | 0.00% | 974.00 | -49.27% |
| 40,000 | 2,195.00 | 2,195.00 | 0.00% | 1,119.00 | -49.02% |
| 45,000 | 2,470.00 | 2,470.00 | 0.00% | 1,264.00 | -48.83% |
| 50,000 | 2,745.00 | 2,745.00 | 0.00% | 1,409.00 | -48.67% |
| 75,000 | 4,120.00 | 4,120.00 | 0.00% | 2,134.00 | -48.20% |
| 100,000 | 5,495.00 | 5,495.00 | 0.00% | 2,859.00 | -47.97% |

Typical Bill Analysis
3/4" Meter (Distinctive Woodworks)

| Company Proposed | Gallons | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|--------------------------|---------|---------------|----------------|-----------------|------------------|
| Average Usage | 3,524 | \$ 221.19 | \$ 221.19 | \$ - | 0.00% |
| Median Usage | 1,418 | 115.90 | 115.90 | \$ - | 0.00% |
| Staff Recommended | | | | | |
| Average Usage | 3,524 | \$ 221.19 | \$ 103.28 | \$ (117.90) | -53.30% |
| Median Usage | 1,418 | 115.90 | 55.91 | \$ (60.00) | -51.76% |

Present & Proposed Rates (Without Taxes)
3/4" Meter (Distinctive Woodworks)

| Gallons Consumption | Present Rates | Company Proposed Rates | % Increase | Staff Recommended Rates | % Increase |
|---------------------|---------------|------------------------|------------|-------------------------|------------|
| - | \$ 45.00 | \$ 45.00 | 0.00% | \$ 24.00 | -46.67% |
| 1,000 | 95.00 | 95.00 | 0.00% | 46.50 | -51.05% |
| 1,418 | 115.90 | 115.90 | 0.00% | 55.91 | -51.76% |
| 2,000 | 145.00 | 145.00 | 0.00% | 69.00 | -52.41% |
| 3,000 | 195.00 | 195.00 | 0.00% | 91.50 | -53.08% |
| 3,524 | 221.19 | 221.19 | 0.00% | 103.28 | -53.30% |
| 4,000 | 245.00 | 245.00 | 0.00% | 114.00 | -53.47% |
| 5,000 | 295.00 | 295.00 | 0.00% | 136.50 | -53.73% |
| 6,000 | 345.00 | 345.00 | 0.00% | 159.00 | -53.91% |
| 7,000 | 395.00 | 395.00 | 0.00% | 181.50 | -54.05% |
| 8,000 | 445.00 | 445.00 | 0.00% | 204.00 | -54.16% |
| 9,000 | 495.00 | 495.00 | 0.00% | 226.50 | -54.24% |
| 10,000 | 545.00 | 545.00 | 0.00% | 249.00 | -54.31% |
| 11,000 | 600.00 | 600.00 | 0.00% | 278.00 | -53.67% |
| 12,000 | 655.00 | 655.00 | 0.00% | 307.00 | -53.13% |
| 13,000 | 710.00 | 710.00 | 0.00% | 336.00 | -52.68% |
| 14,000 | 765.00 | 765.00 | 0.00% | 365.00 | -52.29% |
| 15,000 | 820.00 | 820.00 | 0.00% | 394.00 | -51.95% |
| 16,000 | 875.00 | 875.00 | 0.00% | 423.00 | -51.66% |
| 17,000 | 930.00 | 930.00 | 0.00% | 452.00 | -51.40% |
| 18,000 | 985.00 | 985.00 | 0.00% | 481.00 | -51.17% |
| 19,000 | 1,040.00 | 1,040.00 | 0.00% | 510.00 | -50.96% |
| 20,000 | 1,095.00 | 1,095.00 | 0.00% | 539.00 | -50.78% |
| 25,000 | 1,370.00 | 1,370.00 | 0.00% | 684.00 | -50.07% |
| 30,000 | 1,645.00 | 1,645.00 | 0.00% | 829.00 | -49.60% |
| 35,000 | 1,920.00 | 1,920.00 | 0.00% | 974.00 | -49.27% |
| 40,000 | 2,195.00 | 2,195.00 | 0.00% | 1,119.00 | -49.02% |
| 45,000 | 2,470.00 | 2,470.00 | 0.00% | 1,264.00 | -48.83% |
| 50,000 | 2,745.00 | 2,745.00 | 0.00% | 1,409.00 | -48.67% |
| 75,000 | 4,120.00 | 4,120.00 | 0.00% | 2,134.00 | -48.20% |
| 100,000 | 5,495.00 | 5,495.00 | 0.00% | 2,859.00 | -47.97% |

Typical Bill Analysis
3/4" Meter (American Manufacturing)

| Company Proposed | Gallons | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|--------------------------|---------|---------------|----------------|-----------------|------------------|
| Average Usage | 818 | \$ 85.88 | \$ 85.88 | \$ - | 0.00% |
| Median Usage | 100 | 50.00 | 50.00 | \$ - | 0.00% |
| Staff Recommended | | | | | |
| Average Usage | 818 | \$ 85.88 | \$ 42.40 | \$ (43.48) | -50.63% |
| Median Usage | 100 | 50.00 | 26.25 | \$ (23.75) | -47.50% |

Present & Proposed Rates (Without Taxes)
3/4" Meter (American Manufacturing)

| Gallons Consumption | Present Rates | Company Proposed Rates | % Increase | Staff Recommended Rates | % Increase |
|---------------------|---------------|------------------------|------------|-------------------------|------------|
| - | \$ 45.00 | \$ 45.00 | 0.00% | \$ 24.00 | -46.67% |
| 100 | 50.00 | 50.00 | 0.00% | 26.25 | -47.50% |
| 818 | 85.88 | 85.88 | 0.00% | 42.40 | -50.63% |
| 1,000 | 95.00 | 95.00 | 0.00% | 46.50 | -51.05% |
| 2,000 | 145.00 | 145.00 | 0.00% | 69.00 | -52.41% |
| 3,000 | 195.00 | 195.00 | 0.00% | 91.50 | -53.08% |
| 4,000 | 245.00 | 245.00 | 0.00% | 114.00 | -53.47% |
| 5,000 | 295.00 | 295.00 | 0.00% | 136.50 | -53.73% |
| 6,000 | 345.00 | 345.00 | 0.00% | 159.00 | -53.91% |
| 7,000 | 395.00 | 395.00 | 0.00% | 181.50 | -54.05% |
| 8,000 | 445.00 | 445.00 | 0.00% | 204.00 | -54.16% |
| 9,000 | 495.00 | 495.00 | 0.00% | 226.50 | -54.24% |
| 10,000 | 545.00 | 545.00 | 0.00% | 249.00 | -54.31% |
| 11,000 | 600.00 | 600.00 | 0.00% | 278.00 | -53.67% |
| 12,000 | 655.00 | 655.00 | 0.00% | 307.00 | -53.13% |
| 13,000 | 710.00 | 710.00 | 0.00% | 336.00 | -52.68% |
| 14,000 | 765.00 | 765.00 | 0.00% | 365.00 | -52.29% |
| 15,000 | 820.00 | 820.00 | 0.00% | 394.00 | -51.95% |
| 16,000 | 875.00 | 875.00 | 0.00% | 423.00 | -51.66% |
| 17,000 | 930.00 | 930.00 | 0.00% | 452.00 | -51.40% |
| 18,000 | 985.00 | 985.00 | 0.00% | 481.00 | -51.17% |
| 19,000 | 1,040.00 | 1,040.00 | 0.00% | 510.00 | -50.96% |
| 20,000 | 1,095.00 | 1,095.00 | 0.00% | 539.00 | -50.78% |
| 25,000 | 1,370.00 | 1,370.00 | 0.00% | 684.00 | -50.07% |
| 30,000 | 1,645.00 | 1,645.00 | 0.00% | 829.00 | -49.60% |
| 35,000 | 1,920.00 | 1,920.00 | 0.00% | 974.00 | -49.27% |
| 40,000 | 2,195.00 | 2,195.00 | 0.00% | 1,119.00 | -49.02% |
| 45,000 | 2,470.00 | 2,470.00 | 0.00% | 1,264.00 | -48.83% |
| 50,000 | 2,745.00 | 2,745.00 | 0.00% | 1,409.00 | -48.67% |
| 75,000 | 4,120.00 | 4,120.00 | 0.00% | 2,134.00 | -48.20% |
| 100,000 | 5,495.00 | 5,495.00 | 0.00% | 2,859.00 | -47.97% |

Typical Bill Analysis
1" Meter (Canyonland Publishing II)

| Company Proposed | Gallons | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|--------------------------|---------|---------------|----------------|-----------------|------------------|
| Average Usage | 224,951 | \$ 12,397.32 | \$ 12,397.32 | \$ - | 0.00% |
| Median Usage | 190,584 | 10,507.09 | 10,507.09 | \$ - | 0.00% |
| Staff Recommended | | | | | |
| Average Usage | 224,951 | \$ 12,397.32 | \$ 6,498.59 | \$ (5,898.73) | -47.58% |
| Median Usage | 190,584 | 10,507.09 | 5,501.92 | \$ (5,005.17) | -47.64% |

Present & Proposed Rates (Without Taxes)
1" Meter (Canyonland Publishing II)

| Gallons Consumption | Present Rates | Company Proposed Rates | % Increase | Staff Recommended Rates | % Increase |
|---------------------|---------------|------------------------|------------|-------------------------|------------|
| - | \$ 75.00 | \$ 75.00 | 0.00% | \$ 40.00 | -46.67% |
| 1,000 | 125.00 | 125.00 | 0.00% | 62.50 | -50.00% |
| 2,000 | 175.00 | 175.00 | 0.00% | 85.00 | -51.43% |
| 3,000 | 225.00 | 225.00 | 0.00% | 107.50 | -52.22% |
| 4,000 | 275.00 | 275.00 | 0.00% | 130.00 | -52.73% |
| 5,000 | 325.00 | 325.00 | 0.00% | 152.50 | -53.08% |
| 6,000 | 375.00 | 375.00 | 0.00% | 175.00 | -53.33% |
| 7,000 | 425.00 | 425.00 | 0.00% | 197.50 | -53.53% |
| 8,000 | 475.00 | 475.00 | 0.00% | 220.00 | -53.68% |
| 9,000 | 525.00 | 525.00 | 0.00% | 242.50 | -53.81% |
| 10,000 | 575.00 | 575.00 | 0.00% | 265.00 | -53.91% |
| 11,000 | 630.00 | 630.00 | 0.00% | 294.00 | -53.33% |
| 12,000 | 685.00 | 685.00 | 0.00% | 323.00 | -52.85% |
| 13,000 | 740.00 | 740.00 | 0.00% | 352.00 | -52.43% |
| 14,000 | 795.00 | 795.00 | 0.00% | 381.00 | -52.08% |
| 15,000 | 850.00 | 850.00 | 0.00% | 410.00 | -51.76% |
| 16,000 | 905.00 | 905.00 | 0.00% | 439.00 | -51.49% |
| 17,000 | 960.00 | 960.00 | 0.00% | 468.00 | -51.25% |
| 18,000 | 1,015.00 | 1,015.00 | 0.00% | 497.00 | -51.03% |
| 19,000 | 1,070.00 | 1,070.00 | 0.00% | 526.00 | -50.84% |
| 20,000 | 1,125.00 | 1,125.00 | 0.00% | 555.00 | -50.67% |
| 25,000 | 1,400.00 | 1,400.00 | 0.00% | 700.00 | -50.00% |
| 30,000 | 1,675.00 | 1,675.00 | 0.00% | 845.00 | -49.55% |
| 35,000 | 1,950.00 | 1,950.00 | 0.00% | 990.00 | -49.23% |
| 40,000 | 2,225.00 | 2,225.00 | 0.00% | 1,135.00 | -48.99% |
| 45,000 | 2,500.00 | 2,500.00 | 0.00% | 1,280.00 | -48.80% |
| 50,000 | 2,775.00 | 2,775.00 | 0.00% | 1,425.00 | -48.65% |
| 75,000 | 4,150.00 | 4,150.00 | 0.00% | 2,150.00 | -48.19% |
| 100,000 | 5,525.00 | 5,525.00 | 0.00% | 2,875.00 | -47.96% |
| 190,584 | 10,507.09 | 10,507.09 | 0.00% | 5,501.92 | -47.64% |
| 224,951 | 12,397.32 | 12,397.32 | 0.00% | 6,498.59 | -47.58% |

Typical Bill Analysis
1" Meter (Move it Tire)

| Company Proposed | Gallons | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|--------------------------|---------|---------------|----------------|-----------------|------------------|
| Average Usage | 7,376 | \$ 443.81 | \$ 443.81 | \$ - | 0.00% |
| Median Usage | 6,636 | 406.80 | 406.80 | \$ - | 0.00% |
| Staff Recommended | | | | | |
| Average Usage | 7,376 | \$ 443.81 | \$ 205.97 | \$ (237.85) | -53.59% |
| Median Usage | 6,636 | 406.80 | 189.31 | \$ (217.49) | -53.46% |

Present & Proposed Rates (Without Taxes)
1" Meter (Move it Tire)

| Gallons Consumption | Present Rates | Company Proposed Rates | % Increase | Staff Recommended Rates | % Increase |
|---------------------|---------------|------------------------|------------|-------------------------|------------|
| - | \$ 75.00 | \$ 75.00 | 0.00% | \$ 40.00 | -46.67% |
| 1,000 | 125.00 | 125.00 | 0.00% | 62.50 | -50.00% |
| 2,000 | 175.00 | 175.00 | 0.00% | 85.00 | -51.43% |
| 3,000 | 225.00 | 225.00 | 0.00% | 107.50 | -52.22% |
| 4,000 | 275.00 | 275.00 | 0.00% | 130.00 | -52.73% |
| 5,000 | 325.00 | 325.00 | 0.00% | 152.50 | -53.08% |
| 6,000 | 375.00 | 375.00 | 0.00% | 175.00 | -53.33% |
| 7,000 | 425.00 | 425.00 | 0.00% | 197.50 | -53.53% |
| 6,636 | 406.80 | 406.80 | 0.00% | 189.31 | -53.46% |
| 7,376 | 443.81 | 443.81 | 0.00% | 205.97 | -53.59% |
| 8,000 | 475.00 | 475.00 | 0.00% | 220.00 | -53.68% |
| 9,000 | 525.00 | 525.00 | 0.00% | 242.50 | -53.81% |
| 10,000 | 575.00 | 575.00 | 0.00% | 265.00 | -53.91% |
| 11,000 | 630.00 | 630.00 | 0.00% | 294.00 | -53.33% |
| 12,000 | 685.00 | 685.00 | 0.00% | 323.00 | -52.85% |
| 13,000 | 740.00 | 740.00 | 0.00% | 352.00 | -52.43% |
| 14,000 | 795.00 | 795.00 | 0.00% | 381.00 | -52.08% |
| 15,000 | 850.00 | 850.00 | 0.00% | 410.00 | -51.76% |
| 16,000 | 905.00 | 905.00 | 0.00% | 439.00 | -51.49% |
| 17,000 | 960.00 | 960.00 | 0.00% | 468.00 | -51.25% |
| 18,000 | 1,015.00 | 1,015.00 | 0.00% | 497.00 | -51.03% |
| 19,000 | 1,070.00 | 1,070.00 | 0.00% | 526.00 | -50.84% |
| 20,000 | 1,125.00 | 1,125.00 | 0.00% | 555.00 | -50.67% |
| 25,000 | 1,400.00 | 1,400.00 | 0.00% | 700.00 | -50.00% |
| 30,000 | 1,675.00 | 1,675.00 | 0.00% | 845.00 | -49.55% |
| 35,000 | 1,950.00 | 1,950.00 | 0.00% | 990.00 | -49.23% |
| 40,000 | 2,225.00 | 2,225.00 | 0.00% | 1,135.00 | -48.99% |
| 45,000 | 2,500.00 | 2,500.00 | 0.00% | 1,280.00 | -48.80% |
| 50,000 | 2,775.00 | 2,775.00 | 0.00% | 1,425.00 | -48.65% |
| 75,000 | 4,150.00 | 4,150.00 | 0.00% | 2,150.00 | -48.19% |
| 100,000 | 5,525.00 | 5,525.00 | 0.00% | 2,875.00 | -47.96% |

Typical Bill Analysis
2" Meter (SCHUFF STEEL)

| Company Proposed | Gallons | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|--------------------------|---------|---------------|----------------|-----------------|------------------|
| Average Usage | 125,800 | \$ 7,029.00 | \$ 7,029.00 | \$ - | 0.00% |
| Median Usage | 90,600 | 5,093.00 | 5,093.00 | \$ - | 0.00% |
| Staff Recommended | | | | | |
| Average Usage | 125,800 | \$ 7,029.00 | \$ 3,711.20 | \$ (3,317.80) | -47.20% |
| Median Usage | 90,600 | 5,093.00 | 2,690.40 | \$ (2,402.60) | -47.17% |

Present & Proposed Rates (Without Taxes)
2" Meter (SCHUFF STEEL)

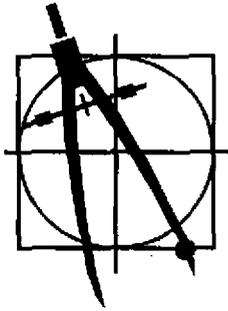
| Gallons Consumption | Present Rates | Company Proposed Rates | % Increase | Staff Recommended Rates | % Increase |
|---------------------|---------------|------------------------|------------|-------------------------|------------|
| - | \$ 160.00 | \$ 160.00 | 0.00% | \$ 128.00 | -20.00% |
| 1,000 | 210.00 | 210.00 | 0.00% | 150.50 | -28.33% |
| 2,000 | 260.00 | 260.00 | 0.00% | 173.00 | -33.46% |
| 3,000 | 310.00 | 310.00 | 0.00% | 195.50 | -36.94% |
| 4,000 | 360.00 | 360.00 | 0.00% | 218.00 | -39.44% |
| 5,000 | 410.00 | 410.00 | 0.00% | 240.50 | -41.34% |
| 6,000 | 460.00 | 460.00 | 0.00% | 263.00 | -42.83% |
| 7,000 | 510.00 | 510.00 | 0.00% | 285.50 | -44.02% |
| 8,000 | 560.00 | 560.00 | 0.00% | 308.00 | -45.00% |
| 9,000 | 610.00 | 610.00 | 0.00% | 330.50 | -45.82% |
| 10,000 | 660.00 | 660.00 | 0.00% | 353.00 | -46.52% |
| 11,000 | 715.00 | 715.00 | 0.00% | 382.00 | -46.57% |
| 12,000 | 770.00 | 770.00 | 0.00% | 411.00 | -46.62% |
| 13,000 | 825.00 | 825.00 | 0.00% | 440.00 | -46.67% |
| 14,000 | 880.00 | 880.00 | 0.00% | 469.00 | -46.70% |
| 15,000 | 935.00 | 935.00 | 0.00% | 498.00 | -46.74% |
| 16,000 | 990.00 | 990.00 | 0.00% | 527.00 | -46.77% |
| 17,000 | 1,045.00 | 1,045.00 | 0.00% | 556.00 | -46.79% |
| 18,000 | 1,100.00 | 1,100.00 | 0.00% | 585.00 | -46.82% |
| 19,000 | 1,155.00 | 1,155.00 | 0.00% | 614.00 | -46.84% |
| 20,000 | 1,210.00 | 1,210.00 | 0.00% | 643.00 | -46.86% |
| 25,000 | 1,485.00 | 1,485.00 | 0.00% | 788.00 | -46.94% |
| 30,000 | 1,760.00 | 1,760.00 | 0.00% | 933.00 | -46.99% |
| 35,000 | 2,035.00 | 2,035.00 | 0.00% | 1,078.00 | -47.03% |
| 40,000 | 2,310.00 | 2,310.00 | 0.00% | 1,223.00 | -47.06% |
| 45,000 | 2,585.00 | 2,585.00 | 0.00% | 1,368.00 | -47.08% |
| 50,000 | 2,860.00 | 2,860.00 | 0.00% | 1,513.00 | -47.10% |
| 75,000 | 4,235.00 | 4,235.00 | 0.00% | 2,238.00 | -47.15% |
| 90,600 | 5,093.00 | 5,093.00 | 0.00% | 2,690.40 | -47.17% |
| 100,000 | 5,610.00 | 5,610.00 | 0.00% | 2,963.00 | -47.18% |
| 125,800 | 7,029.00 | 7,029.00 | 0.00% | 3,711.20 | -47.20% |

Typical Bill Analysis
4" Meter (SCA Tissue)

| Company Proposed | Gallons | Present Rates | Proposed Rates | Dollar Increase | Percent Increase |
|--------------------------|---------|---------------|----------------|-----------------|------------------|
| Average Usage | 196,425 | \$ 11,253.38 | \$ 11,253.38 | \$ - | 0.00% |
| Median Usage | 193,350 | 11,084.25 | 11,084.25 | \$ - | 0.00% |
| Staff Recommended | | | | | |
| Average Usage | 196,425 | \$ 11,253.38 | \$ 6,031.33 | \$ (5,222.05) | -46.40% |
| Median Usage | 193,350 | 11,084.25 | 5,942.15 | \$ (5,142.10) | -46.39% |

Present & Proposed Rates (Without Taxes)
4" Meter (SCA Tissue)

| Gallons Consumption | Present Rates | Company Proposed Rates | % Increase | Staff Recommended Rates | % Increase |
|---------------------|---------------|------------------------|------------|-------------------------|------------|
| - | \$ 500.00 | \$ 500.00 | 0.00% | \$ 400.00 | -20.00% |
| 1,000 | 550.00 | 550.00 | 0.00% | 422.50 | -23.18% |
| 2,000 | 600.00 | 600.00 | 0.00% | 445.00 | -25.83% |
| 3,000 | 650.00 | 650.00 | 0.00% | 467.50 | -28.08% |
| 4,000 | 700.00 | 700.00 | 0.00% | 490.00 | -30.00% |
| 5,000 | 750.00 | 750.00 | 0.00% | 512.50 | -31.67% |
| 6,000 | 800.00 | 800.00 | 0.00% | 535.00 | -33.13% |
| 7,000 | 850.00 | 850.00 | 0.00% | 557.50 | -34.41% |
| 8,000 | 900.00 | 900.00 | 0.00% | 580.00 | -35.56% |
| 9,000 | 950.00 | 950.00 | 0.00% | 602.50 | -36.58% |
| 10,000 | 1,000.00 | 1,000.00 | 0.00% | 625.00 | -37.50% |
| 11,000 | 1,055.00 | 1,055.00 | 0.00% | 654.00 | -38.01% |
| 12,000 | 1,110.00 | 1,110.00 | 0.00% | 683.00 | -38.47% |
| 13,000 | 1,165.00 | 1,165.00 | 0.00% | 712.00 | -38.88% |
| 14,000 | 1,220.00 | 1,220.00 | 0.00% | 741.00 | -39.26% |
| 15,000 | 1,275.00 | 1,275.00 | 0.00% | 770.00 | -39.61% |
| 16,000 | 1,330.00 | 1,330.00 | 0.00% | 799.00 | -39.92% |
| 17,000 | 1,385.00 | 1,385.00 | 0.00% | 828.00 | -40.22% |
| 18,000 | 1,440.00 | 1,440.00 | 0.00% | 857.00 | -40.49% |
| 19,000 | 1,495.00 | 1,495.00 | 0.00% | 886.00 | -40.74% |
| 20,000 | 1,550.00 | 1,550.00 | 0.00% | 915.00 | -40.97% |
| 25,000 | 1,825.00 | 1,825.00 | 0.00% | 1,060.00 | -41.92% |
| 30,000 | 2,100.00 | 2,100.00 | 0.00% | 1,205.00 | -42.62% |
| 35,000 | 2,375.00 | 2,375.00 | 0.00% | 1,350.00 | -43.16% |
| 40,000 | 2,650.00 | 2,650.00 | 0.00% | 1,495.00 | -43.58% |
| 45,000 | 2,925.00 | 2,925.00 | 0.00% | 1,640.00 | -43.93% |
| 50,000 | 3,200.00 | 3,200.00 | 0.00% | 1,785.00 | -44.22% |
| 75,000 | 4,575.00 | 4,575.00 | 0.00% | 2,510.00 | -45.14% |
| 100,000 | 5,950.00 | 5,950.00 | 0.00% | 3,235.00 | -45.63% |
| 193,350 | 11,084.25 | 11,084.25 | 0.00% | 5,942.15 | -46.39% |
| 196,425 | 11,253.38 | 11,253.38 | 0.00% | 6,031.33 | -46.40% |



**Engineering Report for
Bellemont Water Company**

Docket No. W-02526A-09-0421 (Rates)

By Marlin Scott, Jr. *MSJ*

February 9, 2010

CONCLUSIONS

- A. At this time, Bellemont Water Company ("Company") appears to have adequate well and storage capacity to serve its customer base.
- B. The Arizona Department of Environmental Quality ("ADEQ") has reported that the Company is currently delivering water that meets the water quality standards.
- C. The Company is not within an Arizona Department of Water Resource ("ADWR") Active Management Area. According to ADWR, the Company is not a community water system and therefore, does not need to submit a System Water Plan or an Annual Water Use Report.
- D. A check with the Utilities Division Compliance Section showed that the Company had no delinquent Commission compliance issues.
- E. The Company has an approved curtailment tariff that became effective on May 1, 2003.
- F. The Company has an approved backflow prevention tariff that became effective on June 3, 2007.

RECOMMENDATIONS

- 1. If the financing application is approved for Docket No. 09-0421, Staff recommends that the Company be ordered to install a proper sized wellhead meter on its new deep well. If the financing request is not approved, then Staff recommends that the Company be ordered to reinstall a proper sized wellhead meter on its old well. Staff further recommends that the Company file with Docket Control within 3 months of the effective date of an order in this proceeding that if a new well is not approved or within 15 days of the operation of the new well if the new well is approved, as a compliance item in this docket, documentation demonstrating that a proper sized wellhead meter has been reinstalled.

2. Staff recommends an annual water testing and operator's expense of \$2,251 be used for purposes of this application.
3. The Company has adopted Staff's typical and customary depreciation rates and Staff recommends that the Company continue to use the depreciation rates delineated in Table H-1.
4. The Company did not request changes to its service line and meter installation charges and Staff recommends that the Company continue to use the charges as shown in Table I-1.

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A. LOCATION OF COMPANY

Bellemont Water Company ("Company") serves the community of Bellemont, which is located approximately 10 miles west of Flagstaff along Interstate 40. Figure 1 shows the location of the Company within Coconino County and Figure 2 shows the Certificate of Convenience and Necessity covering approximately 1/3 square-mile.

B. DESCRIPTION OF THE WATER SYSTEM

The water system was field inspected on October 28, 2009, by Marlin Scott, Jr., Staff Utilities Engineer, in the accompaniment of Klaudia Ness, Secretary for the Company.

The current operation of the water system consists of one main well pumping an estimated 20 gallons per minute ("GPM"), two storage tanks totaling 260,000 gallons, three booster pumps, a 5,000 gallon pressure tank, and a distribution system serving eight metered commercial customers. The Company also provides standpipe service. A system schematic of this process is shown as Figure 3 and a detailed plant facility listing is as follows:

Table 1. Well Data

| Well Information | Well #2 (Main Well) | Well #3 | Well #4 (Stand-By) |
|------------------|------------------------|---------------------|------------------------|
| ADWR ID No. | 55-513823 | 55-27693 | 55-584028 |
| Casing Size | 6-inch | 8-inch | 8-inch |
| Casing Depth | 225 ft. | 55 ft. | 110 feet |
| Pump Size | # 1-1/2-Hp | | 1/2-Hp |
| Pump Type | Submersible | (Collapsed casing) | Submersible |
| Pump Yield | 20 GPM (estimated) | | 7 GPM (estimated) |
| Wellhead meter | 3-inch | (Abandoned) | (currently inoperable) |
| Treatment | Liquid chlorinator | | None |

Note: Well #2's old 10-Hp pump (installed in December 2006 at a cost of \$367) was replaced with a 1-1/2-Hp pump in July 2008 at a cost of \$516.

Table 2. Tanks & Pumping Facilities

| Facilities | Capacity |
|---------------|-----------------------------------|
| Storage tanks | 100,000 gallons & 160,000 gallons |
| Booster pumps | 10-Hp & two 25-Hp |
| Pressure tank | 5,000 gallon |

Table 3. Water Mains

| Diameter | Material | Length |
|---------------------|------------------|-----------|
| 6-inch | PVC | 1,518 ft. |
| 4-inch | PVC | 482 ft. |
| 6-inch Master-meter | In 5' x 5' vault | |

Table 4. Customer Meters

| Size | Quantity |
|----------------|----------|
| 5/8 x 3/4-inch | - |
| 3/4-inch | * 5 |
| 1-inch | 1 |
| 2-inch | 1 |
| 4-inch | 1 |
| Total: | 8 |

* Note: One customer has two meters.

Table 5. Equipment & Structures

| Equipment & Structures |
|--|
| Standpipes, 2" & 4" - both @ Well #2 |
| Meter vault, 12' x 12' - at Well #2 |
| Pump house, 17' x 37' - located at storage tank site |
| Well house, 10' x 10' - for Well #2 |
| Generator: 100 kW propane generator |

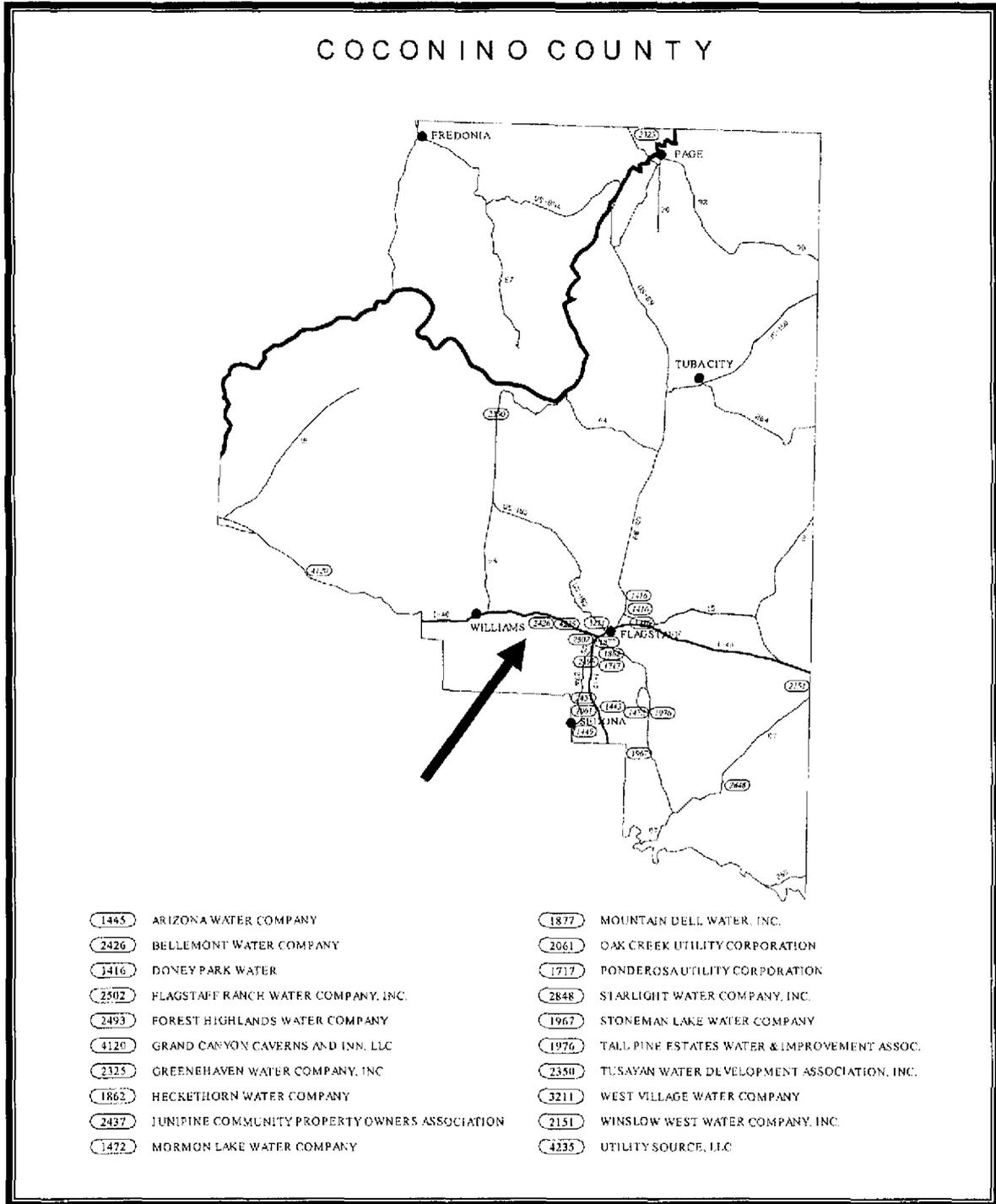


Figure 1. County Map

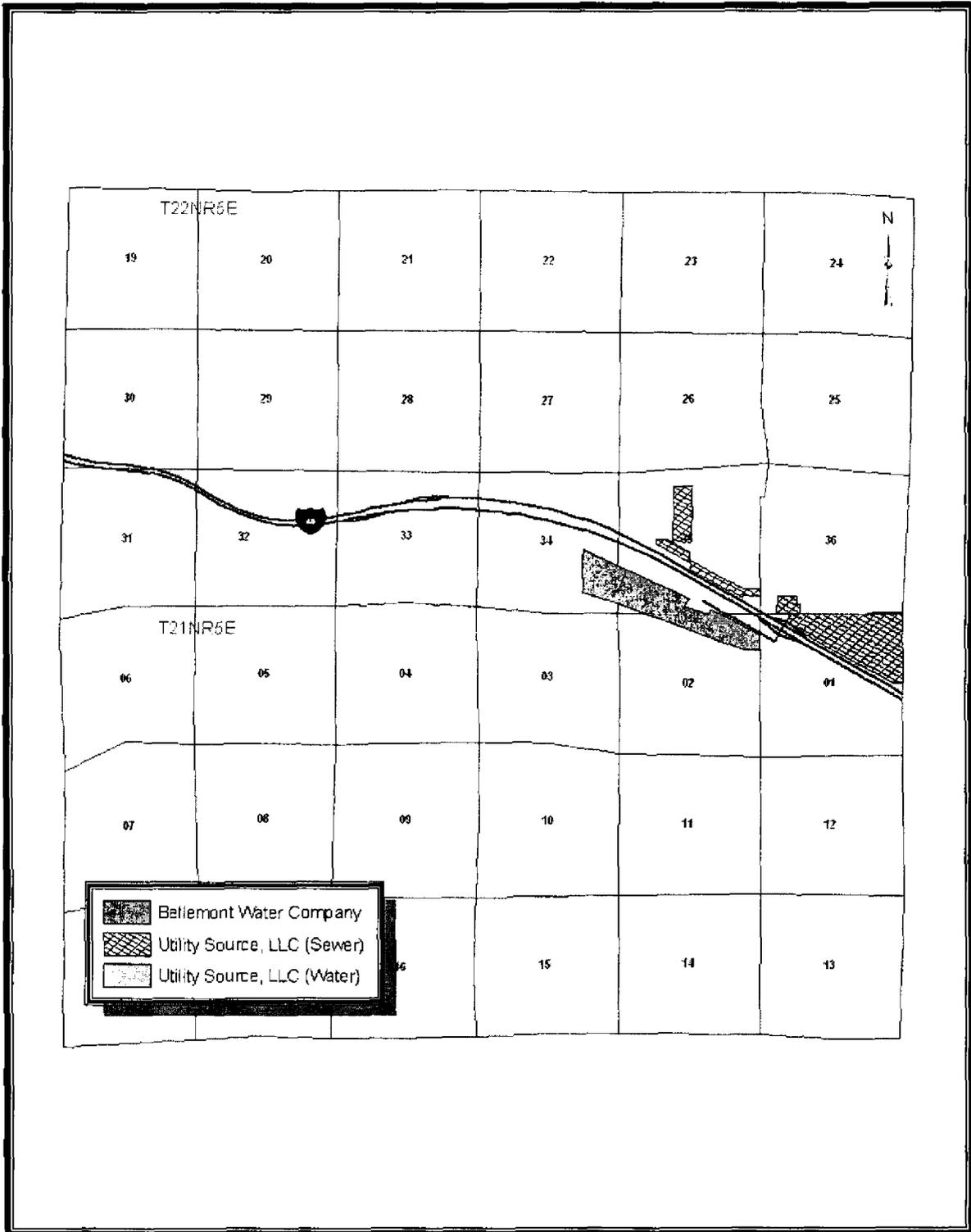


Figure 2. Certificated Area

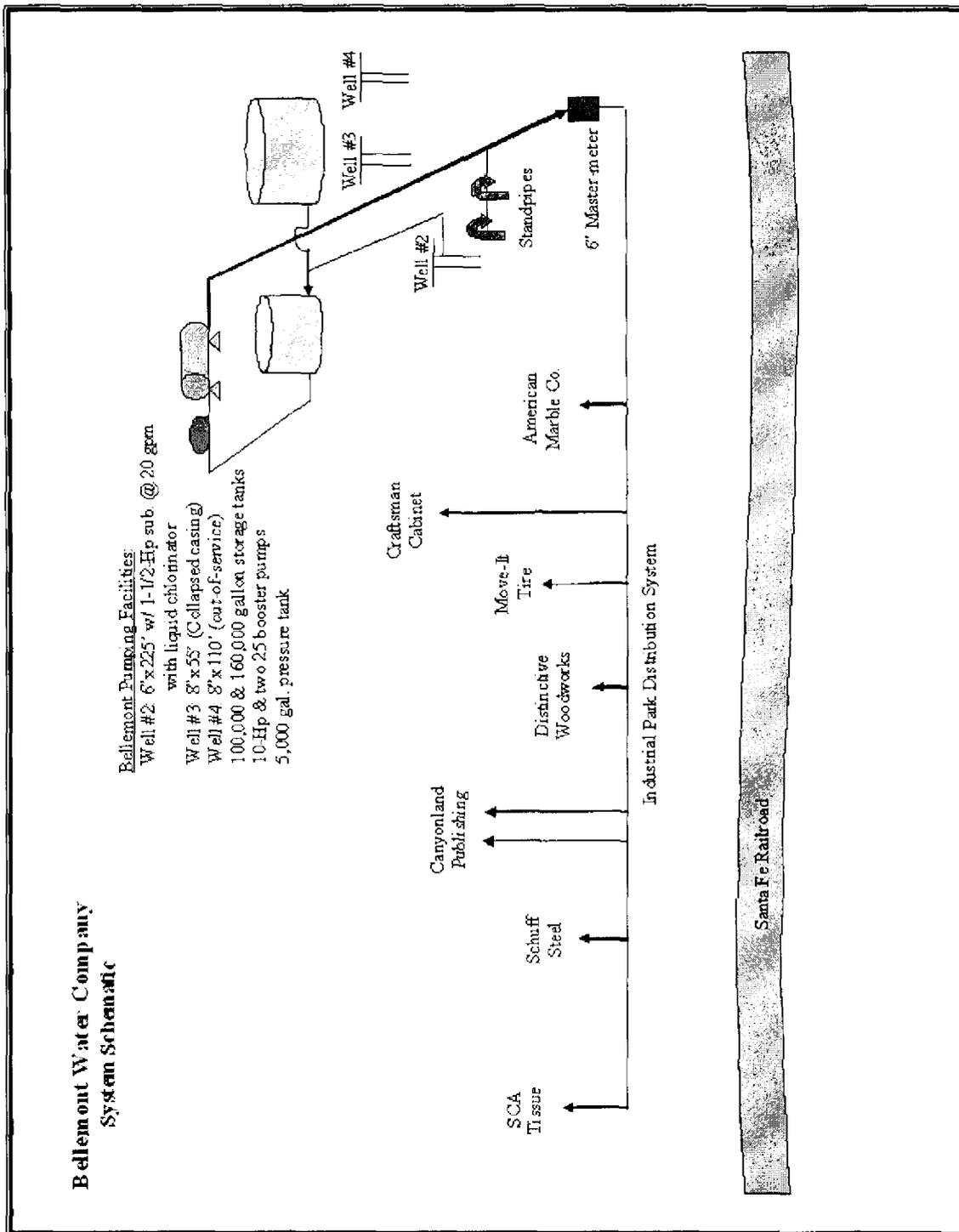


Figure 3. System Schematic

C. WATER USE

Water Sold

Figure 4 presents the water consumption data provided by the Company for the 2008 test year. The customer consumption experienced a high monthly usage of 1,623 gallons per day (“GPD”) per connection in April and a low monthly water use of 296 GPD per connection in May for an average monthly use of 620 GPD per connection.

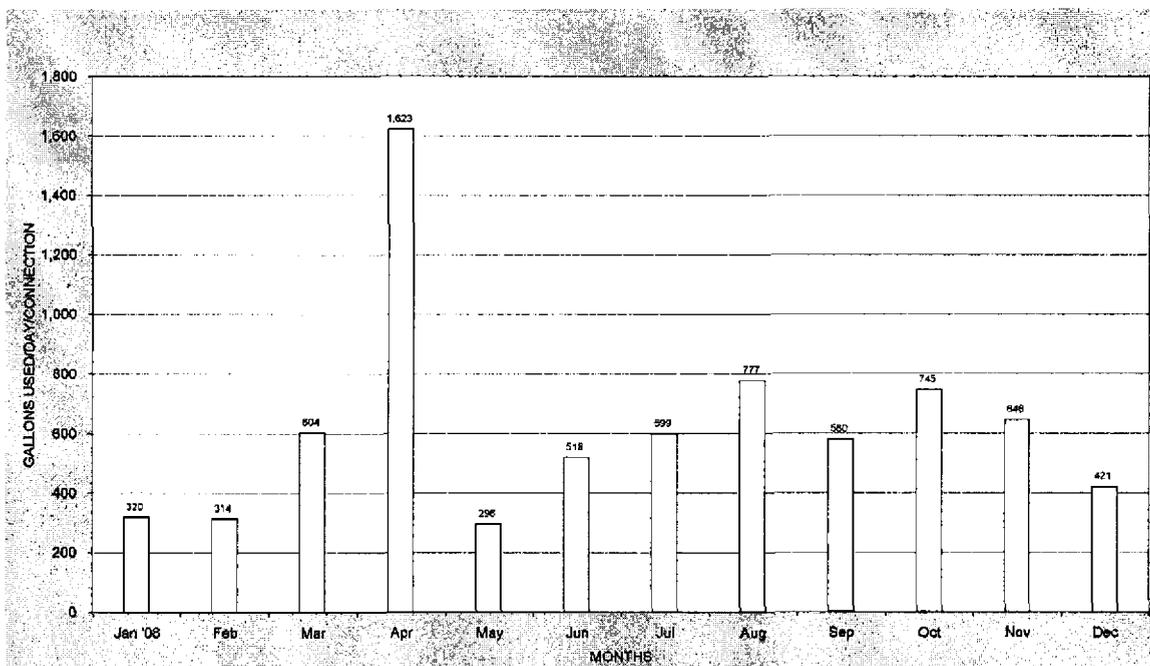


Figure 4. Water Use

Non-Account Water

During the test year, the Company had no wellhead meter and reported the same 1,811,400 gallons of water pumped as gallons sold. Gallons pumped cannot equal the gallons sold. Since the Company had no wellhead meter, the Company was instead, measuring the well production by the level of water in storage tank. This measuring method to record the gallons pumped was not accurate because the water that flows into the distribution system is not measured simultaneously.

In the Company's prior rate case, the Company was ordered to install a wellhead meter, which the Company complied with in May 2009. During Staff's field inspection, it was noted that the Company installed a 3-inch wellhead meter and had installed it vertically, instead of horizontally. Furthermore, although the well was running, Staff noted that the 3-inch was not registering the flow. It appears that the 3-inch meter is too

large for the well and the meter may be installed incorrectly, resulting in improper operation and/or inaccurate measuring of the flow.

Staff recommends, and if approved, that the Company be ordered to install a proper sized meter on its new deep well project. This new deep well project is discussed in the financing application in Attachment B. If the financing request is not approved, then Staff recommends that the Company be ordered to reinstall a proper sized wellhead meter on its old well. Staff further recommends that the Company file with Docket Control within 3 months of the effective date of an order in this proceeding that if a new well is not approved or within 15 days of the operation of the new well if the new well is approved, as a compliance item in this docket, documentation demonstrating that a proper sized wellhead meter has been reinstalled.

System Analysis

The current estimated well capacity of 20 GPM could adequately serve approximately 14 connections. However, this well capacity for has proven to be unreliable, therefore, service to customers has sometimes been inadequate.

The storage capacity of 260,000 gallons could adequately serve up to approximately 86 connections, which includes fire flow requirements.

Based on this analysis, and at this time, the Company has adequate production and storage capacities.

D. GROWTH

According to the Company's Annual Reports, the Company's customer base shows no growth. Since 1998, the Company had 8 metered service connections. In this present rate case, the Company still reported 8 metered customers, one customer with two meters, and it appears that this Company will have no customer growth until a permanent water source is found. This permanent source is the new deep well project that is discussed in the financing application in Attachment B.

E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Compliance

According to an ADEQ Compliance Status Report, dated July 30, 2009, that was submitted with the rate application; ADEQ has determined that the Company's system, PWS #03-394, is in compliance with ADEQ regulation and is currently delivering water that meets the water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Water Testing Expense

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP"). The Company reported its water testing expense at \$3,546 during the test year by combining water testing costs and water operator's fees. Staff has reviewed these expenses and has recalculated an annual expense of \$2,251 with participation in the MAP.

Table E-1. Water Testing & Operator's Costs

| Monitoring | Cost per test | No. of test | Annual Cost |
|---|---------------|-------------|----------------|
| Total coliform – monthly | \$17.50 | 12 | \$210 |
| MAP – IOCs, Radiochemical, Nitrate, Nitrite, Asbestos, SOCs, & VOCs | MAP | MAP | \$271 |
| Lead & Copper – per year | \$34 | 10 | \$340 |
| D/DBP – TTHM/HH5 – per year | \$350 | 1 | \$350 |
| Certified Water Operator – West Tech | \$90 | 12 | 1,080 |
| Total | | | \$2,251 |

Note: ADEQ's MAP invoice for the 2009 Calendar Year was \$270.56.

Staff recommends an annual water testing and operator's expense of \$2,251 be used for purposes of this application.

F. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company is not located in any ADWR Active Management Area. According to ADWR, the Company is not a community water system and therefore, does not need to submit a System Water Plan or an Annual Water Use Report.

G. ARIZONA CORPORATION COMMISSION COMPLIANCE

A check with the Utilities Division Compliance Section showed that the Company had no delinquent Commission compliance issues.

H. DEPRECIATION RATES

In the prior rate case, the Company adopted Staff's typical and customary depreciation rates. These rates are presented in Table H-1 and it is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners category.

Table H-1. Depreciation Rates

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

I. OTHER ISSUES

1. Service Line and Meter Installation Charges

The Company did not request changes to its service line and meter installation charges. Staff recommends that the Company continue to use its existing charges as shown in Table I-1 below, with separate installation charges for the service line and meter installations.

Table I-1. Service Line and Meter Installation Charges

| Meter Size | Service Line Charges | Meter Installation Charges | Total Charges |
|-------------------|----------------------|----------------------------|---------------|
| 5/8 x 3/4-inch | \$415 | \$105 | \$520 |
| 3/4-inch | \$415 | \$205 | \$620 |
| 1-inch | \$465 | \$265 | \$730 |
| 1-1/2-inch | \$520 | \$475 | \$995 |
| 2-inch – Turbine | \$800 | \$995 | \$1,795 |
| 2-inch – Compound | \$800 | \$1,840 | \$2,640 |
| 3-inch – Turbine | \$1,015 | \$1,620 | \$2,635 |
| 3-inch – Compound | \$1,135 | \$2,495 | \$3,630 |
| 4-inch – Turbine | \$1,430 | \$2,570 | \$4,000 |
| 4-inch – Compound | \$1,610 | \$3,545 | \$5,155 |
| 6-inch – Turbine | \$2,150 | \$4,925 | \$7,075 |
| 6-inch – Compound | \$2,270 | \$6,820 | \$9,090 |

2. Curtailment Tariff

The Company has an approved curtailment tariff that became effective on May 1, 2003.

3. Backflow Prevention Tariff

The Company has an approved backflow prevention tariff that became effective on June 3, 2007.

MEMORANDUM

DATE: February 9, 2010

TO: Pedro Chavez
Public Utilities Analyst III
Utilities Division

FROM: Marlin Scott, Jr.
Utilities Engineer
Utilities Division

RE: Bellemont Water Company
Docket No. W-02526A-09-0253 (Financing)

Introduction

On May 20, 2009, Bellemont Water Company ("Company") filed a financing application for a deep well project. This project was estimated at \$1,750,000 in which the Company is requesting approval of funding through the use of Water Infrastructure Financing Authority ("WIFA") indebtedness. The Company operates a water system at Bellemont, approximately 10 miles west of Flagstaff, in Coconino County.

Existing Water System

The existing system consists of one well (Well #2 estimated at 20 GPM), two storage tanks (totaling 260,000 gallons), one booster system and a distribution system serving approximately eight metered commercial customers and numerous standpipe customers. All these facilities are located at one site.

Shallow Well Drilling and Depletion

Since 1986, numerous wells have been drilled by the prior owner of the Company and most of these wells have been abandoned. Several of these wells have been drilled to 240 feet in depth and have depleted over time.

The current Company owner took over ownership in 2006. During 2006, the Company was leasing two Santa Fe Railroad wells that were later sold by Santa Fe to another party. As a result, the Santa Fe source was no longer available and the Company has had to rely on its own low producing well. In early 2007, the Company attempted to find a new water source by drilling another well. This well had an 8-inch diameter casing and was drilled to a depth of 440 feet, which is approximately 200 feet deeper than the Company's existing wells. This well resulted in no water and was capped.

At this time, the current estimated well capacity of 20 GPM is adequate to serve the customer base. However, this well capacity has proven to be unreliable, therefore, service to customers has sometimes been inadequate.

Proposed Deep Well Project

The Company is proposing to drill a deep well that is projected to produce between 100 to 200 gallons per minute. This deep well would be equipped with a 10-inch casing and drilled to a depth of 2,800 feet. The location of this deep well is anticipated to be on a commercial customer's property that is approximately 1,200 feet from the existing well/storage tank site.

Financing Application

The Company has filed a financing application and is requesting WIFA financing approval in the amount of \$1,750,000 for the deep well project as follows:

| Pre-Design Costs | | Construction Costs | |
|---------------------------------|------------------|-----------------------------------|--------------------|
| Background Surface Geology | 5,000 | Site Preparation (inc electrical) | 45,000 |
| Background Hydrology | 6,000 | Well Drilling (2,800 feet) | 800,000 |
| Surface Geophysics | 35,000 | Well Construction (10" casing) | 70,000 |
| Well Siting | 4,000 | Geophysical Logging | 7,500 |
| Report Documentation | 15,000 | Aquifer Testing | 25,000 |
| Well Site Agreement | 10,000 | Water Quality (New Source) | 7,500 |
| | | Submersible Pump & Equip | 96,000 |
| | \$75,000 | Pipeline Excavation | 42,000 |
| | | Pipe, Valves & Meters | 31,000 |
| Design Costs | | Pipe Backfill | 20,000 |
| Engineering Survey | 12,000 | Instrumentation | 20,000 |
| System Description (modeling) | 17,300 | Well House | 21,000 |
| Engineering Plan & Specs | 18,000 | | \$1,185,000 |
| Pipeline Design | 16,000 | Start Up & Testing | |
| Pumping Plant Design | 6,000 | Start Up | 24,000 |
| Well House Design | 6,100 | System Tests | 12,000 |
| Electrical Design | 13,400 | Operation & Maintenance Manual | 8,600 |
| Instrumentation Design | 4,500 | Permit Application (ADEQ-AOC) | 4,000 |
| Technical Specifications (Well) | 6,500 | Permit Fees | 1,400 |
| Well Design | 5,000 | | |
| Design Concept Report | 14,700 | Contingency Cost (18%) | \$266,400 |
| Permit Applic (ADEQ-ATC) | 5,200 | | |
| Permit Applic (ADWR-NOI) | 1,600 | | |
| Permit Fees | 2,500 | | |
| Bid Document Preparation | 4,600 | | |
| Completion Report | 12,600 | | |
| Project Admin & Meetings | 24,000 | | |
| | \$170,000 | Total Estimated Cost | \$1,746,400 |
| | | ROUNDED TO: | \$1,750,000 |

The proposed deep well project is appropriate to the extent that neither the Company nor Staff is aware of a more viable alternative that would augment the Company's supply of water to improve service reliability. Staff has reviewed the Company's proposed deep well project and the associated cost estimate totaling \$1,750,000 to be accurate. However, if the financing is approved, no "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate making or rate base purposes.

Arizona Department of Environmental Quality ("ADEQ") Compliance Status

According to an ADEQ Compliance Status Report, dated July 30, 2009, ADEQ reported no major deficiencies and has determined that the Company's system, PWS #03-394, is currently delivering water that meets the water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Staff recommends that if the financing is approved, the Company file with Docket Control, as a compliance item in this proceeding, by December 31, 2010, a copy of the ADEQ Certificate of Approval to Construct for the new deep well project.

Arizona Corporation Commission ("ACC") Compliance Status

A check with the Utilities Division Compliance Section showed that the Company had no delinquent ACC compliance issues.

Arizona Department of Water Resources Compliance ("ADWR") Status

The Company is not located in any Active Management Area. According to ADWR, the Company is not a community water system and therefore, does not need to submit a System Water Plan or an Annual Water Use Report.

Conclusion/Recommendation

The proposed deep well project is appropriate to the extent that neither the Company nor Staff is aware of a more viable alternative that would augment the Company's supply of water to improve service reliability. Staff has reviewed the Company's proposed deep well project and the associated cost estimate totaling \$1,750,000 to be accurate. However, if the financing is approved, no "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate making or rate base purposes.

ADEQ has determined that the Company's system, PWS #03-394, is currently delivering water that meets the water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4.

Staff recommends that if the financing is approved, the Company file with Docket Control, as a compliance item in this proceeding, by December 31, 2010, a copy of the ADEQ Certificate of Approval to Construct for the new deep well project.

W-D-03261-09-0165
W-D-03261-09-0421

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

RECEIVED

Investigator: Al Amezcua

Phone: 2010 FEB -1 A 9 39

Fax:

Priority: Respond Within Five Days

AZ CORP COMMISSION
DOCKET CONTROL

Opinion No. 2010 - 84543 Date: 1/29/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: First: Brian A Last: Billideau

Account Name: Brian A Billideau Home: (000) 000-0000

Street: Work: (000) 000-0000

City: Bellemont CBR:

State: AZ Zip: 86015 is: E-Mail

Utility Company: Bellemont Water Co.

Division: Water

Contact Name: Contact Phone:

Nature of Complaint:

1/29/10

From: mailto
Sent: Thursday, January 28, 2010 1:21 PM
To: Al Amezcua
Subject: Proposed Surcharge, Bellemont Water Company

Dear Mr. Amezcua,

I am in receipt of the January 25, 2010 letter issued by the Arizona Corporation Commission in regards to the possible monthly surcharge of \$1,661 required by the Bellemont Water Company (BWC) to service the debt to pay their requested \$1,750,000.00 loan to drill a new well.

In several words Mr. Amezcua, this is ridiculous and absurd!

The water users in Bellemont who are customers of the Bellemont Water Company already pay some of the highest water rates in the state, not to mention the monthly service charge of \$45.00 simply to read our meters. (Now that all of our meters are under 5 feet of snow, and water usage is estimated, can I expect to receive a credit on my monthly billing for the service charge since they won't be able to access the meters until sometime in April?)

There is no way any small business in the United States of America could or would agree to this type of charge. BWC needs to be reminded that our country is in a serious recession, and for BWC to even think that eight metered customers will pay for their improved infrastructure costs, again is absurd. The other owners in the area that I have spoken with feel as I do, and should this surcharge be approved by the ACC, I for one will cancel my water service with BWC and, with several other owners work at an alternative water source. Should the BWC lose several, if not all of their metered customers, could they still operate with just their standpipe customers going forward?

FEB 01 2010

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Depending on the recommendations of the Commission's Utilities Division Staff and the final decision by the ACC, it is my sincere wish that common sense will prevail and this request by BWC be summarily denied.

Sincerely,

Brian A. Billideau
Owner

Bellemont, Az.
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

1/29/10 Response email to customer
January 29, 2010

RE: BELLEMONT WATER COMPANY

Dear Water Customer:

Your email regarding the Bellemont Water Company ("Bellemont") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the Bellemont application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase.

Sincerely,

Alfonso Amezcua
Public Utilities Consumer Analyst II
Utilities Division

1/29/10

-----Original Message-----

From: Al Amezcua <Aamezcua@azcc.gov>

To: bbillideau@aol.com

Sent: Thu, Jan 28, 2010 4:43 pm

Subject: RE: Proposed Surcharge, Bellemont Water Company

Good afternoon Mr. Billideau,

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

I wanted to thank you for your quick response. Staff would like to speak with you tomorrow between 2:00 and 3:00 pm if possible. We would like to address your questions. Please let me know ASAP if you are available tomorrow between 2 and 3. Also provide me with a telephone number where you can be reached at.

Thank you,

Alfonso Amezcua
Arizona Corporation Commission
Utilities Division
Consumer Services

Aamezcua@azcc.gov

From:
Sent: Friday, January 29, 2010 9:38 AM
To: Al Amezcua
Subject: Re: Proposed Surcharge, Bellemont Water Company

Good Morning Mr. Amezcua,

Yes sir, I would be interested in speaking with you or members of the Commission staff. I will not be available *today after noon* as I have a very important medical appointment this afternoon. If possible with either yourself or your staff, I will be available between 11:00 a.m. and noon this morning at 623 551 4270, or we could arrange for a time next week.

I did receive a response from one of my tenants yesterday who said that if this surcharge were to be approved, he would make every effort to leave Bellmont as soon as possible. Of the five responses I've received from five other owners, we all agree that should this surcharge be approved, we will look into an alternative water source.

Thank you for your time,

Brian Billideau
End of Comments

Date Completed: 1/29/2010

Opinion No. 2010 - 84543

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Al Amezcua

Phone:

Fax:

Priority: Respond Within Five Days

Opinion

No. 2010 - 84547

Date: 1/29/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By:

Stacy

Edgar

Account Name:

Stacy Edgar Controller Canyonland Publications

Home: (000) 000-0000

Street:

n/a

Work: (

City:

Bellemont

CBR:

State:

AZ Zip: 00000

is: E-Mail

Utility Company:

Bellemont Water Co.

Division:

Water

Contact Name:

Nona McClain

Contact Phone:

Nature of Complaint:

1/29/10

-----Original Message-----

From: Stacey Edgar

Sent: Thursday, January 28, 2010 2:14 PM

To: Al Amezcua

Subject: Notice from Arizona Corporation Commission about Bellemont Water Company

Dear Commissioners:

We object strongly to the proposed action by Bellemont Water Company. If any of those estimated charges were passed on to us as users we would do everything we could to move out of Bellemont as soon as possible. The charge would severely damage the economics of our business.

Thank you,

Stacey Edgar
Controller
Canyonlands Publications

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

1/29/10 Response email to customer
January 29, 2010

RE: BELLEMONT WATER COMPANY

Dear Water Customer:

Your email regarding the Bellemont Water Company ("Bellemont") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the Bellemont application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase.

Sincerely,

Alfonso Amezcua
Public Utilities Consumer Analyst II
Utilities Division
End of Comments

Date Completed: 1/29/2010

Opinion No. 2010 - 84547

W-02526A-09-0252
W-02526A-09-0421

Charles

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM RECEIVED

Investigator: Al Amezcua

Phone:

2010 FEB -21 P 4: 3 Fax:

Priority: Respond Within Five Days

AZ CORP COMMISSION
DOCKET CONTROL

Opinion No. 2010 - 84541

Date: 1/29/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

FEB 9 9 2010

Complaint By: First: Steve

Last: Morrison

Account Name: Steve Morrison

Home: (000) 000-0000

Street:

Work: (

City: Bellemont

CBR:

State: AZ Zip: 86015

is: Cellular

Utility Company: Bellemont Water Co.

Division: Water

Contact Name: Nona McClain

Contact Phone:

Nature of Complaint:

1/29/10
From: Morrison Steve [mailto:]
Sent: Thursday, January 28, 2010 11:30 AM
To: Al Amezcua
Subject: Docket W-02526A-09-0421

Alfonso

I received a copy of the letter regarding the loan application for the Bellemont Water Company to drill the deep well. I would like to know if the revenue generated by the Bellemont Water stand pipe was considered in the calculation for the estimated service charge (\$1661 per customer). If the revenue generated through the stand pipe was not included then I would request a re-calculation including the historical stand pipe volume and applied new stand pipe rates to conclude what the estimated stand pipe revenue would be. This will aid the customers in determining a more realistic service charge amount. Basically, I now have a worst case scenario for the metered customers and I would like to compare that to the new calculation. Please reply if you will be re-calculating.

Thank you.

Steve Morrison
Plant Engineer
SCA Tissue N.A.

Bellemont, AZ 86015

Office - ..
Cel

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

2/2/10 ADDITIONAL COMMENTS RECEIVED FROM MR. MORRISON

From: Morrison Steve [mailto:
Sent: Tuesday, February 02, 2010 8:45 AM
To: Al Amezcua
Subject: RE: Docket W-02526A-09-0421

Comments:

I believe that Bellemont Water Company needs to drill this deep well to stay in business. Multiple times throughout 2008 and 2009 we have needed water to top off our fire tanks and Bellemont Water Co. could not supply the water because of low water inventory in their tanks. This situation puts our facility and livelihood at risk as our fire system is not fully capable to supply enough water to meet Fire Department requirements. The proposed monthly service charge of \$1,661 per metered customer is understandable to SCA. Although, after talking with Staff on 1/29/10, it was communicated from Staff that SCA's service charge would more likely be \$7,548 per month because of the 4" supply line to SCA. The \$7,548 amount is not understandable to SCA and we would oppose a service charge for that amount. A service charge of \$1,661 would not be opposed by SCA.

Steve Morrison
Plant Engineer
SCA Tissue N.A.

Bellemont, AZ 86015

Office -
Cell -
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

1/29/10 Response email to customer
January 29, 2010

RE: BELLEMONT WATER COMPANY

Dear Water Customer:

Your email regarding the Bellemont Water Company ("Bellemont") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the Bellemont application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase.

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Sincerely,

Alfonso Amezcua
Public Utilities Consumer Analyst II
Utilities Division

1/28/10

From: Al Amezcua
Sent: Thursday, January 28, 2010 4:42 PM
To: Morrison Steve
Subject: RE: Docket W-02526A-09-0421

Good afternoon Mr. Morrison,

I wanted to thank you for your quick response. Staff would like to speak with you tomorrow between 2:00 and 3:00 pm if possible. We would like to address your questions. Please let me know ASAP if you are available tomorrow between 2 and 3.

Thank you,

Alfonso Amezcua
Arizona Corporation Commission
Utilities Division
Consumer Services

1/29/10

From: Morrison Steve [mailto:
Sent: Friday, January 29, 2010 7:55 AM
To: Al Amezcua
Subject: RE: Docket W-02526A-09-0421

I can be available during that time. Please call my cell phone

Steve Morrison
Plant Engineer
SCA Tissue N.A.

Bellemont, AZ 86015

Office
Cell

1/29/10

From: Al Amezcua [mailto:
Sent: Friday, January 29, 2010 10:17 AM

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

To: Morrison Steve
Subject: RE: Docket W-02526A-09-0421

Good morning Mr. Morrison,

I wanted to know what size meter are your being service with?

Thank you,

Alfonso Amezcua

1/29/10

From: Morrison Steve [mailto:
Sent: Friday, January 29, 2010 10:24 AM
To: Al Amezcua
Subject: RE: Docket W-02526A-09-0421

It's a 4 diameter pipe.

Steve Morrison
End of Comments

Date Completed: 2/2/2010

Opinion No. 2010 - 84541

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Investigator: Al Amezcua

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 84550

Date: 1/29/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: First: Last:
Scott **Esmeier**

Account Name: Scott Scooter Esmeier

Home: (000) 000-0000

Street:

Work:

City: Bellemont

CBR: --

State: AZ Zip: 00000

is: Cellular

Utility Company: **Bellemont Water Co.**

Division: Water

Contact Name: Nona McClain

Contact Phone:

Nature of Complaint:

1/29/10

From: Scooter Esmeier [mailto:Scooter
Sent: Friday, January 29, 2010 9:37 AM
To: Al Amezcua
Subject: bellemont water company

I am in receipt of special notice for the possible rate increase. Schuff steel company has already put substantial monies into bellemont Water Company with building an additional tank, repair of the pumps and back up generator. This has greatly helped the overall users in the area. For all of the current users and Schuff to be subjected to paying for bellmonts expansion in the way of monthly surcharge is wrong. We currently pay one of the highest fees in Arizona for our water. I don't see were a new well will enhance the service we are currently getting and if the new well expands the ability of bellemont to add more customers than traditional methods to secure there financing should be done and not borne by the current users

Schuff is not in favor of this surcharge

Scott "Scooter" Esmeier
Vice President-Production
Schuff International

End of Complaint

Utilities' Response:

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator's Comments and Disposition:

1/29/10 Response email to customer
January 29, 2010

RE: BELLEMONT WATER COMPANY

Dear Water Customer:

Your email regarding the Bellemont Water Company ("Bellemont") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the Bellemont application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase.

Sincerely,

Alfonso Amezcua
Public Utilities Consumer Analyst II
Utilities Division
End of Comments

Date Completed: 1/29/2010

Opinion No. 2010 - 84550

J-DORSELA-09-0253
N-DORSELA-09-0421

CHAVES

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Investigator: Al Amezcua

Phone: 2010 FEB -8 10 4: 11

Fax:

Priority: Respond Within Five Days

AZ CORP COMMISSION
DOCKET CONTROL

Opinion No. 2010 - 84832

Date: 2/8/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: First: Brad Last: Clark

Account Name: Brad Clark Home: (000) 000-0000

Street: Work: (000) 000-0000

City: Bellemont CBR:

State: AZ Zip: 86015 is: E-Mail

Utility Company: Bellemont Water Co.

Division: Water

Contact Name: Nona McClain Contact Phone: (928) 779-6285

Nature of Complaint:

From: Brad Clark [mailto:
Sent: Monday, February 08, 2010 8:31 AM
To: Al Amezcua
Cc:
Subject: Bellemont Water Co.

To: Alfonso Amezcua, Arizona Corporation Commission

From: Brad Clark, Bellemont, AZ

Having recieved and read the letter regarding the rate increase proposed by the Bellemont Water Company, I must respond to this absurdity.

I can't believe this proposal made it this far. It is so unrealistic and unfair to place the financial burden on just eight metered customers. If by some chance this proposal becomes a reality, I will not support it. I can install a water system on my property and have water delivered for less than the current rate of .05 cents per gallon.

Sincerely,
Brad Clark

2/8/2010
From: Brad Clark [mailto:
Sent: Monday, February 08, 2010 10:51 AM
To: Al Amezcua

FEB 08 2010

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Subject: RE: Bellemont Water Co.

My service address is:

Mailing address is:

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

2/8/10 Email response to customer

February 8, 2010

RE: BELLEMONT WATER COMPANY

Dear Water Customer:

Your email regarding the Bellemont Water Company ("Bellemont") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the Bellemont application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed financing / rate increase application.

Sincerely,

Alfonso Amezcua
Public Utilities Consumer Analyst II
Utilities Division
End of Comments

Date Completed: 2/8/2010

Opinion No. 2010 - 84832

N-02526A 09-0253
N-02526A 09-0421

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Al Amezcua

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2010 - 84831

Date: 2/8/2010

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By:

Ami

Barrera

Account Name:

Ami / Jesus Barrera American Marble & Stone

Home: (000) 000-0000

Street:

Work: (000) 000-0000

City:

Bellemont

CBR:

State:

AZ

Zip: 86015

is: E-Mail

Utility Company:

Bellemont Water Co.

Division:

Water

Contact Name:

Nona McClain

Contact Phone:

Nature of Complaint:

From: Ami Barrera
Sent: Monday, February 08, 2010 9:02 AM
To: Al Amezcua
Cc:
Subject: RE: Proposed surcharge, Bellemont Water Company

Dear Mr. Amezcua,

We have received the January 25th, 2010 letter that was issued by the Arizona Corporation Commission regarding the possible monthly surcharge of \$1,661 required by the the Bellemont Water Company to service their requested \$1,750,000 loan to drill a new well.

This request is ridiculous. At this time, we are already averaging more than \$100 per month to flush one toilet for two employees.

We are in the construction trade and barely hanging on as it is. A surcharge of this amount would put us out of business. If it were to go thru, we would have to cancel our service with the Bellemont Water Company and find an alternative water source. I am sure that other businesses feel the same way.

Please consider the outrageousness of the request by the Bellemont Water Co. and deny the loan they wish us to pay for.

Sincerely,

Ami and Jesus Barrera

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Owners
American Marble & Stone

Bellefont, AZ 86015
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

2/8/10 Email response to customer

February 8, 2010

RE: BELLEMONT WATER COMPANY

Dear Water Customer:

Your email regarding the Bellefont Water Company ("Bellefont") rate case will be placed on file with the Docket Control Center of the Arizona Corporation Commission ("Commission") to be made part of the record. The Commission will consider your comments before a decision is rendered in the Bellefont application.

The concerns raised in letters received from customers will assist the Commission in the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of the utility and its customers.

Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though *constitutionally required to allow a fair return to the utility*, does everything within its authority to protect the consumer.

Staff appreciates your comments and the interest taken on the proposed rate increase.

Sincerely,

Alfonso Amezcua
Public Utilities Consumer Analyst II
Utilities Division
End of Comments

Date Completed: 2/8/2010

Opinion No. 2010 - 84831
