

ORIGINAL



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OPEN MEETING AGENDA ITEM

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

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2010 DEC 30 A 10: 58

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION  
OF KOHL'S RANCH WATER COMPANY  
FOR AN EMERGENCY RATE INCREASE.

Arizona Corporation Commission

DOCKETED

DEC 30 2010

Docket No. W-02886A-10-0369

APPLICANT KOHL'S RANCH  
WATER COMPANY'S  
EXCEPTIONS TO  
RECOMMENDED OPINION AND  
ORDER

DOCKETED BY	
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Pursuant to A.A.C. R14-3-110(B), Kohl's Ranch Water Company (KRWC or Kohl's Ranch) submits its exceptions to the Recommended Opinion and Order (ROO) filed in this matter on December 21, 2010.

**I. The ROO Surcharges Require Adjustment in Order for Revenue to Break Even with the Operating Expenses Approved in the ROO.**

The ROO concludes that Kohl's Ranch requires surcharge revenue of \$75,892 in order to break even with the \$85,770 in annual operating expenses approved in the ROO. (ROO p. 21 ¶ 70; p. 25 ¶ 78) But the surcharges adopted in the ROO will generate only \$72,029 -- not the needed \$75,892, a shortage of \$3,800.

The error in the surcharge calculation appears to arise in part from not utilizing the changes in the residential customer numbers demonstrated in the 2009 bill count filed as exhibit LFE A-8. Schedules SSR-E1 through E7, attached in Exhibit A, walk through the application of the 2009 bill count information. At the bottom line, the schedules show that making up the shortfall between the ROO's recommended surcharge revenue and approved

1 expenses requires an increase of the residential customer monthly surcharge, from \$17.50 to  
2 \$20.09. The following is a brief description of the contents of each of the schedules.

3  
4 **Schedule SSR-E1** shows the usage distribution from the unadjusted 2009 bill count  
5 for the 5/8" meter customers, KRWC's residential customers. According to the bill count,  
6 there is an average of 122 residential customers (column C, line 34), rather than the 124  
7 customers previously stated by KRWC and used to calculate the ROO surcharge.<sup>1</sup> The 122  
8 customers generate \$9,227.53 in revenue (column C, line 46) at current tariff rates. The  
9 ROO surcharges would generate an additional \$31,115.11 (column H, line 37) for total  
10 revenue of \$40,342.64 (column H, line 47) based on the unadjusted 2009 usage distribution  
11 for the residential customers.  
12

13  
14 **Schedule SSR-E2** shows the unadjusted 2009 bill count for KRWC's one 6" meter  
15 customer, the Lodge. Based on the Lodge's 2009 usage, the ROO's Lodge surcharges  
16 would generate an additional \$42,058.80 (column H, line 37) for total annual revenue of  
17 \$42,845.20.  
18

19 **Schedule SSR-E3** combines the totals reached in schedules E1 and E2. Column A  
20 shows that when current tariff rates are applied to the unadjusted 2009 usage distributions in  
21 E1 and E2, the total present revenue is \$10,013.93. Based upon that same usage  
22 distribution, column B shows revenue from the ROO surcharges. Column C combines  
23 columns A and B to show that total revenue pursuant to the ROO using the unadjusted  
24  
25  
26

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27 <sup>1</sup> The bill count revealed there was duplicate line item for one customer and that  
28 another customer was not billed for a portion of the year. Reconciling for the bill count led  
to the discovery that the number of bills issued in 2009 was actually 1468 not 1488.

1 usage distribution would total \$83,187.84, which is \$2,582.16 less than the \$85,770 in  
2 annual operating expenses approved by the ROO.

3  
4 **Schedule SSR-E4** makes one adjustment to the 2009 usage distribution detailed in  
5 E1. As reflected on E1, column D, line 28, one residential customer had a leak that resulted  
6 in a monthly bill for 204,060 gallons. On E4, that bill is moved to column C, line 7 as if the  
7 usage had been 4,150 gallons, an adjustment accepted in the ROO. (ROO p. 25 ¶ 78)  
8  
9 Based upon this adjustment, the total revenue from residential customers pursuant to the  
10 current tariff and ROO surcharges would be \$39,161.25 or \$1,181.39 less than the  
11 residential revenue based upon usage not adjusted for the leak. (Comparing E1, column H,  
12 line 47 to E4, column H, line 47)

13  
14 **Schedule SSR-E5** combines the totals reached in schedules E2 and E4, which is the  
15 same information provided in E3 but adjusted for the leak. Column A in E5 compared to  
16 Column A in E3 reflects the decreased revenue from the ROO's residential commodity  
17 surcharge due to the adjustment for the leak shown in E4.

18  
19 **Schedule SSR-E6** takes the adjusted residential usage distribution from E4 and  
20 applies a monthly surcharge that will approximate the \$33,833.25 in residential revenue  
21 recommended by the ROO. This schedule is identical to E4 except for the residential  
22 monthly surcharge, which increases from \$17.50 to \$20.09 (column G, lines 34).

23  
24 **Schedule SSR-E7** is the same as E5 except that it adjusts the residential monthly  
25 surcharge to generate the revenue approved in the ROO. The total surcharge revenue in  
26 column B, \$75,894.17, closely approximates the total surcharge revenue approved in the  
27 ROO of \$75,892.05. (ROO p. 25 ¶ 78)  
28

1           **II. The ROO Allows Operating Expenses Nixed by Staff and Important**  
2           **Service Charges But Ultimately Adopts Staff's Ill-Fated Break-Even**  
3           **Approach.**

4           The ROO's allowance of some operating expenses not supported by Staff and  
5 inclusion of service charges improve KRWC's chances of becoming financially capable to  
6 maintain service to its customers. The ROO departs from Staff's recommended operating  
7 expenses in two respects. First, the ROO includes \$3,000 (of \$6,000 requested by KRWC)  
8 for outside legal expenses because, as noted in the ROO, "it is almost certain that Kohl's  
9 Ranch will incur some legal expenses each year." (ROO p. 18 ¶ 59) Second, the ROO  
10 allows \$1,250 for rate case expenses requested by KRWC with the acknowledgment that  
11 "Kohl's Ranch has incurred rate case expense to bring this emergency rate case before the  
12 Commission and will incur additional rate case expense to bring the permanent rate case  
13 expense before the Commission." (ROO pp. 18-19 ¶ 62) In addition, the ROO includes  
14 service charges customarily part of a water company's tariff that were not included in the  
15 current KRWC tariff established by the Commission in 1972.  
16  
17

18  
19           As to other differences between KRWC and Staff regarding expenses – for  
20 purchased power, water testing and repairs and maintenance – the ROO adopts Staff's  
21 recommendations. (ROO p. 17 ¶ 55; p. 20 ¶¶ 66 & 69) KRWC urges adoption of all its  
22 requested expenses for the reasons already provided in the record.  
23

24           KRWC specifically objects here, however, to the break-even methodology of rate  
25 determination recommended by Staff and adopted in the ROO. The well-known and  
26 undisputable reality of operating a water company (or any small business) is that  
27 unbudgeted costs will arise. But with zero allowance for operating income, KRWC has  
28 zero flexibility to manage, for example, increased insurance rates, substantial repairs,

1 unexpected water sampling requirements, and other expenses not included in the Staff or  
2 ROO budgets. As noted in the ROO, KRWC's proposed surcharge revenue, \$79,488, was  
3 considered by KRWC's vice president to be an extremely conservative request in the first  
4 place and most likely not sufficient for KRWC to break even. (ROO pp. 11-12 ¶ 41)  
5 Moreover, KRWC has the added vulnerability of the nature of its customer base; if the  
6 Lodge implements water conservation measures or a few of KRWC's seasonal residential  
7 customers vacate, KRWC's revenue will be materially diminished. No operating income  
8 leaves KRWC without the flexibility to address even the smallest of unexpected issues and,  
9 thereby, dooms KRWC to a continual state of financial instability and possible failure.  
10  
11

12 **III. Automatic Discontinuation of the Emergency Surcharge in the Case of an**  
13 **Insufficient Permanent Rate Case Application Threatens KRWC's**  
14 **Ability to Maintain Service.**

15 KRWC strongly objects to the ROO's **automatic** discontinuation of the emergency  
16 surcharge and **automatic** requirement that Staff file an order to show cause to install an  
17 interim manager and seek other remedies in the case KRWC's permanent rate case  
18 application is not found to be sufficient by July 31, 2012. (ROO p. 31) Absent the  
19 emergency surcharge, the current tariff allows KRWC to charge its customers only \$5.75  
20 for the first 5,000 gallons of water and \$0.50 for each additional 1,000 gallons. The current  
21 tariff generates little more than \$10,000 in revenue. Automatic discontinuation of the  
22 emergency surcharge will make continued service near impossible – for either KRWC or an  
23 interim manager.  
24  
25

26 In addition, pursuant to A.A.C. R14-2-103, a sufficiency determination is fully  
27 within the discretion of Staff which means automatic sanctions will occur even if it is  
28 Staff's failure to act (for example, due to illness or short staffing) that results in the

1 insufficiency. In other words, KRWC does not have the ultimate power to assure a  
2 sufficiency determination will be made in time to avoid the automatic recourse.

3  
4 KRWC understands the Commission's concern that a water company that finds its  
5 emergency surcharge more attractive than a permanent rate may attempt to avoid a  
6 permanent rate by purposefully failing to submit a sufficient application. But instead of  
7 imposing automatic sanctions, KRWC requests that the Commission's concerns be  
8 addressed by requiring Staff to investigate in the case KRWC's permanent rate case  
9 application is not found to be sufficient by July 31, 2012.  
10

11 **IV. The Meters Required by the ROO Are in Place and Read Regularly.**

12 The ROO requires that, within 30 days after the effective date of the Commission's  
13 decision in this case, Kohl's Ranch meter (i) the water flowing into KRWC's spring system  
14 and (ii) the water flowing between KRWC's well system and spring system. (ROO p. 26 ¶  
15 81) The ROO notes that the record is unclear as to the extent these flows are currently  
16 being metered. (ROO p. 26 ¶ 80)  
17  
18

19 KRWC has confirmed that the required meters are already in place. "Meter 1"  
20 measures the water flowing into the spring system. It is a 3" meter located in the  
21 chlorinator building. "Meter 2" measures the water that flows between the well system and  
22 the spring system. It is a 2" meter located by the hydro tank in the pump building.  
23 Photographs of meters 1 and 2 are attached here as Exhibit B. As required by the ROO,  
24 KRWC here attests that these two meters are now and will continue to be read daily and the  
25 readings from the meters are logged.  
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**V. The ROO Includes Some Inaccuracies that Warrant Clarification.**

The ROO includes factual statements that require clarification. Perhaps of greatest interest, the ROO refers to the transfer of KRWC and its assets to a liquidating trustee approved by the U.S. Bankruptcy Court and the appointment of an interim manager by the Commission. (ROO pp. 2-3 ¶¶ 3-5) These actions are no longer necessary as ILX Resorts Incorporated, the sole shareholder of KRWC, is in negotiations to sell its KRWC stock to a private owner.<sup>2</sup>

**VI. Conclusion**

In conclusion, KRWC requests that the surcharge be adjusted to generate, at a minimum, the revenue adopted by the ROO and preferably, revenue for all of KRWC's requested expenses as well as operating income. KRWC also requests that there be no automatic sanctions if KRWC's permanent rate case is not found to be sufficient by July 31, 2012. KRWC believes these requests are necessary in order for KRWC to maintain service.

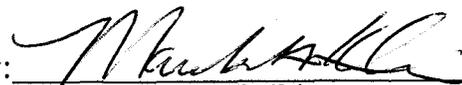
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<sup>2</sup> There are three other corrections. First, the ROO indicates that KRWC holds a special use permit from the United States Forest Service (USFS) to use the spring that feeds KRWC's spring system. (ROO p. 4 ¶ 8) To clarify, the right to the water in the spring is appurtenant to KRWC service area, and the purpose of the special use permit is to allow KRWC to access the spring and transport the water across USFS land. Second, the testimony referenced in the ROO regarding the number of ILX employees was incorrect. (ROO p. 3 ¶ 6) In this wind down period, ILX has four full-time employees and eight (not six) employees who work in various part-time capacities. Third, the ROO includes statements as to what entity is paying KRWC power expenses. (ROO p. 16 fn. 23) To clarify, at this time, ILX Acquisitions is paying for power registered on the meter that includes KRWC's chlorinator building as well as various Lodge facilities. KRWC is paying for the power registered on the meter that includes KRWC's pump building as well as lights for the Lodge's sports courts. No money is being exchanged between KRWC and ILX Acquisitions to compensate for power usage, and efforts are underway to separate the metering.

1 Finally, KRWC here attests that the two meters required by the ROO are currently in place  
2 and that they are read regularly and the readings are logged.  
3

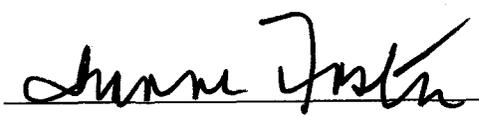
4 Dated this 30th day of December, 2010.  
5

6 POLSINELLI SHUGHART PC  
7

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26   
27

**EXHIBIT A**

**ANALYSIS OF 5/8 BY 3/4 INCH BILL COUNT INFORMATION**  
**Unadjusted Bill Count Usage Distribution**

	A	B	C	D	E	F	G	H
Line	Midpoint (in 1,000 gals)	Upper Bound (in 1,000 gals)	Number of Bills By Block	Gallons by Block (in 1,000's)	Cumulative Number of Bills	Cumulative Gallons (in 1,000's)	Cumulative Percent of Total Bills	Cumulative Percent of Total Gallons
1	0	0	502	-	502	-	34.20%	0.00%
2	0.25	0.5	280	70.00	782	70.00	53.27%	1.96%
3	0.5	1	128	64.00	910	134.00	61.99%	3.75%
4	1.5	2	156	234.00	1,066	368.00	72.62%	10.30%
5	2.5	3	102	255.00	1,168	623.00	79.56%	17.43%
6	3.5	4	70	245.00	1,238	868.00	84.33%	24.29%
7	4.5	5	34	153.00	1,272	1,021.00	86.65%	28.57%
8	5.5	6	29	159.50	1,301	1,180.50	88.62%	33.03%
9	6.5	7	20	130.00	1,321	1,310.50	89.99%	36.67%
10	7.5	8	24	180.00	1,345	1,490.50	91.62%	41.70%
11	8.5	9	20	170.00	1,365	1,660.50	92.98%	46.46%
12	9.5	10	14	133.00	1,379	1,793.50	93.94%	50.18%
13	11	12	21	231.00	1,400	2,024.50	95.37%	56.64%
14	13	14	24	312.00	1,424	2,336.50	97.00%	65.37%
15	15	16	10	150.00	1,434	2,486.50	97.68%	69.57%
16	17	18	5	85.00	1,439	2,571.50	98.02%	71.95%
17	19	20	4	76.00	1,443	2,647.50	98.30%	74.08%
18	22.5	25	10	225.00	1,453	2,872.50	98.98%	80.37%
19	27.5	30	5	137.50	1,458	3,010.00	99.32%	84.22%
20	32.5	35	4	130.00	1,462	3,140.00	99.59%	87.86%
21	37.5	40	2	75.00	1,464	3,215.00	99.73%	89.95%
22	45	50	1	45.00	1,465	3,260.00	99.80%	91.21%
23	55	60	2	110.00	1,467	3,370.00	99.93%	94.29%
24	65	70	-	-	1,467	3,370.00	99.93%	94.29%
25	75	80	-	-	1,467	3,370.00	99.93%	94.29%
26	85	90	-	-	1,467	3,370.00	99.93%	94.29%
27	95	100	-	-	1,467	3,370.00	99.93%	94.29%
28	OVER	101	1	204.06	1,468	3,574.06	100.00%	100.00%
29			<u>1,468</u>	<u>3,574.06</u>				

	SURCHARGE PROPOSED (ROO)	REVENUE
32	Total Bills =	1,468
33	Total Gals =	3,574
34	Surcharge = \$	17.50
35	Tiers Proposed =	5,425.11
36	<b>TOTAL SURCHARGE REVENUE =</b>	<b>\$ 31,115.11</b>

	PRESENT RATES	REVENUE
41	Total Bills =	1,468
42	Total Gals =	3,574
43	Present Min = \$	5.75
44	Tiers =	786.53
46	<b>TOTAL PRESENT REVENUE =</b>	<b>\$ 9,227.53</b>

	TOTAL REVENUE PROPOSED (ROO)	REVENUE
41	Total Bills =	1,468
42	Total Gals =	3,574
43	Present Min = \$	5.75
44	Surcharge = \$	17.50
45	Tiers Proposed =	6,211.64
47	<b>TOTAL REVENUE =</b>	<b>\$ 40,342.64</b>

**ANALYSIS OF 6 INCH BILL COUNT INFORMATION**

	A	B	C	D	E	F	G	H
Line	Midpoint (in 1,000 gals)	Upper Bound (in 1,000 gals)	Number of Bills By Block	Gallons by Block (in 1,000's)	Cumulative Number of Bills	Cumulative Gallons (in 1,000's)	Cumulative Percent of Total Bills	Cumulative Percent of Total Gallons
1	0	0	-	-	-	-	0.00%	0.00%
2	0.25	0.5	-	-	-	-	0.00%	0.00%
3	0.5	1	-	-	-	-	0.00%	0.00%
4	1.5	2	-	-	-	-	0.00%	0.00%
5	2.5	3	-	-	-	-	0.00%	0.00%
6	3.5	4	-	-	-	-	0.00%	0.00%
7	4.5	5	-	-	-	-	0.00%	0.00%
8	5.5	6	-	-	-	-	0.00%	0.00%
9	6.5	7	-	-	-	-	0.00%	0.00%
10	7.5	8	-	-	-	-	0.00%	0.00%
11	8.5	9	-	-	-	-	0.00%	0.00%
12	9.5	10	-	-	-	-	0.00%	0.00%
13	11	12	-	-	-	-	0.00%	0.00%
14	13	14	-	-	-	-	0.00%	0.00%
15	15	16	-	-	-	-	0.00%	0.00%
16	17	18	-	-	-	-	0.00%	0.00%
17	19	20	-	-	-	-	0.00%	0.00%
18	22.5	25	-	-	-	-	0.00%	0.00%
19	27.5	30	-	-	-	-	0.00%	0.00%
20	32.5	35	-	-	-	-	0.00%	0.00%
21	37.5	40	-	-	-	-	0.00%	0.00%
22	45	50	-	-	-	-	0.00%	0.00%
23	55	60	-	-	-	-	0.00%	0.00%
24	65	70	-	-	-	-	0.00%	0.00%
25	75	80	-	-	-	-	0.00%	0.00%
26	85	90	1	85.00	1	85.00	8.33%	5.69%
27	95	100	1	95.00	2	180.00	16.67%	12.04%
28	OVER	101	10	1,314.80	12	1,494.80	100.00%	100.00%
29			<b>12</b>	<b>1,494.80</b>				

30				
31				
32				
33				
34	<b>Average Number of Customers</b>		<b>1</b>	
35	<b>Average Usage in Gallons</b>		<b>124,567</b>	
36	<b>Median Usage in Gallons</b>		<b>126,600</b>	
37				
38				
39				
40	<b>PRESENT RATES</b>		<b>REVENUE</b>	
41	Total Bills =	12		
42	Total Gals =	1,495		
43	Present Min = \$	5.75	\$ 69.00	
44	Tiers =		717.40	
45				
46	<b>TOTAL PRESENT REVENUE =</b>		<b>\$ 786.40</b>	
47				

	<b>SURCHARGE PROPOSED (ROO)</b>	<b>REVENUE</b>
	Total Bills =	12
	Total Gals =	1,495
	Surcharge = \$	2,900.00
	Tiers Proposed =	7,258.80
	<b>TOTAL SURCHARGE REVENUE =</b>	<b>\$ 42,058.80</b>
	<b>TOTAL REVENUE PROPOSED (ROO)</b>	<b>REVENUE</b>
	Total Bills =	12
	Total Gals =	1,495
	Present Min = \$	5.75
	Surcharge = \$	2,900.00
	Tiers Proposed =	7,976.20
	<b>TOTAL REVENUE =</b>	<b>\$ 42,845.20</b>

**Current and ROO Proposed Revenue for 2009 Usage Distributions**  
**Unadjusted Residential Usage**

A	B	C=A+B
REVENUE FROM PRESENT RATES	ROO PROPOSED SURCHARGE REVENUE	ROO PROPOSED TOTAL REVENUE

**Residential**

Base Rate	\$ 8,441.00	\$ 25,690.00	\$ 34,131.00
Commodity Rate(s)	786.53	5,425.11	6,211.64
<b>Total Residential</b>	<b>\$ 9,227.53</b>	<b>\$ 31,115.11</b>	<b>\$ 40,342.64</b>

**Lodge**

Base Rate	\$ 69.00	\$ 34,800.00	\$ 34,869.00
Commodity Rate(s)	717.40	7,258.80	7,976.20
<b>Total Lodge</b>	<b>\$ 786.40</b>	<b>\$ 42,058.80</b>	<b>\$ 42,845.20</b>

**Total System Revenue per**

<b>Bill Count Calculation</b>	<b>\$ 10,013.93</b> <sup>1</sup>	<b>\$ 73,173.91</b>	<b>\$ 83,187.84</b>
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<sup>1</sup> This amount very closely matches the actual Test Year revenue KRWC reported on the income statements in this case of \$10,011.

**Rates that generate the above revenue amounts:**

Present monthly minimum - includes 5,000 gallons	\$ 5.75	applies to all users
Commodity rate in excess of 5,000 gallons	0.50	all users - per 1,000 gallons
ROO residential monthly surcharge amount	\$ 17.50	residential users only
ROO lodge monthly surcharge amount	2,900.00	lodge only
ROO commodity surcharge rates:		
5,001 - 25,000 gallons	\$ 3.00	all users - per 1,000 gallons
25,001 - 65,000 gallons	4.50	all users - per 1,000 gallons
in excess of 65,000 gallons	6.00	all users - per 1,000 gallons

**ANALYSIS OF 5/8 BY 3/4 INCH BILL COUNT INFORMATION**  
**Adjusted Bill Count Usage Distribution**

Line	A Midpoint (in 1,000 gals)	B Upper Bound (in 1,000 gals)	C Number of Bills By Block	D Gallons by Block (in 1,000's)	E Cumulative Number of Bills	F Cumulative Gallons (in 1,000's)	G Cumulative Percent of Total Bills	H Cumulative Percent of Total Gallons
1	0	0	502	-	502	-	34.20%	0.00%
2	0.25	0.5	280	70.00	782	70.00	53.27%	2.07%
3	0.5	1	128	64.00	910	134.00	61.99%	3.97%
4	1.5	2	156	234.00	1,066	368.00	72.62%	10.91%
5	2.5	3	102	255.00	1,168	623.00	79.56%	18.46%
6	3.5	4	70	245.00	1,238	868.00	84.33%	25.72%
7	4.5	5	35	157.50	1,273	1,025.50	86.72%	30.39%
8	5.5	6	29	159.50	1,302	1,185.00	88.69%	35.12%
9	6.5	7	20	130.00	1,322	1,315.00	90.05%	38.97%
10	7.5	8	24	180.00	1,346	1,495.00	91.69%	44.30%
11	8.5	9	20	170.00	1,366	1,665.00	93.05%	49.34%
12	9.5	10	14	133.00	1,380	1,798.00	94.01%	53.28%
13	11	12	21	231.00	1,401	2,029.00	95.44%	60.13%
14	13	14	24	312.00	1,425	2,341.00	97.07%	69.37%
15	15	16	10	150.00	1,435	2,491.00	97.75%	73.82%
16	17	18	5	85.00	1,440	2,576.00	98.09%	76.34%
17	19	20	4	76.00	1,444	2,652.00	98.37%	78.59%
18	22.5	25	10	225.00	1,454	2,877.00	99.05%	85.26%
19	27.5	30	5	137.50	1,459	3,014.50	99.39%	89.33%
20	32.5	35	4	130.00	1,463	3,144.50	99.66%	93.18%
21	37.5	40	2	75.00	1,465	3,219.50	99.80%	95.41%
22	45	50	1	45.00	1,466	3,264.50	99.86%	96.74%
23	55	60	2	110.00	1,468	3,374.50	100.00%	100.00%
24	65	70	-	-	1,468	3,374.50	100.00%	100.00%
25	75	80	-	-	1,468	3,374.50	100.00%	100.00%
26	85	90	-	-	1,468	3,374.50	100.00%	100.00%
27	95	100	-	-	1,468	3,374.50	100.00%	100.00%
28	OVER	101	-	-	1,468	3,374.50	100.00%	100.00%
29			<u>1,468</u>	<u>3,374.50</u>				

<sup>1</sup> The total amount of bills remain the same, however a bill for 204,060 was adjusted to 4,150 due to a leak. As a result, the bill and gallonage on line 28 of E1 was eliminated, and the amounts on line 7 increased.

36	Average Number of Customers	122
37	Average Usage in Gallons	2,299
38	Median Usage in Gallons	569

40	<b>PRESENT RATES</b>	<b>REVENUE</b>
41	Total Bills =	1,468
42	Total Gals =	3,375
43	Present Min = \$	5.75 \$ 8,441.00
44	Tiers =	687.00
46	<b>TOTAL PRESENT REVENUE =</b>	<b><u>\$ 9,128.00</u></b>

31	<b>SURCHARGE PROPOSED (ROO)</b>	<b>REVENUE</b>
32	Total Bills =	1,468
33	Total Gals =	3,375
34	Surcharge = \$	17.50 25,690.00
35	Tiers Proposed =	4,343.25

**TOTAL SURCHARGE REVENUE = \$ 30,033.25**

40	<b>TOTAL REVENUE PROPOSED (ROO)</b>	<b>REVENUE</b>
41	Total Bills =	1,468
42	Total Gals =	3,375
43	Present Min = \$	5.75 \$ 8,441.00
44	Surcharge = \$	17.50 \$ 25,690.00
45	Tiers Proposed =	5,030.25

**TOTAL REVENUE = \$ 39,161.25**

**Current and ROO Proposed Revenue for 2009 Usage Distributions**

**Adjusted Residential Usage**

A	B	C=A+B
REVENUE FROM PRESENT RATES	ROO PROPOSED SURCHARGE REVENUE	ROO PROPOSED TOTAL REVENUE

***Residential***

Base Rate	\$ 8,441.00	\$ 25,690.00	\$ 34,131.00
Commodity Rate(s)	687.00	4,343.25	5,030.25
Total Residential	\$ 9,128.00	\$ 30,033.25	\$ 39,161.25

***Lodge***

Base Rate	\$ 69.00	\$ 34,800.00	\$ 34,869.00
Commodity Rate(s)	717.40	7,258.80	7,976.20
Total Lodge	\$ 786.40	\$ 42,058.80	\$ 42,845.20

**Total System Revenue per**

<b>Bill Count Calculation</b>	<b>\$ 9,914.40</b>	<b>\$ 72,092.05</b>	<b>\$ 82,006.45</b>
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<sup>1</sup> This amount represents the amount of 2009 revenue that KRWC would have earned had the one customer not had a substantial leak in March 2009.

<sup>2</sup> The ROO states surcharge revenue from both classes should be \$75,892.05, however, the ROO recommended rates only generate \$72,092.05 in revenue, resulting in a revenue shortage of \$3,800 from the residential class of customers.

***Rates that generate the above revenue amounts:***

Present monthly minimum - includes 5,000 gallons	\$ 5.75	applies to all users
Commodity rate in excess of 5,000 gallons	0.50	all users - per 1,000 gallons
ROO residential monthly surcharge amount	\$ 17.50	residential users only
ROO lodge monthly surcharge amount	2,900.00	lodge only
ROO commodity surcharge rates:		
5,001 - 25,000 gallons	\$ 3.00	all users - per 1,000 gallons
25,001 - 65,000 gallons	4.50	all users - per 1,000 gallons
in excess of 65,000 gallons	6.00	all users - per 1,000 gallons

**ANALYSIS OF 5/8 BY 3/4 INCH BILL COUNT INFORMATION**  
**Adjusted Bill Count Usage Distribution and Rates**

Line	A Midpoint (in 1,000 gals)	B Upper Bound (in 1,000 gals)	C Number of Bills By Block	D Gallons by Block (in 1,000's)	E Cumulative Number of Bills	F Cumulative Gallons (in 1,000's)	G Cumulative Percent of Total Bills	H Cumulative Percent of Total Gallons
1	0	0	502	-	502	-	34.20%	0.00%
2	0.25	0.5	280	70.00	782	70.00	53.27%	2.07%
3	0.5	1	128	64.00	910	134.00	61.99%	3.97%
4	1.5	2	156	234.00	1,066	368.00	72.62%	10.91%
5	2.5	3	102	255.00	1,168	623.00	79.56%	18.46%
6	3.5	4	70	245.00	1,238	868.00	84.33%	25.72%
7	4.5	5	35	157.50	1,273	1,025.50	86.72%	30.39%
8	5.5	6	29	159.50	1,302	1,185.00	88.69%	35.12%
9	6.5	7	20	130.00	1,322	1,315.00	90.05%	38.97%
10	7.5	8	24	180.00	1,346	1,495.00	91.69%	44.30%
11	8.5	9	20	170.00	1,366	1,665.00	93.05%	49.34%
12	9.5	10	14	133.00	1,380	1,798.00	94.01%	53.28%
13	11	12	21	231.00	1,401	2,029.00	95.44%	60.13%
14	13	14	24	312.00	1,425	2,341.00	97.07%	69.37%
15	15	16	10	150.00	1,435	2,491.00	97.75%	73.82%
16	17	18	5	85.00	1,440	2,576.00	98.09%	76.34%
17	19	20	4	76.00	1,444	2,652.00	98.37%	78.59%
18	22.5	25	10	225.00	1,454	2,877.00	99.05%	85.26%
19	27.5	30	5	137.50	1,459	3,014.50	99.39%	89.33%
20	32.5	35	4	130.00	1,463	3,144.50	99.66%	93.18%
21	37.5	40	2	75.00	1,465	3,219.50	99.80%	95.41%
22	45	50	1	45.00	1,466	3,264.50	99.86%	96.74%
23	55	60	2	110.00	1,468	3,374.50	100.00%	100.00%
24	65	70	-	-	1,468	3,374.50	100.00%	100.00%
25	75	80	-	-	1,468	3,374.50	100.00%	100.00%
26	85	90	-	-	1,468	3,374.50	100.00%	100.00%
27	95	100	-	-	1,468	3,374.50	100.00%	100.00%
28	OVER	101	-	-	1,468	3,374.50	100.00%	100.00%
29			<u>1,468</u>	<u>3,374.50</u>				

30								
31					<b>KRWC SURCHARGE PROPOSED</b>		<b>REVENUE</b>	
32					Total Bills =	1,468		
33					Total Gals =	3,375		
34	<b>Average Number of Customers</b>		<b>122</b>		Surcharge = \$	20.09		29,492.12
35	<b>Average Usage in Gallons</b>		<b>2,299</b>		Tiers Proposed =			4,343.25
36	<b>Median Usage in Gallons</b>		<b>569</b>					
37					<b>TOTAL SURCHARGE REVENUE =</b>			<b>\$ 33,835.37</b>
38								
39								
40	<b>PRESENT RATES</b>			<b>REVENUE</b>	<b>TOTAL KRWC REVENUE PROPOSED</b>		<b>REVENUE</b>	
41	Total Bills =		1,468		Total Bills =	1,468		
42	Total Gals =		3,375		Total Gals =	3,375		
43	Present Min = \$		5.75	\$8,441.00	Present Min = \$	5.75	\$	8,441.00
44	Tiers =			687.00	Surcharge = \$	20.09	\$	29,492.12
45					Tiers Proposed =			5,030.25
46	<b>TOTAL PRESENT REVENUE =</b>		<b>\$9,128.00</b>					<b>TOTAL REVENUE =</b>
47								<b>\$ 42,963.37</b>

**Current and KRWC/ROO Proposed Revenue for 2009 Usage Distributions**  
**Adjusted Residential Usage Distribution and Revised Rates**

A	B	C=A+B
REVENUE FROM PRESENT RATES	KRWC/ROO PROPOSED SURCHARGE REVENUE	KRWC PROPOSED TOTAL REVENUE

**Residential**

Base Rate	\$ 8,441.00	\$ 29,492.12	\$ 37,933.12
Commodity Rate(s)	687.00	4,343.25	5,030.25
Total Residential	\$ 9,128.00	\$ 33,835.37	\$ 42,963.37

**Lodge**

Base Rate	\$ 69.00	\$ 34,800.00	\$ 34,869.00
Commodity Rate(s)	717.40	7,258.80	7,976.20
Total Lodge	\$ 786.40	\$ 42,058.80	\$ 42,845.20

**Total System Revenue per**

<b>Bill Count Calculation</b>	<b>\$ 9,914.40</b> <sup>1</sup>	<b>\$ 75,894.17</b> <sup>2</sup>	<b>\$ 85,808.57</b>
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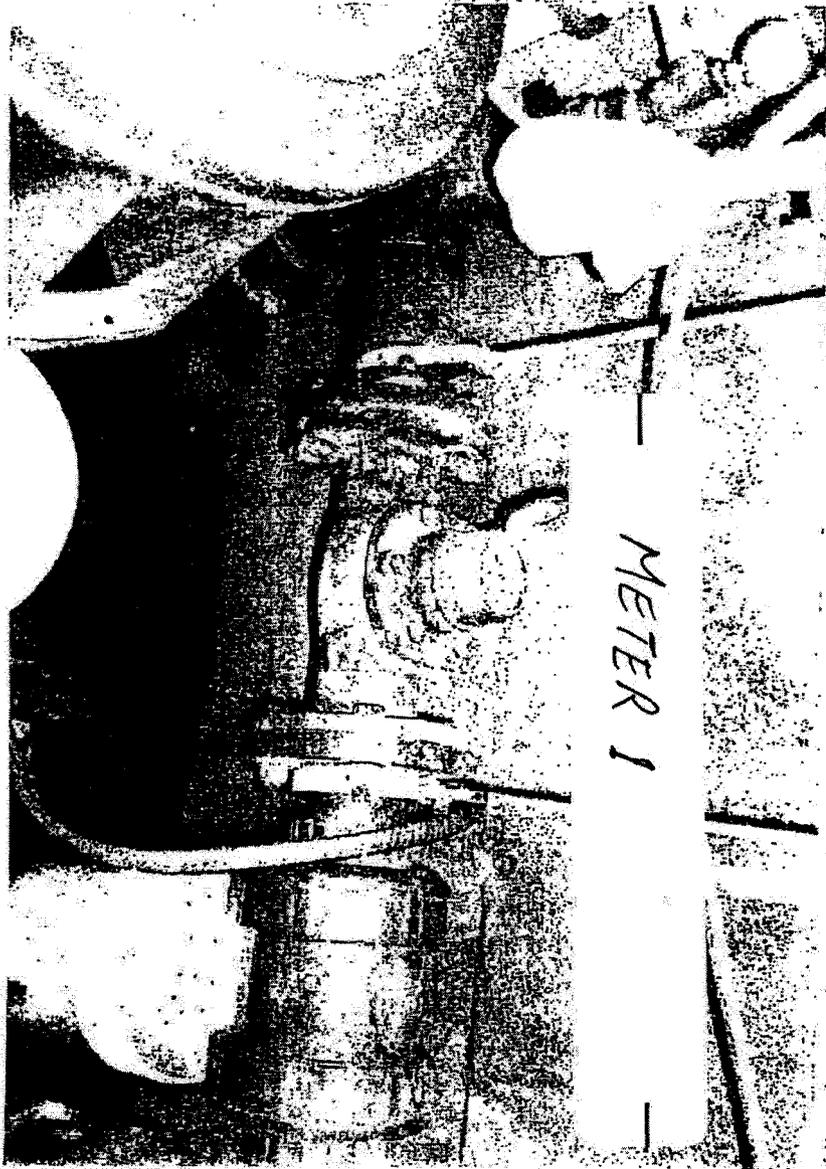
<sup>1</sup> This amount represents the amount of 2009 revenue that KRWC would have earned had the one customer not had a substantial leak in March 2009.

<sup>2</sup> The ROO states surcharge revenue from both classes should be \$75,892.05, KRWC is proposing revised rates for the residential class that will recover the \$3,800 shortage resulting from the rates as proposed in the ROO. This amount is very close to the amount recommended in the table on page 25, item 78, of the ROO.

**Rates that generate the above revenue amounts:**

Present monthly minimum - includes 5,000 gallons	\$ 5.75	applies to all users
Commodity rate in excess of 5,000 gallons	0.50	all users - per 1,000 gallons
KRWC residential monthly surcharge amount	\$ 20.09	residential users only
ROO lodge monthly surcharge amount	2,900.00	lodge only
ROO commodity surcharge rates:		
5,001 - 25,000 gallons	\$ 3.00	all users - per 1,000 gallons
25,001 - 65,000 gallons	4.50	all users - per 1,000 gallons
in excess of 65,000 gallons	6.00	all users - per 1,000 gallons

**EXHIBIT B**



METER 1

